CI BRUNSWICK FUND
QUARTERLY REPORT

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

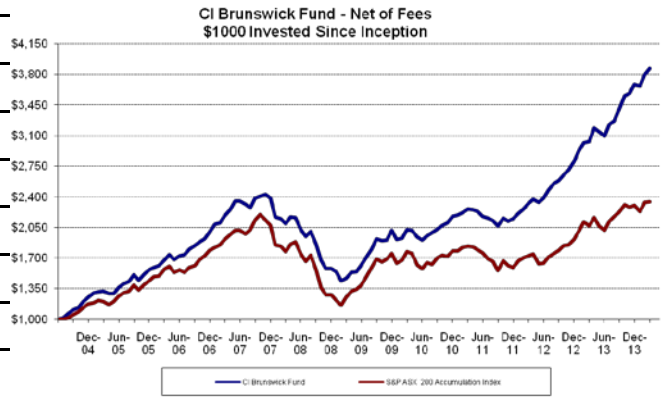
MARCH 2014

"The moment a person forms a theory, his imagination sees in every object only the traits that favour that theory". Thomas Jefferson.

"Confine yourself to the present". Marcus Aurelius.

	****PORTFOLIO**	**#BENCHMARK**	**VALUE ADDED**
ROLLING 3 MONTH	5.53%	2.09%	3.44%
ROLLING 1 YEAR	30.40%	13.46%	16.94%
ROLLING 2 YEAR	31.39%	16.69%	14.70%
ROLLING 3 YEAR	22.09%	8.54%	13.55%
ROLLING 5 YEAR	23.51%	13.39%	10.12%
ROLLING 7 YEAR	10.34%	2.98%	7.36%
SINCE INCEPTION*	18.63%	9.14%	9.49%
SINCE INCEPTION^	429.01%	134.68%	294.33%

* Annualised
^ Cumulative (1 July 2004)
** Before fees and expenses
# S&P ASX 200 Accumulation Index



Market and Portfolio Performance

The S&P/ASX200 Accumulation Index rose over the quarter and year to 31 March 2014 by 2.09% and 13.46% respectively. Global stock market performance was mixed. Over the quarter, in comparison with Australia, the S&P500 rose 0.85%, UK FTSE 100 fell 1.27% while the China A shares Index fell 1.23%. We note that developed market Bourses around the world hit all-time or multi-year highs during the quarter, against a backdrop of rising geopolitical tension in Europe/Asia.

Half year earnings results were broadly in line with expectations. Companies continue to focus relentlessly on costs to drive earnings growth and increase dividends. Consensus earnings expectations continue to suggest a recovery in top line growth is anticipated over the next 12 months.

The portfolio returned 5.53% and 30.40% over the quarter and year. Over the quarter, portfolio out-performers included TPG Telecom, TFS Corporation and Lifestyle Communities while under-performers were Village Roadshow, Telstra and ASX.

The Portfolio

During the quarter the portfolio established new positions in Energy Developments, Tribune Company and Rubik Financial whilst selling down positions in Tatts Group, Standard Chartered and Alchemia. We also increased our position in Oil Search, following its capital raising to fund the acquisition of a 23% gross interest in the Elk/Antelope gas discovery in PNG.

The portfolio remains positioned around five pillars or stock clusters:

- **Stalwarts** (35% of the portfolio) – sturdy, strong and generally larger companies with world class privileged market and competitive positions. (Woolworths, Recall and Telstra)

- **Bond like equities** (7%) – stocks with secure, low-volatile dividends that can be grown and recapture inflationary effects over time. (AIA and Carindale)

- **Niche growth companies** (30%) – growing companies with identifiable value propositions using traditional value metrics and run by focused, prudent and experienced management. (Vitasoy, Summerset and TPG Telecom)

- **Asset plays** (13%) – stocks with strong or improving balance sheets trading at discounts to net asset value or replacement value. (Amalgamated Holdings and WH Soul Pattinson)

- **Turnarounds** (12%) – sound businesses with good management in place and good balance sheets essential. We especially like government to private turnarounds. (Fletcher Building and Transpacific Industries)

Currently the portfolio holds around 3% cash and another 2% in high yielding hybrid securities such as Transpacific Preference Shares. The portfolio has around 7% of assets invested in overseas markets excluding NZ stocks or 23% including NZ stocks. These positions are spread across US, UK, Singapore and Hong Kong listed companies.

Portfolio attributes as at March 2014 are summarized below:

P/E	17.3
Beta	0.79
Yield	3.3%
P/Book	2.3x
ROE	12.9%
Tracking error vs. ASX 200	5.35%
Stock Numbers	36

Major sector exposures are:

Sector	**Portfolio Weight**
Financials	29%
Industrials	17%
Consumer Discretionary	11%
Consumer Staples	4%
Telecommunications	10%
Energy	8%
Healthcare	3%
Materials	6%
International Equities*	7%
Cash	3%

** Excludes NZ stocks which are considered domestic along with Australian listed securities.*

During the quarter we sold **Tatts Group (TTS)**. The Tatts lotteries business is a high quality franchise and the company has acquired/integrated State lotteries acquisitions well over the years, nonetheless there are now limited opportunities to grow the domestic business in this regard and management will need to venture offshore to pursue acquisition led growth, increasing the risk profile for the company. The wagering business is also facing some emerging headwinds ~ in June 2014 Tatts' exclusivity agreement for its Queensland retail wagering licence expires at around the same time that its agreement with QLD Racing is set to be renegotiated, which creates uncertainty and risk around the cost of racing content for Tatts going forward.

On the back of our visit to the US we established a new position in **Tribune Company (TRBAA)**. Tribune is a US media company that re-emerged from bankruptcy in early 2013 (after 4 years of filing/restructuring) with a clean balance sheet, new board/management and a new strategy.

Tribune's portfolio of businesses consists of:

Broadcasting: Tribune operates 39 TV stations in the US and is the largest independent TV broadcast group. Tribune is the #1 Fox and CW affiliate group and also owns WGN America which is the last remaining US 'superstation' and distributed to 75m homes.

Publishing: Tribune is the 2nd largest US newspaper publishing group and owns 8 major-market daily newspapers and related businesses including the LA Times and Chicago Tribune.

Equity Investments: Tribune owns a portfolio of media investments including 31% of TV Food Network (TVFN), 28% of Classified Ventures (cars.com and apartments.com) and 32% of careerbuilder.com.

Tribune Media Services (TMS): TMS is a global leader in the provision of entertainment related data such as TV listings, schedules, movie show times and online video/music data. The business generates predictable, subscription based revenues supported by long-term customer contracts.

Over the last 6 months, newly appointed CEO Peter Liguori has announced 3 major transactions that set the path for the company going forward:

1. Acquired Local TV Holdings (LTV) in Dec 2013 for $2.7bn ~ the acquisition transforms Tribune into a genuine multi-platform content/distribution business by adding 19 TV stations in 16 markets, most of which are ranked no. 1 or 2 in revenue share in their respective markets;

2. Acquired Gracenote for $170m with the transaction expected to close in early 2014; and

3. Announced plans to spin-off Tribune's publishing assets by the end of this year.

The key points behind our investment proposition include:

- Prior to the LTV transaction, Tribune was a sub-scale TV broadcasting business. Post-acquisition the company should be well placed to leverage its scale and negotiate more favourable agreements with affiliates, maximise national advertising opportunities and take advantage of its larger footprint to distribute video and digital content. Management has guided to $100m of synergies on the back of the deal, which we view as conservative.

- WGN America is a unique asset that has lacked focus over the last 5 years. There is a big opportunity to improve its performance by investing in network programming/marketing to drive distribution and earn more competitive affiliate fees that are at least on par with similar networks ~ despite its enormous reach WGN America is ranked 43rd amongst ad support cable networks). In the medium-term there is also an opportunity to convert the station into a basic cable network.

- Management has flagged the potential sale of non-core equity investments such as Classified Ventures, CareerBuilder.com and its valuable 31% interest in TV Food Network, which is the 8th highest rated ad-supported cable network in the US. In aggregate these investments could realise over $2bn.

- Tribune owns an extensive portfolio of latent real estate assets (8m sq/ft across 76 properties) that includes Tribune Tower in downtown Chicago and Times Mirror Square in downtown LA. There is a significant opportunity to better monetise the property portfolio by selling, redeveloping or reletting the properties over a 2-3 year period.

- We are attracted to the consolidating nature of the US TV broadcast industry and note with interest recent transactions such as Media General's acquisition of LIN Media for $1.6bn, Gannett's acquisition of Belo Corp for $1.5bn and Sinclair Broadcast Group's $985m acquisition of 8 TV stations from the Allbritton family.

- Over and above these specific initiatives we believe there is scope for management to optimise the underlying business through cost reduction, reinvestment and increased focus.

Rubik Financial (RFL) ~ during the quarter we purchased Rubik Financial. Rubik is a technology provider to the financial services industry through the provision of financial planning software to wealth advisers and banking solutions to financial institutions. Since the business was founded in 2008, Rubik has made a series of acquisitions, including the acquisition of COIN from Macquarie Bank ($26.4m), Provisio ($4.4m) and the Temenos T24 distribution licence.

The key points behind our investment proposition include:

- The business serves a large, profitable and growing ecosystem of well-established customers including banks, wealth managers, accountants and financial planners.

- Rubik is well placed to benefit from industry tailwinds such as regulatory change (FoFA and increasing compliance) and a shift to the provision of services from the cloud that in aggregate will grow Rubik's overall market and provide new opportunities for the company to value-add through its platform and application solutions.

- The company aims to organically grow EBITDA by 40% pa over the next 3 years, which we think is achievable through incremental investment in product development, transitioning clients to the cloud, improving customer service and pursuing adjacencies in wealth and banking.

- Over time, Rubik is well placed to pursue complementary acquisition opportunities that increase the client base and leverage complementary technology solutions.

- We also take comfort investing alongside a high quality Board/Executive team with considerable industry experience.

The portfolio participated in a private equity sell down and concurrent capital raising by **Energy Developments (ENE).** ENE has had a fairly colourful history – in the early 2000's it was a "market darling" and considered a potential leader in alternative waste and energy technology. The company was unable to live up to its promise and it was a perennial under-achiever that failed to deliver to expectations, predominately around the significant budget blow-out on their West Kimberley Project (budget $180m vs final cost $320m) and complete write-down of their investment in the SWERF alternative waste treatment facility ($160m).

Pacific Equity Partners (PEP) made a takeover offer for ENE during 2009/10 and while the bid was below the Independent's Experts valuation range ($2.75 vs $3.17-$4.09), PEP managed to gain control of ENE and moved to an 84% shareholding (although did not manage to get to 90% and a compulsory acquisition so it remained listed). PEP has done a great job increasing the focus and improving the operating performance of ENE. While ENE has done a lot of heavy lifting under PEP ownership, ENE still has plenty of opportunities for further improvement.

Key points behind our investment thesis include:

- Long duration and relatively predictable cash flows – ENE's asset base primarily consists of long duration energy generation infrastructure. In Remote Energy (~1/3rd EBITDA) the weighted average contracted period is to 2022 and in Clean Energy (~2/3rd EBITDA) the weighted average contracted period is to 2026. Over 80% of revenues are at fixed prices including 54% of capacity charge / take or pay revenues.

- Diversified asset base – ENE has a portfolio of 76 projects which reduces the reliance on any single asset.

- Growth options – ENE has a strong history of growth. It has grown its installed capacity by a CAGR of 17% over the past 25 years. Over the past 5 years it has expanded capacity by 264MW and the company is confident that it has a robust pipeline of further opportunities.

- Offshore earnings - ~25-30% of ENE's earnings are derived from the US and UK so ENE will experience a positive benefit if the AUD declines further.

- Solid balance sheet and good cash flow – net debt / EBITDA has been reduced to 2.5x following its recent capital raising – we consider this to be relatively conservative given the predictable nature of the cash flows. ENE produces strong equity free cash flow as the stay in business capital expenditure is relatively low given the sunk nature of their asset base – this allows ENE to either self-fund growth options or return capital to shareholders via fully franked dividends.

- Strong and well incentivised management team – Greg Pritchard (CEO) has done a great job re-focusing the business over the past few years. It has moved away from being a technology innovator and now only invests in proven technologies. Additionally, all projects over the past 4-5 years have been delivered on-time and on-budget. Mr. Pritchard's equity options provide him with a strong incentive to continue to create shareholder wealth.

- Alignment of interests with PEP – PEP plans to undertake a staged sell-down of ENE. It currently still owns 69% - we take a lot of comfort from having our interests aligned with these savvy private equity investors.

- Reasonable valuation – at ~7x FY14 EBITDA ENE is trading at a substantial discount to other listed infrastructure peers (that range from 12-18x). While we do not expect this gap to close completely, as we consider the cash flows to be slightly lower quality than those produced by airports and toll roads, we believe there is some potential for a multiple re-rate as ENE continues to deliver to plan in addition to some earnings uplift from growth projects. ENE is currently trading on a 4.3% fully franked yield and we believe there is the strong potential to increase dividends over time.

The key risks to the investment include a change to the current green energy policies (particularly the renewable energy target ("RET")) and the closure of mines to which ENE has exposure. Our base case around the review of the RET is that the Government will not seek to substantially impact the economics of existing green energy investments that have been made in good faith but will attempt to reduce the burden of further investment required to meet the current target. We believe that ENE's primary exposures are to tier 1 / lowest cost quartile mines so we believe the risk of closure is low.

Stock News

In February, **TFS Corporation (TFC)** announced a long-term supply agreement for its sandalwood oil with a global pharmaceutical company priced at around $4,500/kg. Although at the very formative stages, we think the agreement provides further evidence of end-market demand as well as establishing a new, large market opportunity in over-the-counter pharmaceuticals. We remain attracted to TFC for the following reasons:

- The company's plantation asset is unique and it has been 20+ years in the making ~ it would be very difficult to replicate on a commercial scale within the next decade.

- TFC has developed genuine intellectual property across its vertically integrated business model that covers cultivation, plantation, processing and sales/distribution. It is well placed to increase its exposure to directly owned assets (that generate higher returns) over time.

- The business is moving into a cash generative phase after years of capital investment. The first plantation is now under harvest and there is a line of sight to a gradual improvement in cash flows.

- The company continues to make good progress addressing its corporate governance issues, including the recent appointments of Patrick O'Connor as Independent Chairman and Alistair Stevens as CFO.

- TFC is the sole surviving listed forestry business with some exposure to Managed Investment Schemes (MIS) following the high profile collapse of the industry between 2008 and 2010. The company stands to benefit from any increase in investment capital back into the MIS sector.

Lion Selection Group (LSX) announced that an Indonesian government authority signed a Memorandum of Understanding with a competitor that conflicts with LSX's existing mining licence at its Pani Gold Project in Sulawesi, Indonesia. While we are confident that LSX's agreement is legally enforceable and a working solution will be reached, the announcement highlights the risks around ownership rights in Indonesia (previously highlighted in the June 2013 Quarterly Report). LSX also announced a $150m financing package for the project with Macquarie Bank.

International Visits - Observations from CI's investment team

During the quarter we travelled to the US with a distinct focus on companies in the technology, entertainment and finance sectors.

While in the US we visited portfolio holding OzForex (OFX) along with a number of related competitors and industry contacts to dig deeper into the US international payments opportunity for the company. Our key takeaways were:

- OFX has invested heavily to establish a solid platform for growth in the US over the last 2-3 years and the company is well placed to build a profitable business with the potential for the division to become its largest and fastest growing segment over time.

- The US international money transfer market is extremely antiquated (at least 5 years behind Australia/UK) with less than 2% of the market transacted outside bank controlled in-branch wire transfer services. This presents an enormous opportunity for the company to win market share.

- Margins in the US are some of the highest in the world. Wells Fargo charges 3-4% of the transaction value plus a $45-55 fee per transfer. There is a strong incentive for consumers to consider alternative providers like OFX and Xoom given their price/service proposition.

- For the time being banks simply aren't focused on competition in this space as market share losses to-date have been immaterial, the overall market continues to grow and banks are reluctant to lower margins on a highly profitable segment of their business.

- The compliance burden is increasing and risk management is a key to success ~ Western Union employs 300 staff focused on anti-money laundering and Xoom employs 1/3 of their workforce in risk management.

- The US growth opportunity for OFX is focused around growing its own brand (US Forex), accelerating growth through its Travelex partnership and pursuing additional partnership opportunities with US financial institutions such as banks, credit unions and brokers. It is clear that there are real benefits to having scale in this game and we wouldn't be surprised to see some consolidation with participants that either service different segments of the market or have complementary geographic footprints.

- The key risks for OFX's US business over the next few years include 1) unforseen changes in state/federal legislation which are somewhat opaque and can have spill over implications across jurisdictions and 2) progress establishing the US Forex brand ~ the challenges associated with building a brand in a market largely unaware of the technology should not be underestimated.

We also visited a myriad of companies in Silicon Valley. The size, scale and human ingenuity of "The Valley" is truly amazing and a genuine competitive advantage for the US economy moving forward. The precinct is home to some of the largest technology companies in the world ~ Apple and Google alone make a combined US$60bn in profits while Facebook, Visa, Intel, Oracle and Cisco all enjoy market caps above US$100bn. Silicon Valley today has a more industrialised and robust feel to it than existed during the dotcom boom of early 2000s, for example, listed technology companies generate cash flows and the growing prominence of investor activism has sharpened the focus around shareholder value creation, with Yahoo, Apple, Juniper and eBay all a case in point. Nonetheless, recent transactions, including Facebook's US$19bn acquisition of WhatsApp and Nest Lab's US$3bn price tag, highlight that price expectations within the sector are very high.