Cooper Investors Endowment Fund

QUARTERLY REPORT September 30, 2024

AFS LICENCE NUMBER 221794 ABN 26 100 409 890

Performance Summary

Net Adjusted for Franking Credits	3M	FYTD	1Y	3Y*	5Y*	10Y*	Inception*	FY2024	FY2023	FY2022	FY2021	FY2020
Cooper Investors Endowment Fund %	7.79	7.79	15.66	5.43	7.79	9.48	9.17	4.59	11.14	-0.32	21.87	-1.92
S&P/ASX 200 Accumulation Index, adjusted for franking credits %	8.25	8.25	23.23	9.97	9.79	10.47	10.04	13.55	16.66	-5.13	29.10	-6.56
Relative %	-0.46	-0.46	-7.57	-4.54	-2.00	-0.99	-0.87	-8.96	-5.52	4.81	-7.23	4.64

Past performance is not a reliable indicator of future performance

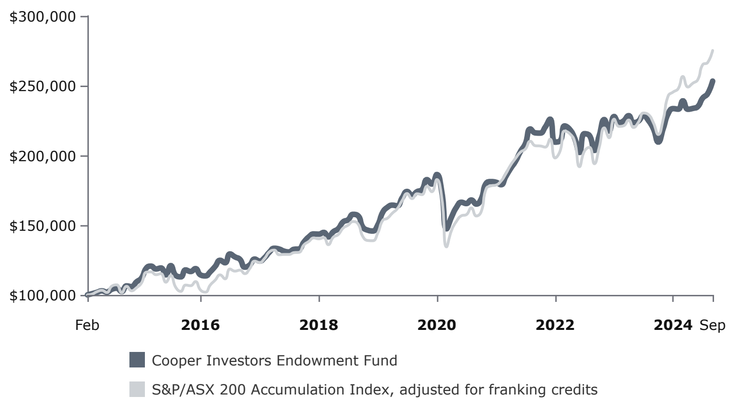
Source: Internal CI data reports, September 30, 2024

Inception Date: 3 March 2014

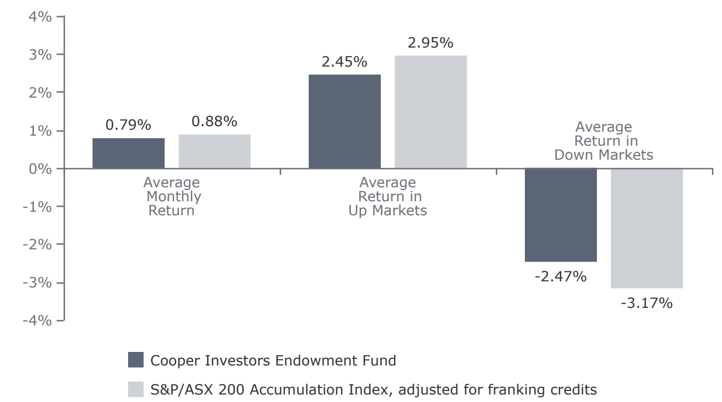
*Annualised

Download Data

$100K INVESTED SINCE INCEPTION (NET)



SINCE INCEPTION RETURNS IN UP/DOWN MARKETS (NET)



Past performance is not a reliable indicator of future performance

Source: Internal CI data reports, September 30, 2024

Fund Strategy

The objective of the Cooper Investors Endowment Fund (“the Fund”) is to generate long term returns by investing in a range of listed securities. The Fund is an equities portfolio designed for investors in the pension phase. The Fund will invest in companies who provide sustainable and growing income and through portfolio construction will have the primary objectives of having lower portfolio volatility than the Australian stock market and out-performing the market during periods of market weakness. It is a diversified, long only portfolio of 30-50 stocks. The Fund will be managed on the basis that all unit holders have a zero tax rate and will report and be measured on an after tax basis (allowing for franking credits). The Fund invests in listed Australian and New Zealand securities together with a maximum exposure of 20% to listed securities in other international markets. The Fund can hold up to 20% of the portfolio in cash.

Fund Summary

The Fund is a conservative equities portfolio that aims to steadily compound wealth over time.

Our key objectives are to perform relatively well in down markets, participate in rising markets, be less volatile than the market, and provide a growing distribution over time. We are focused on the enduring nature of the capital in the portfolio and on long-term outcomes.

We aim to achieve these objectives by constructing a highly diversified portfolio with stocks that are (as far as possible), uncorrelated to each other.

The strategy of the Fund is unchanged since it commenced in March 2014.

Market and Portfolio Performance

The Fund returned 7.8% over the quarter. Since inception the Fund has returned 9.2% versus the Reference Index which returned 10.0%. Pleasingly the fund also displayed strong performance during the August drawdown.[1]

Risk metrics since inception:

	Fund	Index*
Volatility	11.2%	13.6%
Downside Capture	74%	100%
Upside Capture	85%	100%
Beta	0.78	1.00
Correlation	0.95	1.00

Source: CI internal data

*S&P/ASX 200 Accumulation Index, adjusted for franking credits

The S&P/ASX200 was up 8.2% over the quarter, and up 23.2% for the year ending 30 September 2024.

Technology, REITS, Industrials and Consumer Discretionary were the best performing sectors during the quarter, up 16.06%, 13.77%, 9.33% and 9.32% respectively. Energy, Utilities and Healthcare all laggard the index down 9.00%, 3.25% and 0.41% respectively.

August reporting season was the key period during the September quarter and was broadly positive with the Australian Consumer Price Index holding up better than feared following 13 consecutive rate rises. Whilst uncertainty surrounding the outlook remained a key theme for consumer facing companies, the FY24 (and 2H) result saw management teams navigate this period through pricing, cost control and revised capital expenditure budgets. Capital management was also a key theme from reporting season with balance sheet optionality highlighted by acquisitions, capital management and divestments. The Portfolio remains positioned towards Stalwarts with a conscious focus on protecting capital in an uncertain outlook both with regards to economics and geopolitical events. As we look to 4QCY24, the result of the US election, success of China economic stimulus and escalating conflicts will likely be the driving factors

Portfolio stocks that performed well over the quarter included **Regis Healthcare (REG)**, **Channel Infrastructure (CHI-NZ)**, **Westpac (WBC)** and **HomeCo (HMC)**. Laggards included **Beach Energy (BPT)**, **Woodside (WDS)** and **EVT Ltd (EVT)**.

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

The Portfolio

The portfolio is diversified with key active sector weight positions in Communication Services, Healthcare, Energy and Consumer Staples.

We added to our **Regis Healthcare (REG)** position during the quarter as the government responded to the Aged Care Taskforce recommendations with legislation to improve funding in the sector and place the sector on a more sustainable trajectory. With the government funding overhang rectified, we believe Regis is well positioned to deliver solid returns over the medium term. As we have previously written about, our underlying investment thesis is underpinned by 1) the essential societal service of aged care supporting the multi-decade aging demographic profile expected in Australia; 2) industry funding clarity following a royal commission in 2018 and a final report in 2023; 3) supportive industry dynamics as the number of people over 80 years of age is expected to triple to more than 3.5 million over the next 40 years; and 4) Regis' leading market position (~3.5% market share). With balance sheet capacity to capitalise on this favourable backdrop, value latency and our positive investment view remains unchanged.

We increased our **Sigma (SIG)** position during the period with the Chemist Warehouse merger process continuing. Whilst we acknowledge regulatory risks remain, we look favourably on the ACCC's initial statement of issues and believe all parties (Sigma, Chemist Warehouse and the ACCC) can work through any concerns identified during the next consultation period. Chemist Warehouse is an extremely high-quality retailer with a compelling consumer offer, favourable unit economics and long term growth potential. ASX100 inclusion is likely should the proposed merger be completed as outlined.

We also added to **Aussie Broadband (ABB)** an NBN retailer with circa 8% market share and challenger to incumbents such as **Telstra Group (TLS)**, following the unsuccessful acquisition of **Superloop (SLC)** and the loss of an Origin white label agreement. Following these two events and subsequent share price weakness we saw significant value latency emerge given 1) ABB's core business (Retail, Enterprise & Government and Fibre) was performing strongly; 2) balance sheet optionality due to a prior raise for the Superloop acquisition and an 8% equity stake still then held in Superloop; and 3) a founder led business which had a track record of allocating capital prudently. At its result, Aussie Broadbane reported a strong operating performance and a focus on capital management declaring it's maiden dividend and we view this capital management as an ongoing value latency tailwind.

During the quarter we also added to our position in **BHP Ltd (BHP)**. As one of the lowest cost producers and a portfolio spanning Iron Ore, Copper and Potash. We believe BHP is a leading exposure to benefit for an improvement in China's economy following a challenging growth period post COVID.

With a strong focus on portfolio risk we exited our position in **Mineral Resources (MIN)** during the period as we grew increasingly cautious on Mineral Resources balance sheet (net debt/EBITDA circa 4x on FY25 consensus estimates) at this point in the cycle with Lithium and Iron Ore price volatility increasing. Mineral Resources remains on our watchlist and we would potentially look to add it back into the portfolio if those risk factors are rectified.

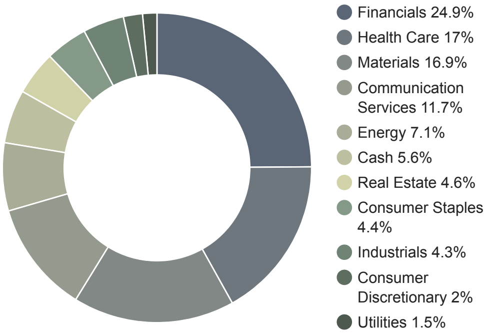
Consistent with our key objectives of balancing returns and downside protection, we added to our position in **HomeCo Daily Needs REIT (HDN)** which displays VOF attributes (Stalwarts, Asset Plays, and Improving Operating Trends) in the current economic cycle.

Portfolio Snapshot

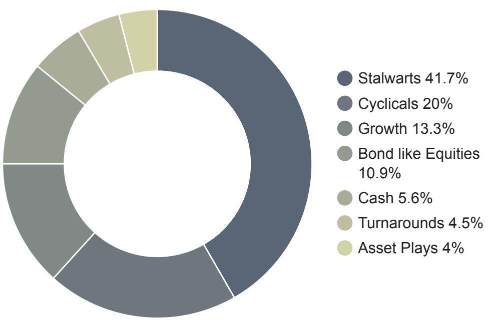
Source: Internal CI data reports, September 30, 2024

NAME	REGION	SUBSET
BHP Group Ltd	Australia	Cyclicals
Macquarie Group Ltd	Australia	Stalwarts
CSL Limited	Australia	Growth
Westpac Banking Corporation	Australia	Stalwarts
Telstra Group Limited	Australia	Stalwarts

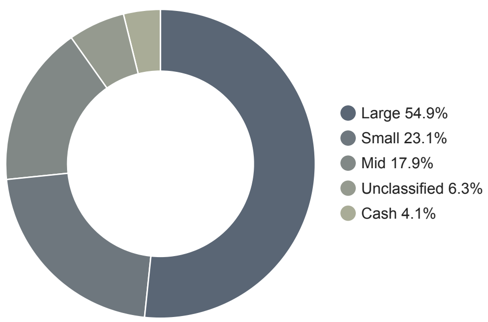
SECTOR EXPOSURE



SUBSETS OF VALUE



MARKET CAPITALISATION



Further Information

Looking for further information regarding the Fund, please don’t hesitate to get in touch:

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