CI GLOBAL EQUITIES FUND
QUARTERLY REPORT

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

DECEMBER 2013

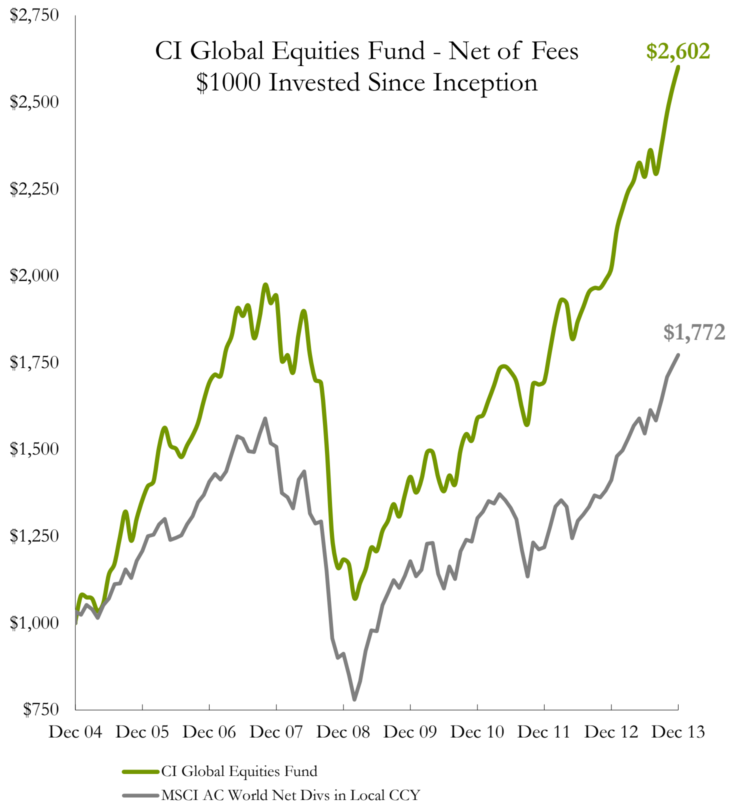
"Accept challenges, so that you may feel the exhilaration of victory." George S. Patton.

"Do not go where the path may lead, go instead where there is no path and leave a trail." Ralph Waldo Emerson.

"It always seems impossible until it's done." Nelson Mandela.

	****PORTFOLIO**	**BENCHMARK**	**VALUE ADDED**
ROLLING 3 MONTHS	9.82%	7.82%	2.00%
ROLLING 1 YEAR	29.21%	25.52%	3.69%
ROLLING 2 YEAR	24.29%	20.58%	3.71%
ROLLING 3 YEAR	18.29%	10.81%	7.48%
ROLLING 5 YEAR	18.06%	14.21%	3.85%
ROLLING 7 YEAR	7.51%	3.35%	4.16%
SINCE INCEPTION*	12.06%	6.50%	5.56%
SINCE INCEPTION^	181.27%	77.20%	104.07%

*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.
**Before fees and expenses



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Market and Portfolio Performance

Over the last three months the portfolio returned 9.82% compared with the Benchmark which returned 7.82%. For the calendar year 2013 the portfolio returned 29.21% while the Benchmark returned 25.52%.

Reading much of the financial press and talking to brokers and fellow fund managers, one could be forgiven for thinking 2013 was a roaring bull market that has enriched all. True, certain developed markets have had a very good year, with the S&P 500 up 30%, the Nikkei 225 up 57%, and the German DAX up 25% (in local currency terms). There is no doubt that Wall Street and the City of London have regained some of their former swagger. Because of this, talk is emerging that global stock markets may be close to a 'bubble' or in 'dire need of a major correction'.

We disagree with this view. First, markets are not overly expensive, let alone in bubble territory – the S&P at 15.5x forward earnings is almost bang on its long term average. This, in an environment where global central banks are incessantly leading investors into equities by supressing the yield on fixed income to historic lows and on cash savings down to zero. Secondly, 2013 has not been an unmitigated success across the board. The STOXX Europe 50 has returned 13%, the commodities-dominated Canadian TSX Index is up 10% and the MSCI Asia ex Japan has gone nowhere. Worse, many large emerging markets are down for the year and have under-performed dramatically: the Brazilian Bovespa is down 16%, the Shanghai Composite is down 8% and the Russia RTS Index down 6% (again, in local currency terms.)

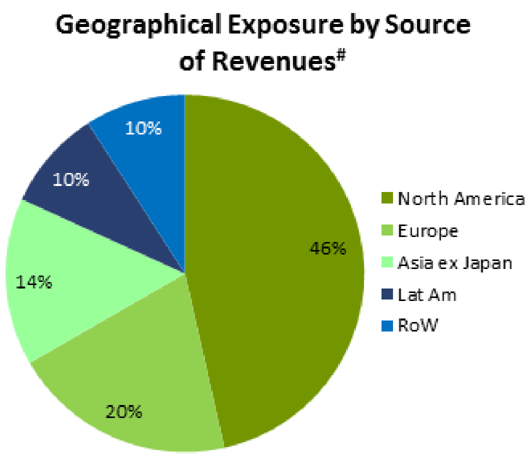
The picture painted is therefore one of ongoing scepticism in this recovery, broad uncertainty and a reluctance to take risk. Sentiment around equities markets continues to feel nervy amongst both institutional and retail investors, while daily trading volumes across the world remain subdued.

In this environment we feel good about the portfolio's forward earnings multiple of 15x for forecast earnings growth of over 10%, and we are optimistic about the prospects for the companies we own in 2014. If a correction does in fact eventuate, allowing us to buy more of the companies we love for less, we will feel even better.

The Portfolio

The portfolio is diversified by both country and sector. In order to more appropriately represent from which countries the portfolio generates earnings, we derive the below pie chart from company accounts and disclosures.

No. of Stocks	**40**
Region Weights	**U.S. 57% Europe 35% Asia ex-Japan 4%**
Most OW Sectors	**Consumer Disc, Industrials.**
Most UW Sectors	**Energy, Health Care**
Cash	**1% (net) 6% (gross)**



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

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The top three performing stocks this quarter were **Google**, **Time Warner Cable** and **American Express**, up 28%, 21% and 20% respectively in local currency.

Google's quarterly results showed healthy growth with volumes up 26%. Importantly it was the first quarter in 3 years in which gross margins did not decline. Google has seen its growth shift from search on 3rd party websites to its own properties (such as Google.com and YouTube) which are a more profitable revenue stream. Google has shown that it can monetise mobile, and that mobile is not cannibalising desktop search, and is starting to get the valuation premium it deserves.

The bottom three performing stocks were **Telefonica Brasil**, **Jardine Strategic** and **IBM**, down 9%, 6% and 5% respectively in local currency.

Telefonica Brasil ("Vivo") has been weak since reported quarterly earnings missed analyst expectations. Disappointingly the decline in fixed line operations has more than negated the strong growth in the mobile business. Vivo surprised the market with additional investments designed to turn around the fixed line operations, which will see profits decline this year. We continue to own Vivo as we believe the mobile business is a unique and undervalued asset - Vivo is approaching 80 million mobile subscribers and is seeing ARPUs (Average Revenue Per User) inflect upwards driven by material growth in data usage.

We added three new positions this quarter; **Assa Abloy** (MCap US$17bn), **Diageo Plc** (MCap US$79bn), and **Close Brothers Group** (MCap US$3bn).

Assa Abloy ("ASSA") is the global market leading manufacturer of lock and security products. The reach and penetration of their products is pervasive – when you secure your home or office doors at night, chances are you're using an ASSA lock. It makes and distributes an alphabet of some 100 brands worldwide; from Corbin in Italy, Lockwood in Australia, Panpan in China through to the 'world's favourite lock', Yale in the US.

We like niche industrial businesses with high barriers to entry and this fits that category. First, ASSA's portfolio of market-leading brands is under-pinned by a 30 year installed base of locks. This installed base means that two thirds of ASSA's revenue is derived from predictable replacement product sales. Secondly, ASSA has built up a unique knowledge base around security and lock regulations. These regulations often differ market by market meaning a steep learning curve exists for new entrants. Finally, ASSA's size, scale and product breadth has enabled it to develop strong relationships with the specialist dealers who control the distribution channel.

ASSA is also set to benefit from numerous growth tailwinds, including rolling up of the fragmented global security market (the top 3 players control less than 20% of the global market) and an increased proliferation of next generation electromechanical locks. Further latent value will come from a pick-up in construction markets in the US and Europe, where we see the replacement market starting to show signs of pent up demand.

With the combined effect of those trends we expect the company to deliver around 10% top line growth annually, with profit growth outstripping this as margins expand on the back of acquisition integration and the high margin on organic sales.

The ASSA management team is extremely well regarded and they are known to be willing to make the tough calls in driving the business forward. We certainly found them an impressive bunch when we met with them in Stockholm in August. While ASSA trades on 18x 2014 headline EPS, we think this is capitalising a depressed earnings number; considering the scale of potential pent up demand after years of slow growth, there is a clear growth runway that the market is under-appreciating.

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Late in the quarter the portfolio initiated a position in **Diageo**, the world's largest spirits producer with a portfolio of leading brands such as Johnny Walker, Smirnoff, Ciroc, Bailey's, and Guinness. We have long admired Diageo but we have been unable to find an attractive entry valuation and suffered the frustration of watching the share price and valuation only go up for years.

After a strong start to the year, Diageo's stock price trended downwards for the better part of three quarters and we recently took this opportunity to invest. While the stock generated returns of 11% over the entire year, roughly half of this was recouped in final weeks of 2013. Over the two years preceding our investment, Diageo had performed in line with the benchmark. Notwithstanding recent performance we believe this is an attractive time to invest in Diageo for two simple reasons. First, this is a world class business that has been de-rated to 16x forward earnings. Secondly, the business is approaching the end of a heavy capex period that will see a step change in free cash flow and we believe that this will result in increased returns to shareholders.

Diageo is well placed in the beverage space with its size and scale, premium brands, diversity of product and global exposure. Due to its strong branding in the premium spirits market Diageo is able to grow through a healthy mix of volumes and pricing. Importantly the growth of Diageo is not reliant on excessive alcohol intake. It is more about the premium-isation of an affordable luxury. Over the last 4 years Diageo has grown its volumes on average 2% p.a. and price/mix 3% p.a. We believe that the volumes can grow slightly faster moving forward as its European sales stabilise after a period of consistent declines.

The last 5 years have seen free cash flow stagnate as Diageo has been in investment mode. We expect capex to peak in the coming year, which will see the company in a position to significantly increase its returns to shareholders. With new CEO Ivan Menezes an operations man (having formerly been COO), we don't believe large M&A will be a priority for the new management. We struggle to understand why Diageo trades at a discount to the Coca-Colas and Anheuser Busch's of the world, who are seeing minimal volume growth, and we are happy to be investing in a company with a superior growth profile that has temporarily fallen out of favour with the market.

Close Brothers Group ("CBG") is a small but rapidly growing specialty lender based in the UK. The entity of CBG has been through several iterations and it has actually existed since the 19th century when it was founded as a merchant bank lending to farmers and small enterprise. These days the bank is one of the leading asset finance and motor finance lenders in the UK.

CBG has a unique business model of 500 asset experts who are recruited from the industry into which they now lend money. They have autonomy to make credit decisions to customers on specific assets and they are incentivized on their bottom line, thus net of any loan losses. Their deep knowledge of the assets and close relationships with their customers has resulted in a loan book growing 10-11% p.a., making 8-9% Net Interest Margin and with relatively low loan losses of 1.6-2.5% over ten years. This equates to a bank with an ROE in excess of 20%.

CBG has been a key beneficiary of two recent trends. First, SME lending all but shut down during the credit crisis with lending standards tightening and many larger UK banks simply closing their books. CBG 'borrows long and lends short' which means the duration of its deposits is longer than the duration of its loans, which tend to be small ticket and secured on collateral. This enabled CBG to keep lending throughout the crisis when their customers really needed them.

Secondly, asset finance in the UK had for many years been dominated by the large Irish, Icelandic and European banks such as ING. With the fall of Lehman Brothers and subsequent collapse in many banks' balance sheets, these players pulled out entirely as a condition of their respective government bailout packages. None have since returned (or we believe are likely to) and CBG has snapped up their market share.

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With regulatory interference and conduct costs still a major issue for large UK financial institutions, we believe that a smaller, nimbler bank like CBG with deep exposure to SME's will continue to take market share in its niches and benefit from any sustained UK recovery.

This quarter we fully exited **Bank Rakyat** and **IBM**.

Bank Rakyat ("BBRI") is the one of the leading banks in Indonesia with a strong presence in the fast growing micro finance market. The portfolio has owned BBRI for around 3 years, having started buying below IDR5,000 per share in early 2011. The business has performed well over the holding period with profits up substantially, however the macro backdrop has materially stunted foreign investment returns. While the stock is up handsomely in local currency terms, weakness in the IDR has detracted much of the performance for dollar-based investors.

This summer we observed signs of distress in emerging markets as global rates began to rise, and we believe that this is likely to be a roadmap for further volatility in emerging FX and equity markets during 2014. While volatility provides opportunity, it can have unwanted side-effects - one example is that foreign investors find themselves unable to pull capital out of a country due to frozen FX markets, something that occurred in Indonesia this year.

Considering these increased risks and with the stock up 50% in local currency terms. we decided to reallocate capital elsewhere.

After being shareholders in **IBM** for over 4 years we sold out of our position this quarter. IBM had been a good investment, up until Q1 of this year and having more than doubled since our initial purchase. However, disappointing results have seen the share price pull back recently. The shareholder return of approximately 85% over this 4 year period has mainly been driven by a 70% rise in EPS. However this masks some underlying issues IBM is facing. The majority of the EPS growth has come from share buybacks and a lower tax rate, while revenues have only grown in total 7%, operating profit 20% and most concerning of all, the free cash flow has declined over the 4 year period.

IBM had done an incredible job managing its mature business by expanding margins and returning nearly all free cash flow to shareholders. But a downturn in IBM's end markets as well as its positioning in those markets has seen negative growth in 4 out of the last 5 quarters. It is hard to see this rebounding to a great extent for some time.

Stock News

Talk of consolidation in the US cable industry became much more prominent during the quarter, and this has a direct impact on two portfolio holdings – **Time Warner Cable** ("TWC") and **Comcast**.

Although TWC has been the subject of persistent takeover rumours by smaller peer Charter Communications (backed by media mogul John Malone), more recent evidence has arisen that Charter has arranged the significant debt financing that would be needed to fund such a deal. In conjunction with this, there are also rumours that Comcast may be willing to buy part or all of TWC and that this would be TWC's preferred outcome. Finally, a private cable distribution peer, Cox Communications has also been touted as a potential suitor. Given the amount of interest in TWC, the share price has responded accordingly, appreciating 21% over the quarter.

Furthermore there are real and significant benefits to consolidation of the cable industry including lower programming costs for larger entities and material back office cost reductions as adjacent networks are pinned together. As investors look through these synergies of industry consolidation, in addition to Comcast's potential involvement in the deal, Comcast's share price has risen ~15% over the quarter.

Our view is that TWC is a unique asset – a cable network passing 30 million homes in America - which will only be up for sale once. Much of the cable consolidation in recent history has occurred around 8x EBITDA and TWC currently trades at 7.4x (an earnings figure that we believe has material operational upside). Given the value here, it seems entirely appropriate that there are several interested parties and we will continue to monitor the situation closely.

Trip News

This quarter we travelled to Europe and visited Turkey, France, the UK, the Netherlands and Germany. With a vibrant and rapidly growing economy, Turkey has a population roughly 3 times that of Australia and it is the 15th largest country in the world by total GDP. We spent our time in Istanbul, one of the world's oldest cities (formerly Constantinople), which has been the capital of several great historical empires (the Ottoman, East Roman, Byzantine and Latin).

This rich past has created a dense and multi-cultural metropolis in which Starbucks and Louis Vuitton stores rub shoulders with centuries-old churches and mosques. Straddling the Bosphorus with Europe on one side and Asia on the other, Turkey is of significant geostrategic importance to both regions – while the technocrats in Ankara are attempting to join the EU, the Eastern borders with Iraq see sporadic fighting with Kurdish insurgents trying to create their own autonomous state.

Amongst all this, there are some fine companies that are conservatively managed and have solid long term growth prospects. We focused on the banking sector that has survived and thrived through the GFC, having been rebuilt from its own crisis in 2001. Turkish banks can grow their loan books at a mid-teens rate for many years to come, given low credit penetration and a very conservative culture towards debt. Home loans were only introduced around 8 years ago, while the all-powerful banking regulator enforces some of the most conservative lending standards and capital requirements we have seen in any market.

Turkey had one of the best performing stock markets in the world during 2012, rising 61% in USD terms, however this year it has been one of the worst – down almost 30% in USD terms. In our view Turkey is the best long term growth story in Europe. We follow several Turkish stocks on our Watchlist, and while these have historically been too expensive as growth has been priced into perpetuity, they are now starting to look more attractive. However, with a volatile currency, severe current account deficit, and an incumbent leadership with an Islamic agenda, we still find the risks of investment too high at this point.

Our time in Paris and London served to highlight the growing divergence in fortunes for France and the UK. While the French find themselves with a stagnant economy, unemployment lingering around 10% and a socialist leader hell-bent on taxing the middle-classes to extinction, the UK is bouncing back.

The Tory-led British government is dragging the country out of recession with a two pronged assault, providing stimulus to both businesses (through sustained reductions in corporate taxes) and households (by engineering another house price boom). The latter plan is a doozy – the so-called 'Help-To-Buy' scheme allows the government to underwrite mortgage debt for home-buyers, requiring only a 5% deposit to be stumped up by the buyer, but also allowing the banks to lend at their desired 80% LTV – thus the taxpayer underwrites the remaining 15% deposit. The impact has been immediate with London property rising 15% year-on-year and UK homebuilders up 60% for the year. While it seems clear this policy is planting the seeds for the next speculative property bubble, for now the positive impact on the economy and household balance sheets will be enough to distract the public from any potentially ominous consequences down the road.

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The one notable area of distress in the UK is the large banks where deleveraging, regulation and litigation continue to be a serious inhibitor to returns.

The still government-owned RBS has challenges, with high-level executives leaving and the ailing online banking platform providing regular fodder for the tabloids. Meanwhile Barclays was stung this year by the new face of the FSA (the so-called "Prudential Regulatory Authority") targeting Barclays' leverage ratio and effectively enforcing an equity raise. With all the big high street lenders still paying out millions of pounds of litigation and 'conduct costs' every quarter, on top of the egregious UK bank levy, we see potential ROEs for large UK banks as repressed for some time to come.

In Germany we marvelled once again at the industrial prowess of the southern states. Unemployment in Bavaria is 2.7% and the German export sector continues to benefit from a relatively under-valued Euro. While the Euro has strengthened somewhat this year, as one senior German executive pointed out; "If we had the Deutschemark it would be much higher than the Euro!"

The best German companies tend to be the small, family owned enterprises that are focused on doing one or two things really well, and have been around for generations. This group represents 70% of Germany's workforce, half of German GDP and are known as the 'Mittelstand'.

This obsession around quality and refinement, even to the detriment of profits, can also be observed in some of Germany's largest public companies. Many of the corporates we met are run with passion and attention to every conceivable detail where products and manufacturing are concerned, while the financial measures of performance like cash generation and shareholder returns tend to get overlooked. The outcome of this culture means that as an employee your pay, job satisfaction and overall quality of life may be higher in Munich or Ingolstadt than in Chicago or St. Louis, but as an investor the American peers consistently deliver more value over the long term.