CI GLOBAL EQUITIES FUND
QUARTERLY REPORT

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

MARCH 2014

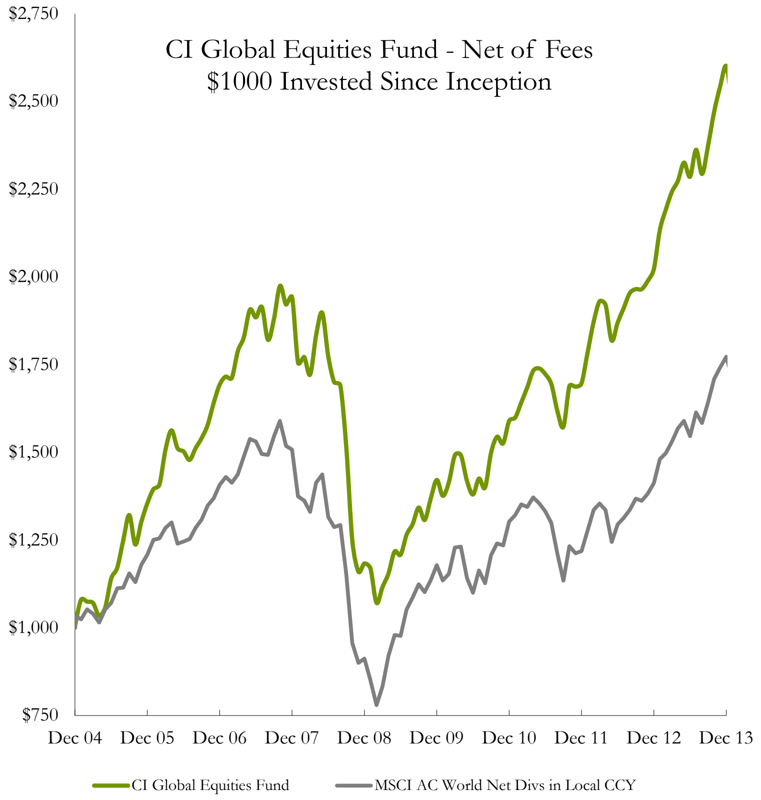
"Creditworthiness is like virginity; it can be preserved but not restored." Warren Buffett.

"It was never my thinking that made me money, you hear me? It was my sitting." Jesse Livermore.

"Every growth stock becomes a value stock eventually." Anonymous.

	****PORTFOLIO**	**BENCHMARK**	**VALUE ADDED**
ROLLING 3 MONTHS	1.51%	0.86%	0.65%
ROLLING 1 YEAR	18.20%	16.76%	1.44%
ROLLING 2 YEAR	17.38%	14.91%	2.47%
ROLLING 3 YEAR	16.58%	9.97%	6.61%
ROLLING 5 YEAR	19.57%	16.52%	3.05%
ROLLING 7 YEAR	6.91%	3.17%	3.74%
SINCE INCEPTION*	11.90%	6.42%	5.48%
SINCE INCEPTION^	185.52%	78.72%	106.80%

*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

Markets ended the quarter slightly positive in local currency after a volatile three months. The early parts of the quarter saw a continuation of 2013 trends, with growth stocks out-performing and bond-like equities struggling with the early stages of tapering.

A late January correction, in which the MSCI World fell 6% in two weeks, gave way to a sharp rebound in February and March. During this bounce we noted that Emerging Markets and value stocks both out-performed the S&P500.

The Brazilian Bovespa index was up 17% in the last two weeks of the quarter in USD terms. It remains to be seen if this is an inflection point in emerging market equities, or merely an uptick in the longer term downtrend relative to MSCI World.

Biotechnology, one of the big winners of 2013, saw a 10% under-performance in March, as stocks with expensive valuations were punished.

Meanwhile, credit markets in the West were relatively stable during the quarter as US 10 Year bond yields declined to around 2.75%, while in Europe bond yields in struggling European countries like Italy and Spain have returned to pre-crisis lows. This shows a significant turnaround in sentiment surrounding peripheral Europe.

During the quarter investment team members spent time across the U.S., Europe, China and India. Interestingly, in Zurich, we observed that many high net worth individuals are missing out on the current bull market due to conservative cash positions, while insurance companies' weighting in equities remains close to historic lows relative to bonds.

The Portfolio

The portfolio returned 1.51% during the quarter, which represented out-performance of 0.65% against the benchmark which returned 0.86%.

The three top performing stocks this quarter were **Novo Nordisk**, **Jardine Strategic** and **Telefonica Brasil**, providing shareholder returns of 26.4%, 12.1% and 10.8% respectively. None of these moves were on the back of any news in particular. Novo Nordisk released another year of exemplary results and healthcare stocks saw strong demand, while emerging market stocks had a sharp bounce after a long period of sustained weakness.

ThE bottom three stocks this quarter were **BG Group**, **Mattel** and **Diageo**, declining 20.2%, 14.9% and 6.9% respectively (including dividends).

In late January **BG Group** disappointed the market yet again with a series of announcements regarding its base production assets that led to significant impairments, including US$1.3bn relating to a declaration of 'force-majeure' in Egypt and a further US$1.1bn write-off relating to the US natural gas producing assets. This led to the stock dropping 14% overnight, a very disappointing outcome given the new management team's previous assertion that Egypt was a non-issue. We believe that many investors are concluding that BG, under Chris Finlayson, will continue to be a company that over-promises and under-delivers.

This was not the first time that BG has disappointed investors. While we have previously given the new management team the benefit of the doubt (given the attractive nature of the growth assets (Brazil pre-salt and QCLNG)), execution is key when investing in oil companies with few mega-projects. In this case the trust has been lost.

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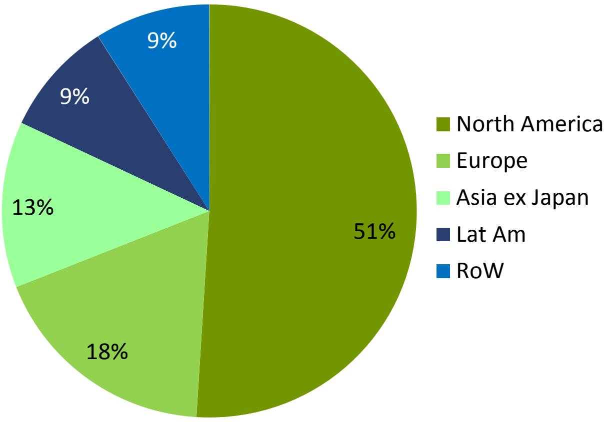
While there is undoubted value in the Brazilian assets, the repeated disappointments from management will result in a stock that trades at an 'execution discount' for the foreseeable future and we see better opportunities elsewhere. Therefore we subsequently exited BG Group, a position we have had in the portfolio for over 6 years. In spite of the ignominious end, BG has been a successful investment - from the initial position entry in September 2007 through the entire holding period, the stock returned on average 6% annually (with dividends reinvested) versus the market which returned 3%.

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

No. of Stocks	**42**
Region Weights	**U.S. 57%**
	Europe 27%
	Asia ex-Japan 4%
Most OW Sectors	**Financials, Industrials**
Most UW Sectors	**Energy, Health Care**
Cash	**5%**

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

Geographical Exposure by Source of Revenues#



Portfolio Changes

We added three new positions this quarter; **Agilent Technologies** (MCap US$18bn), **eBay Inc** (MCap US$70bn) and **Towers Watson & Co** (MCap US$8bn). The portfolio also received shares in **Verizon Communications** (MCap US$197bn), which we subsequently added to, as part of a capital distribution from Vodafone.

We first spoke with **Agilent** over six years ago and we have followed the company ever since. Since the 1990 spin-off from Hewlett-Packard, Agilent has branched out from electronic measurement testing (testing mobile cellular networks) into the life sciences space. In September 2013 Agilent announced the upcoming spin-off of its legacy electronic measurement business, now called Keysight Technologies.

With a combined market cap of USD$18bn, both businesses are now of size and scale to operate independently. We have been waiting for this decision for years and we bought a position following a meeting with the company and substantial work around the separation details.

In particular we are attracted to the new pure play life sciences company as there is a compelling growth and margin expansion opportunity. While the business already has healthy operating margins above 18%, this is more than 10% below its leading peer. This highlights the attractive nature of the life sciences industry (in which we have previously invested). Generally, the industry is characterised by stable recurring revenue streams, steady growth drivers and a consolidating market.

In addition to internal initiatives to lift margins, we believe that the growth potential in testing pharmaceuticals, food quality, and chemical purity will help drive the margin opportunity as incremental margins are double the current reported levels.

As a pure play the enhanced focus will see Agilent have a greater chance of extracting the potential value from within. With a strong net cash balance sheet, there is further optionality for capital returns and bolt on acquisitions. We see sizeable upside to the shares as both Agilent and Keysight improve their operations and see their valuations move in line with peers.

eBay Inc's full year results saw a number of key events unfold:

1) The market's expectations were reset after aggressive 2015 forecasts were removed and replaced with a conservative outlook for 2014 and 2015;

2) Free cash flow increased almost 50% as capital spending stabilised and cash from operations moved in line with earnings after years of poor cash conversion;

3) Management announced a US$5bn share buyback program (7% of eBay's current market cap); and

4) Activist investor Carl Icahn arrived on the scene demanding change. While his core aim is to see PayPal separately listed, we believe that his rumblings about the management in general will only improve the governance and transparency of the company.

The change in management's tune is an important milestone in eBay turning good market positions into a good stock. Following the results announcement, we initiated a position in eBay Inc. which owns the eBay website, the PayPal payments network, Stubhub.com and a range of other e-commerce businesses. Paypal is the first major successful entrant into the payments space in decades, with a unique value proposition for online and mobile transactions. This has led PayPal to become a serious player in payments in a relatively short space of time. It is expected that over US$200bn of transactions will be conducted through PayPal in 2014 while transactions on mobile platforms have gone from zero to US$27bn in the space of 2 years.

During the quarter we also purchased a position in **Towers Watson & Co** ("Towers"), a leading global professional services firm. Towers is the largest employer of actuaries in the world and its 'bread and butter' business is consulting to Fortune 500 companies around Employee Pension Plans, Healthcare Plans and Remuneration. This business generates healthy mid-teen margins and enjoy revenue that is largely of a recurring nature as the average actuary/client relationship lasts 20 years.

Towers' core consultancy business has given it an insight into the nascent but potentially very large U.S. Healthcare Exchange market. Put simply, a Healthcare exchange is a marketplace where buyers (employees) and sellers of health insurance are brought together. Traditionally in the U.S. employers have selected an insurer, designed a plan and provided healthcare coverage for their active and retired employees. However, there are several issues with this model including:

1) Inappropriate coverage for many individuals when insured under broad group plans;

2) Inability of employers to slow the rate of healthcare cost inflation;

3) Associated balance sheet obligations; and

4) Increasing administrative burdens.

By shifting their employees/retirees to an exchange, employers can control the rate of cost inflation by providing an annual stipend to employees who then use the exchange to purchase their own individually appropriate level of coverage.

The advent of healthcare exchanges is analogous to the shift from defined benefit pension plans to defined contribution pension plans witnessed over the past 20 years. We would argue in this case that the proposition is even more compelling as both employer and employee are better off. Exchange adoption rates are likely to be lumpy, but the potential market is upwards of 150mn participants across the U.S. Towers is the early market leader along with **AON** (also a portfolio holding), as both are leveraging long term consultancy relationships to convert early adopters over to their exchanges.

We believe that the healthcare exchange business has the potential to at least equal the size of the consultancy business and that the current share price is under-pricing the option associated with the long term exchange opportunity. Towers is well placed to maximise the opportunity as a net cash balance will support the growth initiatives.

Finally, during the quarter Vodafone investors received shares in **Verizon Communications** ("Verizon") and a 'special' cash dividend. The additional shares and the cash distribution was a result of Vodafone's sale of its stake in Verizon Wireless to Verizon. Of the US$130bn Vodafone received, the company distributed US$84bn back to shareholders; US$60bn in the form of Verizon shares and US$24bn in cash.

The remaining amount will be used to reinvest back into the business over the coming years and strengthen the balance sheet. We believe that Vodafone's management has taken the right course in selling the asset at a fair valuation, returning a substantial amount of cash back to shareholders and reinvesting back into the businesses it wholly owns. Having distributed USD$84bn of a US$190bn market cap has seen the portfolio's weight in Vodafone naturally reduced by 45%. We will continue with this position in Vodafone at the present time.

The portfolio has sizeably increased its stake in Verizon from the initial shares received with the Vodafone distribution. We visited the company's New Jersey HQ in February in anticipation of this event and we believe that the selling pressure has created an attractive entry point to what is one of the best run telecommunications companies in the world. To fund the US$130bn acquisition, Verizon issued a large amount of equity which increased its share count by 43%. The average daily volume of shares traded in Verizon has more than doubled since the issuance of more shares.

We believe that this forced selling pressure is the main reason why Verizon's share price has remained flat since the acquisition announcement last September. Over the same time period the S&P 500 is up over 13%. Verizon is now trading on just 13x forward earnings with a dividend yield of 4.6%.

We see little execution risk given the acquisition was of a company Verizon already operates and majority owns. The company has increased its balance sheet leverage to 2.4x net debt/EBITDA to fund the acquisition but it will de-lever quickly as it generates US$15bn of free cash flow on an annual basis and this will de-risk the stock. Verizon still has years of solid growth ahead as it continues to upgrade its subscriber base from 3G to 4G (4G users consume double the amount of data as 3G) as well as adding tablets and other internet-enabled devices to its network.

We sold two stocks during the quarter; **BG Group** and **Time Warner Cable**. Having already discussed BG Group earlier, the following section addresses Time Warner Cable.

Stock News

During the quarter **Time Warner Cable** ("TWC") announced an agreement to merge with **Comcast** (also a portfolio holding). As discussed in previous quarterlies, we were expecting Charter Communications to make a formal offer for TWC. In January Charter took their long-rumoured takeover aspirations public, with a US$132.50-per-share cash/scrip offer, which Time Warner promptly rebuffed. Comcast (TWCs preferred partner) had been in private and informal discussions with TWC and the two came to a merger agreement the following month.

The agreement is a stock-for-stock transaction whereby TWC shareholders will receive 2.875 Comcast shares for each TWC share, valuing the TWC shares at over $140 each (based on a Comcast share price of US$50).

We initiated our position in TWC approximately one year ago when the stock was trading in the mid-US$90s. Our proposition centred on the fact that TWC was a stable cash generative business with under-appreciated earnings power driven by a growing broadband business. Additionally, consolidation had been a long running theme in the US cable industry and we believed that TWC had been trading significantly below recent transaction multiples. The valuation discount has since largely closed and in our view the offer is fair at close to 8x EBITDA. Given there are significant regulatory hurdles to overcome before the deal is approved, we have sold the position.

From a Comcast perspective, we view the decision to acquire TWC positively. The pinning together of the largest and second largest cable networks in the U.S. provides unique synergistic benefits that only a company with Comcast's size and management team would be able to extract. We believe that the stated cost synergies of US$1.5bn per annum are likely conservative, let alone the potential revenue synergies available to the merged entity. As such, the EBITDA multiple (including cost synergies) of less than 7x is compelling. The transaction does not compromise the balance sheet and it is accretive to free cash flow immediately.

The merged entity would have a commanding 30% share of the national video/broadband market. Having spent some time researching the regulatory obstacle course this merger must negotiate in order to get approved, we view the likelihood of success as better than even. In the event the transaction is not approved, Comcast will not be liable for any break-up fees. The markets have punished Comcast with the share price down 10% since the takeover announcement. We have a different view and we see a value enhancing deal on what was already an under-valued stock.

Trip News

During the quarter we travelled to both the U.S. and Western Europe.

In the U.S. we spent most of the time in the East and West Coast hubs. It was the first visit since pre-GFC days that discussions weren't hijacked by talks of bank bankruptcies, government shutdowns, healthcare reform or elections. While the weather has posed some short term headwinds, we found corporates in a mindset of 'business as usual'.

While this stability is positive for sentiment, the optimistic outlook is now somewhat priced into valuations. For many years we have walked out of meetings with U.S. corporates thinking, 'what a great company', and then found we could purchase the shares on low multiples. This is no longer the case.

The S&P 500 has re-rated to 15.3x next year's earnings - not overly expensive by any means and opportunities still exist, but you can't buy American Express or Johnson & Johnson on 12x forward earnings anymore. As is the case with the portfolio's new additions, we continue to see value in company specific opportunities.

We continue to be amazed with the size and scale of Silicon Valley. Apple and Google alone make a combined US$60bn of profits. Then there is Oracle, Cisco, Facebook, Visa and Intel, all with market caps above US$100bn. Unemployment in the Bay Area is already below 6%, and leading the US recovery. Silicon Valley has developed a strong industrial feel to it, rather than a flaky R&D centre.

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More so, shareholder activism has seen shareholder returns become a greater priority with Yahoo, Apple, Juniper and eBay all put under the microscope lately.

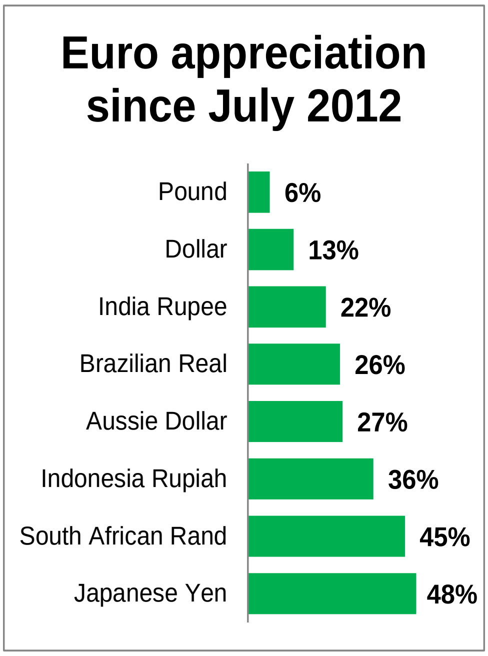
There is a combination of some of the world's biggest companies and now some of the biggest valuations too. Today we are seeing start-ups sold for sky high valuations with Facebook buying WhatsApp for US$19bn and Google buying Nest Labs for US$3bn, a company with only 200 employees that started operations in 2010. Media commentators are beginning to talk bubble valuations. While there will be ups and downs in stock markets, Silicon Valley has created a genuine and enduring competitive advantage for the U.S. to stay relevant in the 21st century. The portfolio continues to hold large cap names Oracle, Google and, more recently, eBay as they appear to be left behind as everyone chases the next company Facebook will buy.

Moving to Europe, we visited the UK, Sweden, Switzerland, Italy and Spain and saw over 40 companies across a wide range of industries. Europe continues to be a bifurcated story. Northern Europe plus Switzerland has the best outlook, both politically and economically; while Southern Europe looks to be recovering from a very low base, albeit a recovery that for Spain, Italy and Portugal will be more L-shaped than V-shaped.

Countries with flexible labour laws who are in control of their own currency, debt issuance and interest rates (i.e. the Nordics, Switzerland and the UK) have been able to navigate their way through and out of the crisis in reasonably good shape. The others, however, continue to struggle with indebted governments, high levels of unemployment, inefficient public services and excessive bureaucracy.

Even now, in Spain, Italy and France, it is almost impossible to fire staff suggesting that officially published unemployment figures are not giving a true representation of the demand for labour and that in reality it will take a long time for these countries to return to optimal levels of productivity. The Germans have benefited the most from the Euro experiment. The most extreme view is that Germany has conquered Europe through monetary policy, where Hitler failed with military force.

The UK, in particular, looks to be re-entering a boom period under the current government, with a number of expansionist policies driving GDP and house prices higher. Historic English common law dictates that 'An Englishman's home is his castle' and British risk appetite and sentiment tends to be intrinsically linked to house prices. Through a combination of the Help-To-Buy scheme (recently extended to 2020) and by encouraging an influx of foreign money into London, the current Tory government has wisely applied its focus to where Britons are most sensitive – their homes. House prices in some areas of London are now 25% above the prior peak, while ex-London there are now also signs of a recovery emerging.



More broadly across Europe, we find that high quality companies continue to be fully valued. Poor quality companies are starting to be touted by some as the post-GFC bull market matures and investors look down the quality curve, and we believe that this may lead to some opportunities as higher quality companies get temporarily ignored by investors chasing performance.

Currency was a significant topic in many meetings. Exporters are prevalent among the best companies in Europe and the recent weakness in emerging market currencies has been a major headwind for the reported earnings of European multinationals. From the height of 'Euro-panic' in mid-2012, the single currency has appreciated significantly (see chart) and this has resulted in many companies missing 'guidance'. Indeed, most multinationals now talk about 'constant currency' revenue growth in addition to reported IFRS revenue growth on the basis that it's 'only translation effect'.

To be fair, many of these companies have both costs and revenues in local currencies. Nestle, for example, makes Canadian Kit-Kats in Canada and Japanese Kit-Kats in Japan. That said, there is a real cash impact as they frequently need to repatriate cash home to cover head office costs and dividends. This has particularly hit Swiss firms who are almost all exporters - the Swiss Franc is currently pegged to the Euro by the Swiss National Bank.

While we are relatively sanguine on this, as over the cycle the currency impact will tend to oscillate and the recent period of weakness will become a fillip to earnings at some point, it is a timely reminder to consider this issue when the market demands high multiples of reported earnings for multinationals on the basis of 'emerging market growth'.

A more serious consequence down the road could be the potential impact on engineering exporters (mainly German and Swiss) who compete directly with Japanese peers, given the almost 50% depreciation of the Yen over 2 years. Though we have not yet observed this in order-book trends, it is worth monitoring.