COOPER INVESTORS
GLOBAL EQUITIES FUND (HEDGED)
QUARTERLY COMMENTARY REPORT

Cooper Investors Pty Limited AFS Licence Number 221794 ABN 26 100 409 890

For current performance information please refer to the Monthly Performance Report.

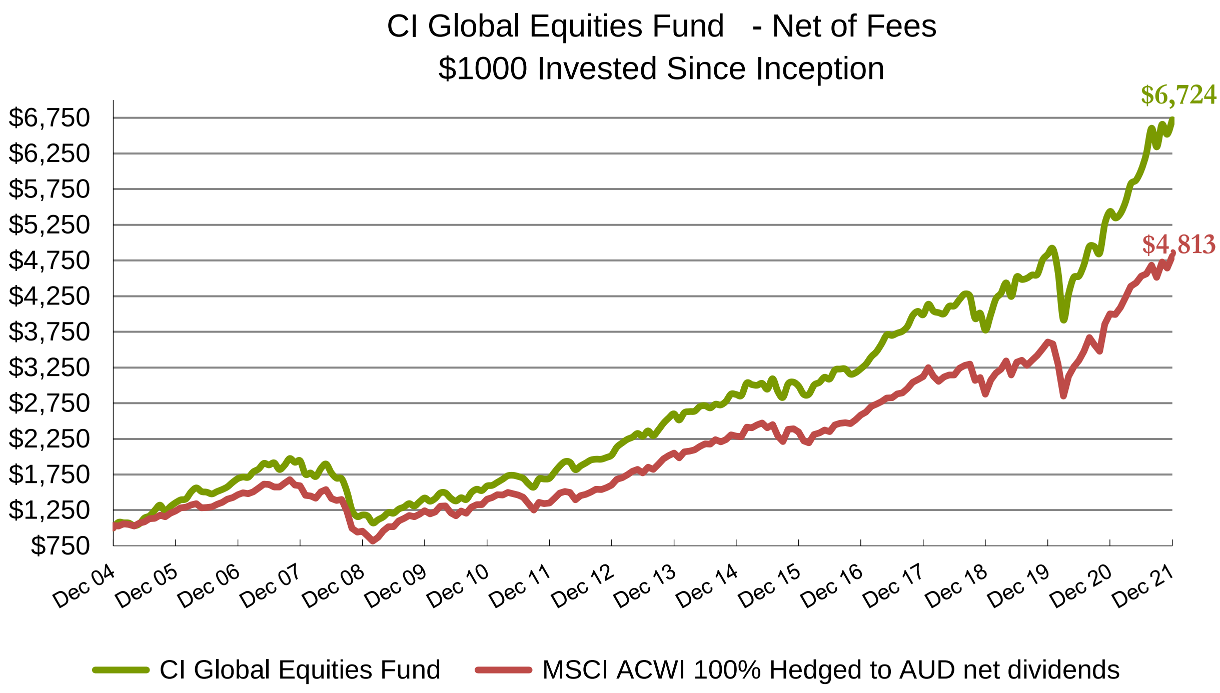
DECEMBER 2021

"The price of freedom is eternal vigilance." **Desmond Tutu**

"Tomorrow belongs to those who can hear it coming." **David Bowie**

	**PORTFOLIO	#BENCHMARK	VALUE ADDED
ROLLING 3 MONTHS	6.01%	6.63%	-0.62%
ROLLING 1 YEAR	23.64%	20.24%	3.40%
ROLLING 3 YEAR	21.22%	18.74%	2.48%
ROLLING 5 YEAR	15.77%	13.24%	2.53%
ROLLING 7 YEAR	12.92%	11.21%	1.71%
ROLLING 10 YEAR	14.76%	13.53%	1.23%
SINCE INCEPTION*	11.80%	9.63%	2.17%
SINCE INCEPTION^	572.34%	381.25%	191.09%

*Annualised
^Cumulative (1 December 2004). Initially, the Fund invested predominately in Australian equities. However since May 2006, the Fund has been invested in a broad range of global equities.
**Net of fees and expenses
MSCI ACWI 100% Hedged to AUD Net Dividends
Past performance is not necessarily a reliable indicator of future performance



Source: NAB Asset Servicing

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Market and Portfolio Commentary

There is a feeling of déjà vu in coming to the end of 2021 for equities investors. It's been another year dominated by negative COVID headlines but another year of stellar equities returns.

In recent months the latest variant Omicron has spread rapidly across the world, leading to the reimposition of lockdowns, mobility restrictions and international border closures in some countries (albeit early signs suggest the severity of disease from this variant is lower).

Equities markets have brushed this off along with almost all other bad news, pushing higher into the final quarter to deliver another year of remarkable performance. The MSCI AC World is on a streak of three consecutive years of double digit returns. 2021 was a particularly strong year for the US where the S&P500 made 70 record new highs and has now doubled since 2018, an amazing statistic considering the economic volatility endured across the world in that time.

As usual index level returns tell only half the story with a more nuanced analysis found below the surface.

2021 was led by Developed Markets, particularly mega cap US technology companies which continue to drive a significant proportion of index returns. The US contributed +19% of the MSCI AC World's return of +26%, of which a third of the total US contribution came from just 6 stocks. This phenomenon of 'big outperforming small' accelerated in the last quarter with the S&P +11% for the quarter and the Russell 2000 only +2%.

A consequence of index methodology means that concentration within key reference indices are rising to historically significant levels. Thus, the largest five and ten stocks in the MSCI AC World now account for ~13% and ~18% of index weight respectively, above previous highs last observed before the dotcom crash in the late 90s.

This is noteworthy as major index composition impacts market participant behaviours via strategic asset allocation and shifts in passive flows. Risks rise at extremes and with five stocks today valued at greater than $1 trillion the equities market's return becomes dependent on fewer and fewer names.

Of course, market dysfunction leads to opportunities. As the mega caps suck in more and more capital some of the wonderful medium-sized businesses where we focus our time can become temporarily neglected, opening the door for those watching closely. In recent months there has been quite a sharp sell-off in many highly priced technology stocks. With the sell-off led mainly by hype names with new or unproven business models and little to no earnings, some high-quality established technology businesses on our Watchlist were also sold down in the fray. With ongoing earnings growth this has caused multiple contraction, de-rating them to multi-year low valuations. We see minor hiccups in long term stories for great businesses and are in the process of establishing positions.

Overall 2021 has been a satisfying year for the portfolio's return profile, mainly for two reasons – firstly outperformance of a narrow market, and secondly a good dispersion of winners.

Regarding the first, we aim to own a portfolio of global businesses that exhibit rich sources of Value Latency.

This includes the goodies that we can see and value confidently but also the 'hidden treasure', the goodies that *might* be there; those smart strategic deals, disruptive innovations or extra bits of operational efficiency that consensus wasn't expecting and wasn't discounted in the price paid. Consistent identification of these requires Pattern Recognition, Risk Adjustment and Proprietorial Management teams to back into our investment propositions. By their nature these are not typically found in 'hot stocks', the names that are in vogue or universally loved by the market. Ergo the portfolio owns only 1 of the top 30 index names and only 7 of the top 200 - in effect the portfolio is 34% 'underweight the Top 200'. It can take time for Value Latencies to be realised, so in years where markets are +20% led by a small number of mega caps we know from experience it's tough for the portfolio to outperform. In that context the portfolio's outperformance of a strong and narrow market has been pleasing.

Secondly in terms of dispersion of winners, while (as usual) one or two investment ideas have not played out as we would have hoped, the vast majority of investments have performed well with a broad spread of positive value-add contributions across thirty-odd names. It is encouraging to see a good breadth of winners across the portfolio. This indicates to us that a consistent and repetitive application of the investment process (that we aspire for with the CI Way) is occurring, rather than reliance on a handful of moon shots to drive performance. Contributions to return have been widely diversified across the important focus areas of the portfolio, with particularly strong performance in 2021 from Healthcare (**Danaher**, **Eurofins**, **IQVIA**), Financial Infrastructure (**AON**, **Intercontinental Exchange**, **Arthur J Gallagher**) and Vertical Software (**Intuit**, **Synopsys**, **Topicus**). There were also strong returns from investments that are benefiting from the ongoing recovery in property, construction, infrastructure and housing markets such as **Colliers**, **Brookfield**, **Techtronic** and **Ferguson**.

Part of the discipline of managing the portfolio continues to be recycling capital from investments where, on balance, observable Value Latencies have been exhausted. Thus in 2021 a number of longer-term positions that had done very well were sold and redeployed into new opportunities. Examples include **Roper** and **CME Group**, both 5+ year holds which more than doubled during their time in the portfolio.

For the 3 months and 12 months to December 31st the Fund returned +6.0% and +23.6% respectively. This compares to the benchmark which returned +6.6% and +20.2%.

Significant contributors to return for the quarter were **Ferguson** (ongoing strong recovery in operating trends), **API Group** (solid recovery in revenue growth, completed Chubb Fire & Security acquisition) and **Costco** (same store sales continue to grow at mid-teens rates).

The largest detractors to return for the quarter were **Cosmos Pharmaceuticals** (conservative 2022 guidance), **Yum China** (COVID lockdowns continue to drag in some Chinese provinces) and **Just Eat Takeaway** (food delivery companies sold off 20-30% in Q4).

The Portfolio

The portfolio is positioned around Subsets of Value:

- **Stalwarts** (30% of the portfolio) – sturdy, strong and generally larger companies with world class privileged market and competitive positions (AON).
- **Growth companies** (34%) – growing companies with identifiable value propositions using traditional value metrics and run by focused, prudent and experienced management (Costco).
- **Bond like equities** (4%) – stocks with secure, low-volatile dividends that can be grown and recapture inflationary effects over time (Ferrovial).

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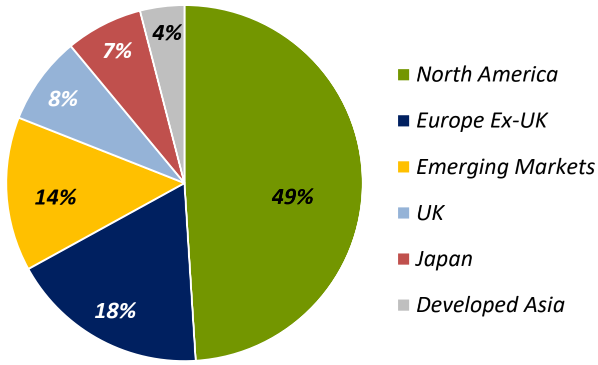
- **Low risk turnarounds** (7%) – sound businesses with good management and balance sheets. (Vontier).
- **Asset plays** (4%) – stocks with strong or improving balance sheets trading at discounts to net asset value or replacement value (Sony Corp).
- **Cyclicals** (16%) – stocks showing both upside and downside leverage to the cycle with experienced and contrarian managers who allocate capital prudently (Ferguson).

The portfolio is diversified by country and sector:

No. of Stocks	*42*
Region Weights *(by listing)*	*North America 57%* *Europe 24%* *Asia 16%*
Most OW Sectors	*Industrials, Health Care*
Most UW Sectors	*Com. Services, Materials*
Cash	*3%*

Geographical Exposure by Source of Revenues#



#Derived on a look-through basis using underlying revenue exposure of individual Fund stocks

Portfolio Changes

During the quarter the portfolio established a position in **Teleflex**, a diversified medical device company listed in the US. The business owns a portfolio of niche medical device tools used in both surgeries and minimally invasive procedures, generating around US$3bn in annual revenues. Teleflex was a conglomerate up until the mid-2000s when it pivoted to become a pure-play medical device company. This focus has helped drive double digit earnings growth over the last decade.

COVID has been a very difficult environment for medical device companies. Non-emergency operations have often been postponed and hospital productivity is down due to the COVID compliance requirements. The outbreaks of Delta variant then Omicron saw Teleflex sell down heavily as the full revenue recovery is likely to be further pushed out. Shares fell 30% between April and December with the multiple beginning to trade near ~20x earnings.

The company fits our Capital Allocator Champions cluster framework as it has a unique playbook to reinvest cash flows into acquisitions which complement the mid-to-high single digit organic growth profile.

Our investment in Capital Allocator Champions began some 10 years ago in niche industrial manufacturers. Over time we have seen many of these industrials using M&A to move into healthcare, a faster growing end market with significant barriers to entry. Typically, healthcare companies trade at reasonable premiums to industrials but today Teleflex trades at a significant discount to its industrial peers. We saw an attractive opportunity to investment in a leading medical device company with pent up demand.

In our previous letter we discussed the Responsible Investing aspects around the workplace issues disclosed earlier in the year at **Activision Blizzard**.

Subsequently, further information emerged including allegations and anecdotes of historic awareness and inaction to the issues within the ranks of executive management. So too the latest earnings announcement saw the Blizzard studio push out several game launches, a very real consequence of workplace issues in a human capital-based business. The remedial efforts required are greater than we originally thought and the position was sold in what has been a disappointing experience.

Finally, the portfolio also sold its position in **Fiserv** as competition in the financial technology space is only increasing and becoming more intense. We deployed the capital elsewhere in more attractive investment propositions.

Stock News

In mid-December portfolio holding **Rentokil Initial** announced its intention to acquire US-listed **Terminix Global Holdings** for around US$6bn. As a reminder Rentokil is the world's largest Pest Control business, providing annual contract-based prevention and extermination services to residential, commercial and government customers in over 80 countries across the globe.

Terminix is the largest provider of home termite services in the US and a top three player in residential and commercial pest. This deal will roughly double the size of Rentokil's Pest Control business in North America and take them to number one in terms of market share. While we are typically wary of large acquisitions that attract the label of 'transformational' we feel positive about this transaction for several reasons.

Firstly, route density economics. Pest Control is a 'route density' business - a technician with a truck services a number of sites on a route in the vicinity of their branch on a recurring basis. The more sites the technician can visit to check traps, lay down bait stations, fumigate basements and remove infestations, the higher sales, margins and returns are for that particular branch since higher revenues are earned over the same fixed cost base. So, acquisitions have long been part of the Pest Control landscape since it is highly accretive for bigger firms to acquire smaller independents and plug them into their routes. Margin expansion from 'fill-ins' which materially increase local density and market share can be significant, adding up to 5-10 points of margin in a single region. In acquiring the ~375 branches of Terminix in one fell swoop, Rentokil has a big opportunity to extract branch and route synergies.

Secondly, the brand. Rentokil is not just acquiring an estate of branches and technicians, but in Terminix is getting the most recognised brand in Pest Control in the US that's been around for a hundred years. Historically Terminix rebranded acquired tuck-ins to their famous green and white livery almost immediately and over the years has invested a significant amount in TV advertising. Today Terminix is the strongest Pest brand in terms of consumer sentiment and typically the first thing consumers enter into Google at the first sign of a snake or spider, translating to lower customer acquisition costs than peers. This brand has tremendous awareness and value which Rentokil don't appear to be paying much if anything for.

Thirdly, pattern recognition. The last decade at Terminix has seen constant change of ownership, corporate structure, philosophy and turnover at executive management level. As part of ServiceMaster the business was inconsistently run and bears the hallmarks of a neglected subsidiary within a former conglomerate, i.e. systems and processes underinvested, a sales force that has lost dynamism, and a disconnect between corporate HQ and field operations. Financial performance, while uninspiring, has not fallen off a cliff, indicative of the resilience and stickiness of the business. We have seen this movie play out before – a high quality acquirer with a strong integration team has an opportunity to clear out obstacles and problems that have been holding back performance and allow the full potential of what is still a fundamentally good business to flourish.

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Our view is that Rentokil's CEO Andy Ransom is an energetic and highly focused leader, with a strong track record of M&A and Rentokil have the best integration team in the industry. Paying around 14x EV/EBITDA post synergies seems like a reasonable price to pay for a mid-single digit growth annuity service business that elevates them to number one in the US, the world's best Pest Control market. The deal has not yet closed and there remains some anti-trust hurdles to clear in a number of countries, so we continue to monitor the situation.

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In recent years we have observed a growing market for music rights which represent another way for owners of record labels and music libraries like portfolio holdings **Warner Music Group** and **Sony** (via its subsidiary Sony Music, ~25% of our estimated enterprise value) to deploy capital, grow their businesses and create value for shareholders.

In the first few days of 2022 Warner closed a deal to acquire David Bowie's back catalogue for about US$250m which follows on from Bruce Springsteen's catalogue sale to Sony for upwards of US$500m and Bob Dylan's sale to Universal Music for a similar amount.

The trend in demand for music copyrights is clearly strengthening, with competition for these assets coming from traditional music companies (Warner, Sony) as well as specialist investors and private equity.

The attractiveness of these assets rests in the highly visible and growing revenues driven by the continued growth in digital streaming platforms. In addition, the pervasiveness of audio across newer platforms like social media (e.g. TikTok), activities like e-fitness (e.g. Peleton) or the metaverse (e.g. Roblox) provides further digital monetisation opportunities. These core attributes are also what underpin our investment propositions in Warner and Sony (in conjunction with its leading video game franchise).

Today's music industry is different from that of the past. The barriers to entry around recording and uploading a song to a platform like Spotify are de minimis, in fact over 20 million tracks are uploaded to the platform each year. The traditional 'gatekeeper' role of the major labels in identifying talent and providing a recording studio and manufacturing CDs is less important. However, the range of monetisation opportunities available today means that the labels still play an important role in the music ecosystem. Their scale and global reach are uniquely suited to maintain and grow share and relevance of superstar artists in what has become an increasingly fragmented market.

The fact that Warner and Sony have been entrusted as caretakers of catalogues that are the life's work of iconic artists like David Bowie and Bruce Springsteen is testament to this fact.

We see Value Latencies in these businesses owning and acquiring enduring and high-quality content that can be more broadly monetised and benefit from the secular growth in music streaming (expected to grow ~15% a year) yet trading today on reasonable valuations.

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During the quarter **IQVIA** held an Investor Relations day. Today IQVIA is a leading provider of technology solutions and clinical research services to the life science industry. The portfolio first invested in the IQVIA predecessor IMS Health in late 2015. IMS Health was taken private by private equity in 2010 and re-listed in 2014. Current CEO Ari Bousbib, a former executive at United Technologies was appointed CEO at its privatisation and has been the driving force ever since.

Under Ari's watch IMS first transformed itself from a drug prescription data business to a broader pharmaceutical services provider and then in 2016 merged with Quintiles, the leading Contract Research Organisation (CRO), a business that runs drug trials for pharmaceutical and biotech companies. This merger created the IQVIA we know today. While this was a merger on the surface it was anything but as IMS effectively took control of Quintiles with no premium paid, another in the long line of savvy moves made by Ari and the team.

Along the journey IQVIA management have consistently increased growth rates and expanded the opportunity set for the company. This is a highly commercial team that has built or sought out great quality businesses in attractive and growing life science markets. IMS was an ex-growth business in 2010 and by the time of the Quintiles merger had accelerated to low-to-mid single digits. With the addition of Quintiles and improvement across all aspects of the business revenue growth has been averaging high-single-digits.

At the IR day management now talked to a double-digit revenue growth opportunity. Their markets are growing as fast as they have ever been as more capital flows into biotech and life sciences development. While we have owned the shares for over six years the business outlook today is the strongest we've ever seen it and IQVIA remains a core position.