CI ASIAN TIGER FUND
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.

JUNE 2016

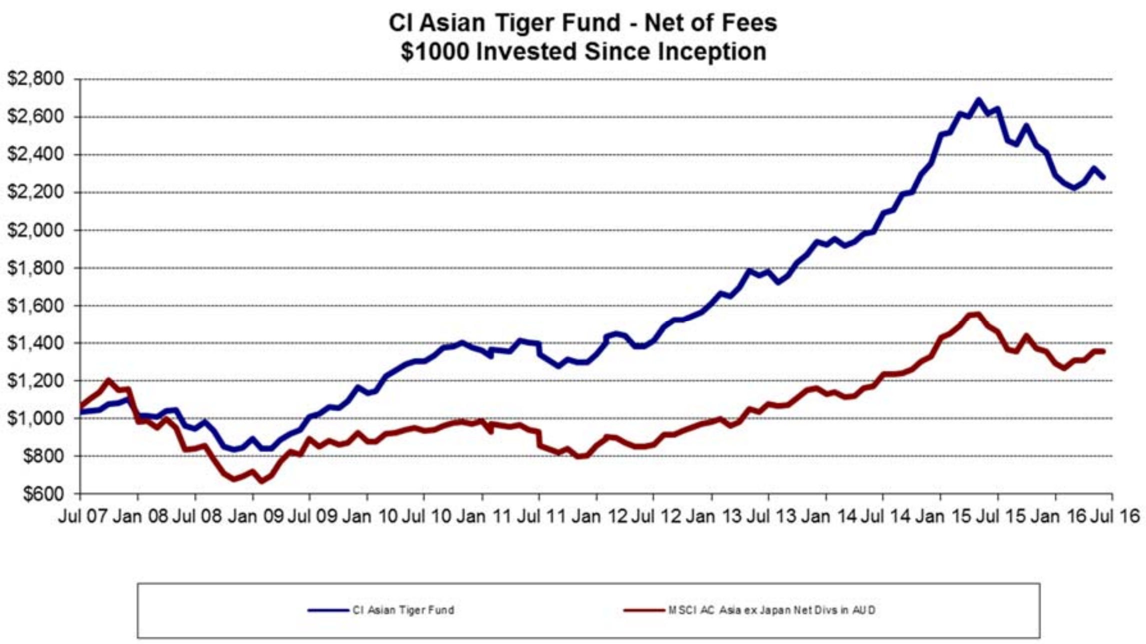
The longer the night lasts, the more our dreams will be…Chinese proverb

A smile will gain you ten more years of life… Chinese proverb

The gem cannot be polished without friction, nor man perfected without trial…Confucius

	**PORTFOLIO	#BENCHMARK	VALUE ADDED
ROLLING 3 MONTH	3.00%	3.72%	-0.72%
ROLLING 1 YEAR	-11.57%	-9.16%	-2.41%
ROLLING 2 YEAR	8.69%	7.62%	1.07%
ROLLING 3 YEAR	10.58%	9.34%	1.24%
ROLLING 5 YEAR	12.01%	7.58%	4.43%
ROLLING 7 YEAR	15.92%	7.61%	8.31%
SINCE INCEPTION*	11.50%	3.44%	8.06%
SINCE INCEPTION^	166.37%	35.54%	130.83%

*Annualised
^Cumulative (2 July 2007)
**Before fees and expenses
MSCI AC Asia ex Japan Net Divs in AUD



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Market and Portfolio Performance

The MSCI AC Asia Ex-Japan index had a very challenging financial year in 2015/16. The index fell 9.2% in A$ terms with net dividends, compared to a decline of just 0.6% in the MSCI AC World index on a similar basis. The fall would have been greater but for a rally in global markets in the three months to 30/6/16. That stated, in this period the MSCI AC Asia Ex-Japan index rose 3.7% in A$ terms with net dividends, while the MSCI AC World index rose a faster 4.3%. Despite the continuance of the same strategy, a low beta (0.87%) and an average net debt to equity ratio of -2% the ATF had a poor year, underperforming its benchmark by -2.41. Please see the section entitled Portfolio Performance for further comments.

The USA market, which rose +4.71% (MSCI USA) in A$ terms with net dividends over 2015/16, seems to have been helped by a wide variety of factors. Investors seem to be focused on non-GAAP (pro forma) earnings rather than GAAP earnings. This is important; the average difference between the two in the 1Q of 2016 was nearly 29% (source Factset). Adjusted, the USA market multiple increases from 18.1x in 2016 (source JP Morgan) to somewhere between 23-24x, at a time when corporate profit growth is falling. Other factors helping the market have been share re-purchases and ongoing M&A transactions. Much of this activity has been funded by debt, at a time of record low interest rates and elevated profit margins. This makes us question its sustainability.

Over the last 12 months, there was again the seemingly typical wide variation in performance from Asian stock markets. The best three stock markets in A$ terms with net dividends were Indonesia (+9.5%), the Philippines (+4.2%) and Korea, which limited its fall to just 0.4%. China was the worst performing market by a considerable margin, dropping 20.9% in A$ terms with net dividends. Needless to say China's performance had an adverse impact on the MSCI AC Asia Ex-Japan index given its benchmark weighting of just over 40%. Other poorly performing markets were Singapore (-8.7% in A$ terms with net dividends) and Hong Kong which was down 7.9% on a comparable basis. Over the last quarter, trends were a little different. The Philippines, Indonesia, India and Thailand did well and Malaysia was the only regional market to record a negative return.

MSCI Data with net dividends	June Qtr 2016 in A$ terms	June Qtr 2016 in local currency terms	12 month end of June 2016 in A$ terms	12 month end of June 2016 in local currency terms
AC World	4.3%	1.2%	-0.6%	-3.2%
AC Asia ex JP	3.7%	1.0%	-9.2%	-10.0%
China	3.4%	0.1%	-20.9%	-23.3%
Hong Kong	4.3%	1.0%	-7.9%	-10.7%
India	7.2%	5.7%	-3.5%	-0.9%
Indonesia	7.5%	3.7%	9.5%	5.1%
Korea	2.0%	-0.5%	-0.4%	-0.3%
Malaysia	-2.8%	-2.8%	-3.0%	0.4%
Philippines	9.3%	8.1%	4.2%	5.3%
Singapore	3.7%	0.3%	-8.7%	-11.6%
Taiwan	4.0%	0.9%	-5.9%	-4.6%
Thailand	6.2%	2.7%	-4.21%	-3.3%

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Over the 12 months ending the 30/6/16 the A$ performance against currencies in Asia was very mixed. The A$ was weakest against the Indonesian rupiah (-3.99%), Singapore $(-3.17%) and Hong Kong $(-3.06) and strongest against the Chinese RMB (+3.79%) and Indian rupee (+2.68%). Given weak commodity prices, with oil falling 18.9% and copper declining 16.3% over 2015/16, this is hardly surprising. Gold was the standout commodity performer rising from US$ 1171.5oz to US$ 1318.4oz or 12.5% over the last financial year. As the World Gold Council recently pointed out "The available supply of gold changes little over time – growing only 2% per year through mine production. In contrast, paper money can be printed in unlimited quantities to support monetary policies". As a non-correlated, liquid, diversifying asset, gold seems likely to continue to benefit from safe haven capital inflows. Clearly many doubt the ability of global politicians and central bankers to sort out the world's economy. We sympathise.

As mentioned previously the Chinese stock market was materially weaker over the 2015/16 financial year, as investors increased their focus on some of the country's more challenging issues. One of the main ones is the country's property dilemma. Summarised, residential property "starts" exceeds residential property sold and China has nearly five years of excess housing inventory. Just over two thirds of this excess inventory is in Tier three and four cities.

Although Chinese property investment was negative in the fourth quarter of 2015, it subsequently rebounded before moderating again. The government, keen to ensure its 2016 GDP growth target of 6.5%-7% is achieved, has provided ongoing policy support. Indeed, reserve requirement ratios for major banks have fallen from 20% in 2014 to 17% today. Furthermore, official interest rates have been cut from 6% to 4.35% over the same time period. Property prices in cities like Beijing, Shanghai and Shenzhen remain very expensive selling at average price to income ratios of between 15%-20%. From a property perspective, government policy needs to be "balanced" between Tier 1 cities and others, as each face different challenges. This is no easy task.

With a weak economy leading to lower profitability, many companies in China, especially State Owned Enterprises (SOE's), are finding the current environment very challenging. Furthermore, many SOE's remain highly leveraged, which, despite low interest rates, is compounding the problem. This is particularly true in sectors suffering from over capacity like steel, coal and utilities, although industries like real estate, construction materials and manufacturing also face financial stresses. These factors in turn have negative implications for the Chinese financial sector.

The IMF in its Global Financial Stability report published in April 2016 updated its estimate of potential bad debts in China. In a sample of over 3,000 companies, it looked at loans potentially at risk, which it defined as a bank loan with an interest coverage ratio (EBITDA / interest) of below one. The outworking was US$1.3tr of commercial bank loans to the corporate sector were potentially at risk. The IMF assumed a 60% loss ratio which yielded bank losses on these loans of US$756bn or 7% of GDP. The IMF thought this number was "manageable" given:

- "Estimated losses are equivalent to around 1.9 years of projected bank pre-tax profits for 2015"
- "Bank Tier 1 capital totals about $1.7tr or 11.3% of system risk weighted assets and bank reserves are US$356bn".
- "China's public debt at 43% of GDP in 2015 provides space to address current estimates of potential bank losses".

Worth highlighting is that the numbers vary substantially based on the assumptions used, making forecasts fraught with uncertainty.

Nevertheless, the IMF highlighted the importance of China addressing the issues it faces in both the corporate and banking sectors, and to do so in a timely manner. Failure to do so will only increase the country's vulnerability to economic shock.

Another feature of recent activity in China has been the massive increase in the issuance of corporate bonds. While a well-regulated and functioning corporate bond market is positive, many of those taking advantage of low interest rates, are from the weaker corporate sectors. This increases the likelihood of defaults occurring just at the time retail exposure is increasing, often via wealth management products.

Last year's turmoil in China's financial markets led to capital outflows and RMB weakness. Part of this related to the unwinding of the "carry trade" and China's ongoing move from an investment to consumption based economic model. Although vulnerabilities remain, the IMF believes "China's ongoing current account surplus, low external debt, large reserves and capital controls should allow flows to stabilise."

China's economic transformation is being negatively impacted by the previously mentioned financial woes, making a speedy resolution to them important. The Government appreciates this, but as CLSA recently highlighted "The major initiatives to date have been debt to bond swaps, debt to equity swaps, NPL securitisation, bank IPO's and selling NPL's to asset management companies". These efforts have been fragmented and a more comprehensive policy is now badly needed. Ideally this will occur before the implementation of IFRS and Basel III in 2018. The Government must also encourage deleveraging and provide for workers that lose employment in "old economy" industries by widening and strengthening the country's social security network.

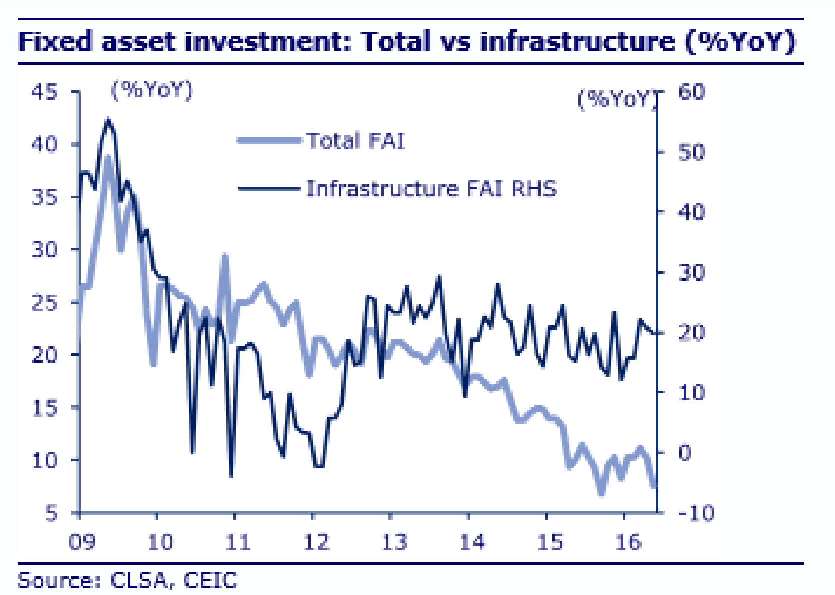
All up, the IMF estimates China's total debt to GDP ratio is around 225%. Some 40% of this is government debt; another 40% comprises household debt and the residual 145% company debt. Furthermore, SOE's account for 55% of the corporate debt and generate only 22% of economic output. This is the real challenge, as both government and household debt remain comparatively modest.

China's foreign exchange reserves declined US$28bn to US$3,192bn in May 2016. While the number was not as bad as expected, the RMB has continued to depreciate against the CFETS 13 RMB Index basket (see chart below). This new index is designed to refocus the markets attention on a wider basket of currencies (the largest weightings are the US$, Euro and Yen) rather than just the US$.

CFETS 13 currency index

Source: CLSA, DataStream

Against this background China's growth continues to slow. This was highlighted in China's most recently announced fixed asset investment numbers for May which continued to weaken (see chart below). Remember, the three largest components of fixed asset investments in China are property, manufacturing and infrastructure.



During the quarter, MSCI announced it would "delay including China A shares in the MSCI Emerging Markets Index". Following the massive volatility in A Share markets last year and high numbers of stock suspensions, the MSCI have opted for a period of further observation. This will help them to assess the "effectiveness of new trading suspension policies". However, other issues remain, an example being the 20% monetary repatriation limit. A further review will occur in June 2017 or sooner if "significant positive developments occur".

Hong Kong was another disappointing market over the last 12 months. Sentiment in Hong Kong remains very subdued, as it continues to suffer from a weak property market, sliding retail sales, lower numbers of Chinese tourists and anaemic credit growth. This is having an adverse impact on employment growth in those industries and real GDP growth is likely to be only around 1% this year. Despite this challenging environment, the Hong Kong market, like that in Singapore, continues to have dividend yield support and a currency that is "pegged" to the US$.

While the Taiwanese stock market had a negative return over 2015/16, it outperformed the benchmark. Having been elected President of Taiwan, Tsai Ing Wen assumed office in May 2016. As the country's first female president she faces the challenge of maintaining a harmonious relationship with China, given her party, the DPP, has historically been in favour of independence. With real GDP likely to be around 1% this year, Taiwan needs new growth initiatives. Whether these are in the form of Cross Strait Service trade agreements or tax treaties, they will depend on maintaining and improving the country's dialogue with Beijing. Highlighting the weak nature of global trade, Taiwan's monthly export numbers have declined each month in 2016 (negative 11% in 2015). Nevertheless, imports have also been weak and Taiwan continues to run a massive current account surplus (14.5% GDP). This has made the NT$ a stable currency. Official interest rates were recently cut from 1.50% to 1.375% reflecting the country's weak economic backdrop.

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Given the similarities between Korea and Taiwan, it is not surprising Korea's exports in Calendar 2016 have also been weak. Furthermore, Korea also has a significant current account surplus (nearly 8% GDP 2015) which has helped support the Korean Won, albeit less so recently. With manufacturing subdued, the domestic economy has been helped by the property sector. This sector and related construction activity have benefited from government policy stimulus, but activity (and credit growth) is now slowing. Nevertheless, Korea's poor demographic profile and elevated household debt, suggest GDP will remain tepid in the absence of external stimulus. With this in mind and inflation subdued (less than 1% year on year), the Central Bank reduced interest rates from 1.50% to 1.25% in June. Perhaps the main positive for Korea "near term" is the possibility of corporate reform and restructuring amongst the Chaebols. This seems to be gradually occurring, with one obvious positive implication, being the trend towards higher dividend payout ratios. Perhaps partially reflecting this the Korean market was the third best performing regional market in 2015/16, ending the year virtually unchanged.

While the Indian market out-performed its benchmark over the last 12 months, its overall return was still negative, despite a good bounce in the last three months. Indian PM Narendra Modi and the BJP have now been in government for over two years. While the metamorphosis in the Indian economy was always going to be complicated and take longer than was expected, progress has been made. Corruption scandals which plagued the previous Congress Party have been noticeably less absent. There has been more action on government infrastructure spending, the budget announced earlier in the year maintained "fiscal discipline" and the Reserve Bank of India has reduced inflation. In regard to reforms, the Bankruptcy Law has been passed, but not the Land Acquisition and GST Bills. Furthermore little progress has been made in the area of Labour reforms. This situation is not helped by the fact the BJP does not control India's Upper House, the Rajya Sabha.

Equally disappointing is the continued failure of an investment cycle to yet materialise. Furthermore, India's projected 2016/17 GDP number of 7.6% continues to feel high relative to "activity on the ground". Remember, the methodology by which India's GDP is calculated, was changed last year, from factor cost to market price. On a more positive note, there seems to be greater urgency and authenticity from the government to resolve the long standing asset quality issues facing the Indian banking sector. A good example of this is the Bank Board Bureau under Vinod Rai.

Positively, during the quarter the government approved the implementation of the 7th Pay Commission. This move will see some 10m central government employees receive a 23.5% increase in pay, allowances and pensions. Perhaps twice as many people working for state governments and public sector undertakings will also benefit, boosting domestic consumption. India continues to be materially influenced by external factors such as the subdued global economy, the highly volatile oil price and unpredictable weather, in a country where the monsoon is critical for agriculture. In June, the Reserve Bank of India (RBI) maintained its repo rate at 6.5% which was in line with market expectations. Nevertheless further reductions in Indian interest rates seem likely. Important influences will be oil prices and the monsoon season. The RBI expects growth and CPI inflation to be 7.6% and 5.0% in 2017.

Lastly in regard to India, it was disappointing to learn the Reserve Bank of India Governor Dr R Rajan will be returning to academia, when his term ends on the 4/9/16. Dr Rajan has done a very good job at the RBI from the standpoint of maintaining the independence of the Central bank, while lowering inflation and interest rates. He has also been very vocal on the need for reform in the Indian banking sector, especially among the Public Sector banks. However there was political pressure from those within the government, who thought interest rates would have been cut further and faster. Furthermore, Dr Rajan "spoke his mind" ruffling political feathers.

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These factors coupled with moves by the government to dilute the RBI's powers have meant Dr Rajan was not offered another term. Much will now depend on the credibility of his successor, particularly for the Indian rupee and the bond market.

Further Indian State elections were held during the last three months and the results highlighted the ongoing demise of the Congress Party. When the BJP competes for voters directly against the Congress Party it seems to have much greater success, than when it does against regional parties. To this end, the BJP won Assam, the Communist Party of India Kerala, the Trinamool Congress West Bengal and the ADMK Tamil Nadu. It would appear the segmentation of Indian politics along cast, religious and ideological lines is actually helping the BJP to strengthen its position in the country.

The Thai stock market fell 4.2% in A$ terms over the last 12 months, but also recovered sharply in the June quarter. It would appear the referendum on a new Thai Constitution will be held in August this year. Assuming it is passed, it will open the way for a general election next year. This will end some three years of rule by the military Junta headed by General Prayut. Nevertheless, with the way the new constitution is written, the Thai military will continue to exert significant influence over government.

Political risk seems to have dissipated in Malaysia, following asset sales by 1 Malaysia Development Berhad and the reaffirmation of Najib Razak as the President of the United Malays National Organisation or UMNO. While the recent appreciation in the oil price is a positive for Malaysia, its current account surplus has fallen from 4.3% of GDP in 2014 to 2.9% of GDP in 2015.

Fortunately lower oil prices have been offset by the Malaysian Government's decision to raise revenue (GST and other taxes) and cut costs (lower subsidies). Nevertheless, with both exports and domestic demand remaining weak, GDP growth this year is expected to fall to a little under 4.0%. The Government's ability to further support the economy through infrastructure spending will be heavily dependent on the oil price.

Indonesia was the best performing Asian stock market over the year ending 30/6/16 gaining 9.5% in A$ terms with net dividends. Shortly after the release of a good annual inflation number for May (3.3%), Bank Indonesia again cut the official interest rate by a further 25bps in June. Lowering inflation and stability in the rupiah are critical ingredients for further declines in interest rates. The Central bank's targeted inflation range is 3%-5% and this coupled with a desire to stimulate domestic demand, were the primary factors behind the latest rate move. Another positive for Indonesia occurred in June, when the Indonesian government passed a Tax Amnesty bill. It is hoped this will increase tax receipts by around US$12.5bn by expanding the country's tax base. Estimates suggest there are only some 30m of registered taxpayers in Indonesia out of a population of over 260m.

During the June quarter the Philippines elected a new president, Rodrigo Duterte. He was previously the mayor of Davao City in Mindanao and did much to clean up the place and reduce crime. President Duterte is very popular with ordinary people and has a reputation for getting things done, albeit some of his tactics have created controversy. Economic activity remains strong in the Philippines buoyed by domestic consumption and investment in fixed assets. Having amounted to US$18.4bn in 2014, revenue from the BPO industry in the Philippines amounted to nearly US$22bn in 2015 and will grow further this year. The BPO industry now employs over 1million people. In contrast, overseas worker remittances grew 4.6% to US$25.7bn in 2015. The Philippines was the best performing market in the June quarter and the second best in financial 2015/16.

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Portfolio Performance

The Fund's material underweight in Korea was the biggest detractor from a country allocation standpoint for the year ended June 2016. Our overweight positions in India and ASEAN contributed positively, partially offset by the Fund being underweight in Taiwan. Cash and FX also made a positive contribution to performance. The Korean index performance was driven by Samsung Electronics (potential corporate restructuring and improving operating momentum) and the Consumer (tobacco and cosmetic) and Healthcare (biosimilar) sectors.

From a stock selection standpoint, Max Financial Services (Indian life insurer, benefited from corporate restructuring and merger announcement), City Union Bank (regional bank which saw good operating performance and undemanding valuations), LPI (Malaysian life insurer, yield and stable operating performance), Bank Rakyat Indonesia (re-rating and stable operating performance) and Holcim Philippines (beneficiary of industry consolidation and a revival of infrastructure spending) contributed positively.

On the other hand Boer Power, Standard Chartered, Kepco Plant Service (all of which were discussed in the previous quarterly), Tao Heung and Towngas were amongst the worst contributors to fund performance. In the case of the latter two stocks, we think liquidity (or lack thereof) had an outsized impact on share price performance notwithstanding some earnings disappointment (competition and anti-corruption issues impacted Tao Heung, a restaurant operator, whilst China's industrial slowdown impacted Towngas). We would also note the impact of "country effect", i.e. ASEAN/Indian outperformers and largely China underperformers.

Whilst the overall performance for FY16 was disappointing, we remain optimistic about the prospects for the Fund. To this end we have further strengthened the ATF with the addition of a new team member in the form of Johny Tan, who has been investing in Asian markets for over 10 years. Johny, who is Indonesian, but of Chinese background, is fluent in Bahasa and Mandarin. Having previously had his own business, he also spent a number of years with Arisaig Partners and Mercer. Prior to relocating to Melbourne, where members of his family already live, Johny lived and worked in Singapore. With his extensive experience in Asia, investment expertise and wide knowledge of the consumer space in the region, we are delighted Johny has joined Cooper Investors. As part of the evolution of the fund we have also taken the opportunity to streamline and sharpen the focus of some of the funds dealing and research capabilities.

Korea and Taiwan Trip Comments

We were pleasantly surprised by the positive "vibe" of meetings during our two week visit to the region in June. Both countries, which are export orientated in nature, face well-documented challenges from an uncertain global economy, negative demographic trends (low birth rate and ageing) and political "uncertainty". Some of the more interesting industry observations and trends are now summarised.

Defence - A leading company summed up Korea's competitiveness in the defence sector and the government's strong support as follows "Korea is surrounded by three super powers, Japan, Russia and China, and then there's North Korea". The sector in Korea and Taiwan has a long operating history and enjoys high barriers to entry. The local replacement cycle underpins earnings, with upside from penetrating export markets in both defence and commercial jets. The latter benefits from growing tourism, as well as outsourcing trends in both commercial jets and their component suppliers.

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Automotive - This industry is also well established and has benefited from government support and a history of joint ventures with foreign brands (which aids technology and management, amongst other things). Both countries appear to have leveraged their technical and manufacturing expertise in electronics to automotive components manufacturing. Several Taiwanese companies seem to have penetrated the global automotive supply chain and are benefiting from greater electrification for safety and communications, electric vehicle and auto-driving industry trends. China is also a big potential market for safety-related parts, with regulatory support likely. A manager at Hyundai Motor noted Tesla's new model at USD 35,000 came as a "wake-up call" to the industry and the trend towards electric and more environmentally vehicles would continue. Cost (battery represents 35-40% of cost in an electric vehicle vs. 15% for an engine in a conventional one) and driving distance (it is not possible to reach 500km with current technology) are challenges that need to be overcome.

Digital - The disruptive impact of the Internet continues to be seen in a number of industries. For example NAVER Pay (owned by Korea's leading internet platform company) was launched in June 2015 and currently has 11m users and generates Won 280b/ month in transaction value. In travel, 25% of tour bookings in Korea are undertaken online and this is rising (40% is the comparable figure in Japan). An advertising agency commented that digital media enjoys better measurability and more precise audience targeting, which has shifted bargaining power away from media owners to advertising buyers and agencies. However for the latter, creativity and innovation are as important as size and scale.

Semiconductor and testing companies - Handset demand is slowing and the consumer electronics industry remains weak. However, technology continues to evolve and new growth drivers can be seen in automotive electrification, Internet of Things (with industrial applications), Smart Homes and Virtual reality, albeit mass commercialisation of these may be 1-2 years away. Entry barriers are extremely high (capex for 1 fab lab amounts to USD 10 billion yet plant effective useful life is very long which materially disadvantages late entrants, whilst customised solutions and greater scope are required in testing with technology advancements). Given this, time in market is a self-reinforcing competitive advantage.

Consumer –The demand for "basic" consumer products continues to experience low growth in both countries. In addition, government regulations make it difficult to increase prices in alcoholic beverages, instant noodles and milk in Korea (provides relief to highly indebted householders facing high youth employment). However, wellbeing products such as water/air purifiers or food supplements continue to outgrow GDP, and companies appear to have pricing power. Door to door is a well-established channel in both these countries and membership trends appear positive. On the other hand, there seems to be oversupply (at both brand and supplier level) in bikes and garments globally. However, on a positive note, vendor consolidation remains underway, benefitting Taiwanese manufacturers.

Chaebol restructuring – The Korean market trades at a discount to the region partly due to complicated company structures with their associated corporate governance issues and low dividend yields. The government seems determined to force companies to improve their ownership structures – for example, internal company / shareholding transactions, which form part of a holding company re-structuring are tax free only until 2018. Transforming to a holding company would increase transparency among affiliates and subsidiaries, and as family shareholding interests' would likely be consolidated to one company, aligns minority interests with those of the family, and may also encourage higher dividend payouts.

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Market Outlook

Since the recent Brexit results in June, there has been much publicity on its likely impact on Asia. Clearly in the UK even HM Treasury expects Brexit to lower growth, increase inflation and result in more jobless claims, at least in the near term. Fortunately, Asia will be relatively immune from these developments, as exports from countries in the region to the UK are very small (less than 1% of GDP). However the indirect impact on the Asian region is harder to ascertain, as this will be dependent on currency, bond, equity and commodity movements. While the pound has been predictably weak, so has the euro. This is because some European countries like Greece and Italy may see Brexit as an opportunity to negotiate with Brussels for better terms, to alleviate financial stress. If this is not forthcoming, speculation quite rightly, has centred on whether they too could opt out of the euro or even the union, threatening its very existence. With this heightened level of uncertainty and ongoing political (immigration and security) and economic issues (banking solvency), the impact is not positive for growth in Europe. This will impact more seriously on export orientated Asian economies. Lastly, if all this leads to US$ strength, an outworking is likely to be commodity price weakness. This is usually negative for emerging markets and world trade and Asia would not be immune.

Against this background interest rates seem destined to remain very low in USA and negative in much of Europe and Japan for longer than expected. Despite slowing global growth, the world remains inundated with liquidity. With many shares, including those in Asia, having attractive yields relative to bonds, equities should continue to receive support. This should be particularly true in Asia where valuations appear relatively attractive (2016-P/E ratio est 14.3x /source JP Morgan) compared to the USA (2016- P/E ratio est-18.1x/source JP Morgan) and trouble plagued Europe (2016-P/E ratio est 16.1X/source JP Morgan). Nevertheless investors would be wise to moderate growth expectations, as the world remains a very uncertain and unpredictable place. In this environment some investment in gold seems an increasingly worthwhile consideration as an insurance policy.

Portfolio Characteristics

	Portfolio	Benchmark	Variance
Number of Stocks	51	624	-573
Beta	0.87	1.00	-0.13
P/E (X)	14.6	12.6	1.99
Yield (%)	2.7	2.8	-0.14
P/B (X)	2.0	1.4	0.66
Historical EPSg(%)	11.5	9.3	2.22
Forecast EPSg(%)	8.8	3.8	4.98
Return on equity (%)	14.2	10.7	3.48
Dividend Cover (x)	2.8	2.8	-0.09
Net Debt/Equity (%)	-2.00	23	-25.08

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Amendment to Constitution

The Australian Government has enacted legislation which establishes a new tax regime for managed investment trusts that qualify as attribution managed investment trusts (“AMIT”). Cooper Investors intends to elect to apply the new AMIT regime from 1 July 2016. Under this new regime, taxable income will flow through to unit holders on an attribution basis, rather than a distribution basis and it will also facilitate Cooper Investors allocating realised capital gains arising from the sale of assets in order to fund a significant redemption to the redeeming unit holder. This is instead of a pro rata distribution of realised capital gains based on unitholdings.

In order for the Fund to be operated in a manner permitted by the AMIT regime, Cooper Investors has amended the Constitution of the Fund.

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