

Cooper Investors Global Endowment Fund



QUARTERLY COMMENTARY | DECEMBER 2023

AFS LICENCE NUMBER 221794 ABN 26 100 409 890

FUND STRATEGY

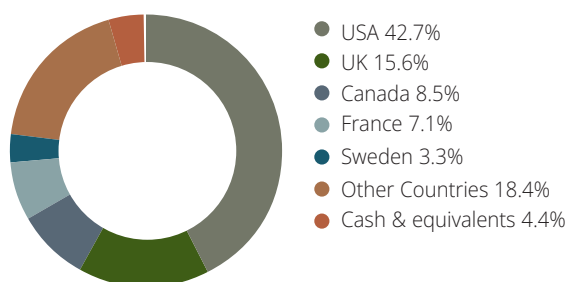
The objective of the Fund is to generate long term returns by investing in a range of internationally-listed securities through the application of our VoF investment process. It is a diversified, long only portfolio of 25-50 stocks. The Fund aims to have lower volatility than the global equities market and to out-perform the market during periods of market weakness. It may be considered appropriate as part of an overall portfolio for people / entities in the pensions / decumulation phase as well as charities and endowments.

FUND FACTS

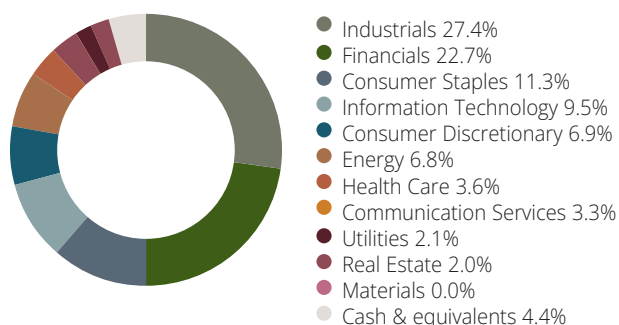
Portfolio Manager	Chris Dixon
Stock Restrictions	The Manager will not invest in companies whose primary business is the production of tobacco, controversial weapons or gambling
Inception Date	5 December 2016
Benchmark**	MSCI AC World Net Divs AUD
Management Fee	1.0% per annum of the Net Asset Value (before fees and expenses) plus GST calculated and paid monthly in arrears directly from the Fund
Performance Fee	Nil
Unit Pricing	Every Tuesday and the last day of the month
Minimum Investment	\$500,000
Maximum Cash	20%

** From 1 November 2022 the Fund is benchmarked against MSCI AC World Net Divs AUD. Prior to this, the Fund was benchmarked against MSCI ACWI 100% Hedged to AUD Net Dividends.

CURRENT HOLDINGS BY COUNTRY*



CURRENT HOLDINGS BY SECTOR*



*numbers are approximate / may be rounded, CI internal sector definitions
Data Source: Internal CI data reports, 31 December 2023

FUND PERFORMANCE#

	Portfolio	Benchmark	Relative
3 months	1.18%	5.02%	-3.84%
1 Year	12.42%	21.45%	-9.03%
3 Year*	3.69%	5.14%	-1.45%
5 Year*	9.53%	10.11%	-0.58%
Since Inception*	9.75%	9.13%	0.62%
Since Inception^	93.10%	85.55%	7.55%

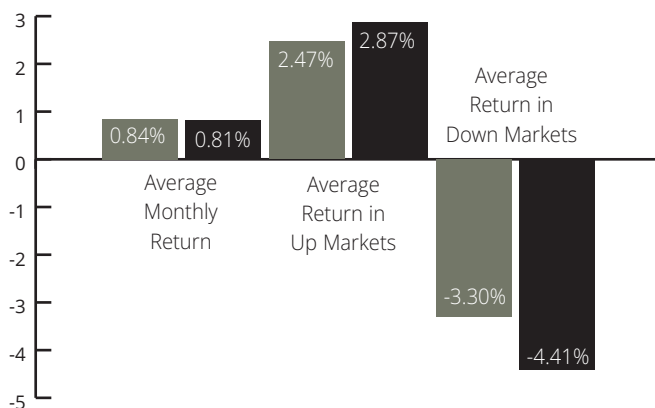
* Annualised
^ Cumulative since inception refers to the inception of the Strategy (5 December 2016). The inception of the Fund was 1 May 2017.
Returns are gross of fees and expenses.
Past performance is not a reliable indicator of future performance.
Data Source: Internal CI data reports, 31 December 2023

PORTFOLIO SNAPSHOT

Stock	Subsets of Value
American Water Works	Bond Like Equities
Rentokil	Stalwarts
Aker ASA	Asset Plays
Brookfield Asset Management	Growth
Ferguson Plc	Cyclicals

Data Source: Internal CI data reports, 31 December 2023

GROSS PERFORMANCE IN UP AND DOWN MARKETS



● Cooper Investors Global Endowment Strategy
● MSCI AC World Net Divs AUD
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Data Source: Internal CI data reports, 31 December 2023

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The portfolio returned +1.18% in the quarter and +12.42% for the year, slightly better than the annual return since inception of ~10% per annum.¹

Since inception, the Strategy has returned +93.10%, beating the global equity benchmark of +85.55%.¹

	Grow	Protect	Fund	Index
Volatility	15.3%	12.3%	12.1%	14.1%
Downside Capture	101%	61%	75%	100%
Upside Capture	104%	82%	87%	100%
Beta	1.01	0.68	0.78	1.00
Correlation	0.93	0.79	0.91	1.00

Data Source: CI internal data, 31 December 2023

December's meeting of the Fed delivered clear evidence this tightening cycle is over with several rate cuts now forecast in 2024. Bonds surged into year-end with US 10Y Treasury yields falling from their 5% October peak to 3.88%.

The disinflationary impulse was aided by oil (WTI) falling ~25% from its September peak despite OPEC supply cuts and ongoing conflict in the Middle East.

The biggest contributors to return in the quarter were Ferrovia, the London Stock Exchange Group (LSEG) and L'Oreal, adding ~50bps each. In November, Ferrovia announced the sale of its 25% stake in Heathrow airport for £2.4bn, a valuation 20-70% above where the asset was marked in analyst models. Further good news came in December with a tariff increase on a key asset, Toronto toll road ETR-407, which had seen a price freeze since the onset of COVID in early 2020.

LSEG conducted its Investor Day (we attended in London), which saw positive developments on revenue and margin guidance, as well as an additional £1bn buyback announced.

The biggest detractor to return was Rentokil Initial (-121bp). The business is currently busy integrating *Terminix*, a key Pest Control acquisition. Elements of the integration on the ground (closing branches, letting go of sales staff and field technicians), are acting as headwind to organic growth during a tricky macro period.

¹ Past performance is not a reliable indicator of future performance.

Pest Control is an enduring stable industry and we see this as a temporary challenge for management to overcome, beyond which Rentokil will be a much better and more profitable business with a far stronger US presence.

PORTFOLIO UPDATES

The portfolio owns 33 listed securities and is highly diversified across region, industry, size, ownership structure and business model. At period end, the portfolio is close to fully invested with cash at ~4%.

Recently we have observed several holdings doing bolt-on M&A deals. Danaher bought Abcam (consumable proteins business) for \$5.7bn, and Fortive acquired EA Electro-Automatik (electronic test solutions) for \$1.4bn. Its noteworthy as these businesses are what we call 'Capital Allocator Champions' – they are the horse-whisperers of M&A, among the most astute management teams we know around capital discipline. It's interesting to see these respected management teams opening their wallets for assets after biding their time during several years of high multiples.

The Fund sold its position in gold royalty and streaming company **Franco-Nevada (FNV)** early in the quarter. FNV has been an excellent investment since our initial buy in 2019 at ~CAD117 per share.

As a royalty play, FNV offers gold exposure without the complexity and drag on cash that miners can face from opex and capex. The key tail risk for this type of asset is geopolitical or expropriation events and unfortunately this has occurred. In November the Panama Supreme Court ruled the operating contract on Cobre Panama, one of the world's largest open-pit copper mines, as unconstitutional. Local workers have protested on labour rights and environmental concerns, encouraging the local government to shut the mine down.

While FNV neither owns or operates the mine, it has gold and silver streaming rights that equate to ~20% of NAV. Our initial assessment was that a) we expect international arbitration to ultimately realise some value for investors but b) the issue will rumble on and represent a negative ESG overhang on the stock for some time. By acting decisively after the initial news, we were able to exit at ~CAD170 per share as we felt risks were not priced in. FNV is now down to CAD145 per share, discounting a 100% loss of any value ascribed to Cobre Panama. We continue to engage with management and monitor the story as it develops.

Terms and Conditions

Financial product advice contained in this document

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