CI GLOBAL EQUITIES FUND (UNHEDGED)
QUARTERLY REPORT

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

JUNE 2015

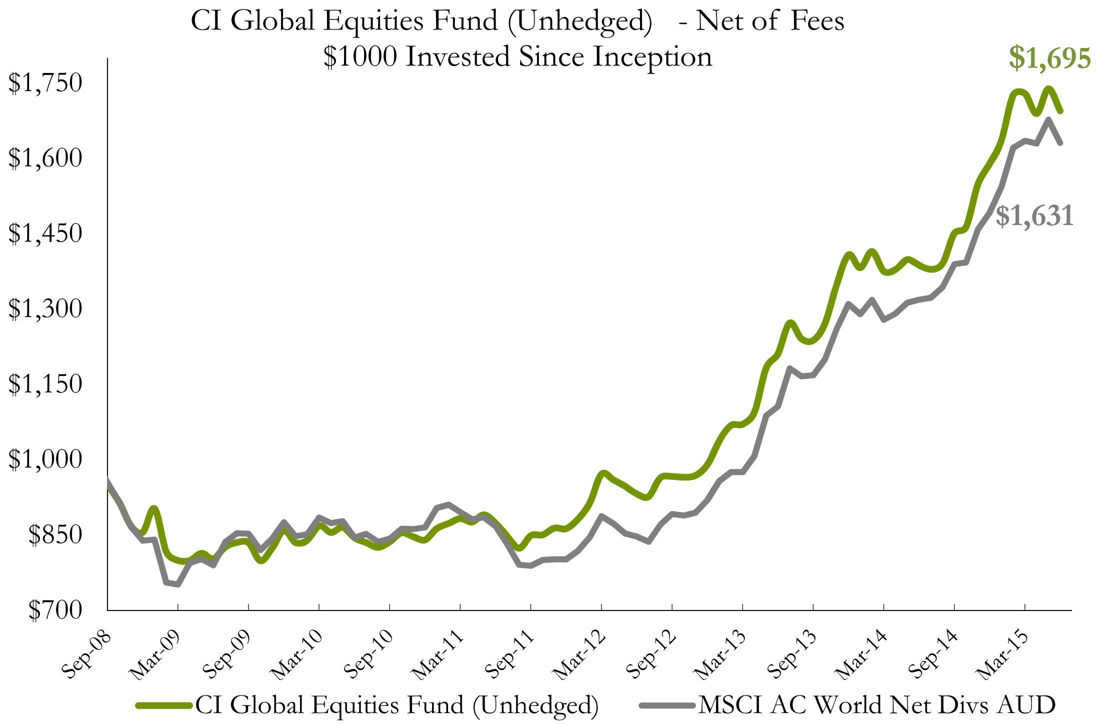
"There are two kinds of people who lose money: those who know nothing, and those who know everything." Howard Marks.

"The wise investor recognises that success is a process of continually seeking answers to new questions." Sir John Templeton.

"To know that one knows what one knows, and to know that one doesn't know what one doesn't know, there lies true wisdom." Confucius.

	****PORTFOLIO**	**#BENCHMARK**	**VALUE ADDED**
ROLLING 3 MONTHS	-1.54%	-0.26%	-1.28%
ROLLING 1 YEAR	23.66%	23.67%	-0.01%
ROLLING 2 YEAR	19.90%	21.45%	-1.55%
ROLLING 3 YEAR	23.61%	24.41%	-0.80%
ROLLING 5 YEAR	16.26%	14.06%	2.20%
SINCE INCEPTION*	9.16%	7.43%	1.73%
SINCE INCEPTION^	81.87%	63.12%	18.75%

*Annualised
^Cumulative (1 September 2008)
**Before fees and expenses
MSCI AC World Net Divs AUD



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

JUNE 2015

Market and Portfolio Performance

This quarter saw renewed volatility in global asset prices, with three major topics hogging the headlines and moving equities and bond prices - U.S. interest rates, Greece and the Chinese 'A' Share market.

To the U.S. first, continued improvement in economic data releases combined with subtle changes in language from certain members of the Federal Open Market Committee, led to fresh expectations of a rate rise by Janet Yellen in the latter part of 2015. This caused violent spikes in bond prices during the quarter, reminiscent of the Bernanke-driven 'taper tantrum' of mid-2013. The most extreme moves were observed in German bunds, thus the 10 year bund yield rose from a low of 4bps on April 17th to touch 100bps in mid-June. The U.S. 10 Year Treasury hit 2.5% in June, its highest yield since September last year.

Accordingly, bank stocks outperformed on both sides of the Atlantic, with the S&P Banks Index +7% for the quarter versus a flat S&P 500, while the STOXX Europe 600 Banks Index fell only 1% versus the STOXX Europe 50 which was down 5%.

It remains a sign of the times that policy rates persist at absurdly low levels in many countries around the world. Here in Australia, the Government continues to cut rates (some global economists expect them to eventually hit zero), while Switzerland (-0.75%) and Sweden (-0.25%) are two countries currently with a *negative* policy rate. Indeed many are close to negative, some custodian banks charge negative interest on Euro and Danish Kroner bank accounts.

A corollary of this environment continues to be the enormous appetite for M&A, with over US$2 trillion of deals reported year to date and almost 5,000 deals happening in the U.S. *alone*. The US$70bn acquisition of BG group by Shell and the US$55bn Time Warner-Charter tie-up are two such mega-deals among many, both in sectors where consolidation is an ongoing theme.

In Europe, Greece has been getting closer and closer to defaulting on its bonds as talks of a bailout package that would somehow allow the country to stay in the Eurozone have been unsuccessful. The uncertain stagger towards what one commentator described wryly as an 'extend and pretend' deal has been roiling equities in Europe, with large markets like Germany and France correcting over 10% from mid-April through to mid-June. The country is approaching its '2 Minutes to Midnight' moment with €1.5bn of obligations due to the IMF at the end of June remaining unpaid, and the Government having won a hastily arranged referendum on austerity. It remains unclear how the Greek situation will play out but whatever the outcome, it will be more an indicator of the longevity and credibility of the Eurozone, rather than an individual risk to European stocks, with most of Greece's outstanding debt now held by the sovereign-backed European Financial Stability Fund.

Instability provides opportunities and we have been active during the quarter looking for value in both Europe and North America (see The Portfolio section below).

Finally to Asia and the Chinese 'A' Share market has been much in the news of late. What is undoubtedly a Party-engineered bubble is being formed to distract from a slowing economy and a stagnating real estate market. A local construction agency told us vacancy rates in apartments are currently around 20%. While the 100%+ rise in the local market in 12 months is impressive, we worry about the prospects for rural middle and lower classes when the market has its inevitable crash, many of whom have sold income-generating farming equipment or borrowed on margin to play in stocks on the belief that the market only goes up. As we write, the 'A' share market has slumped 20% in 2 weeks – a fact not lost on the Government who has immediately responded by cutting rates to a record low of 4.85%.

It is worth commenting briefly on the diverging performance of the other so-called 'BRIC' countries. India, at present, seems to be the only one with a credible outlook, with Prime Minister Narendra Modi continuing to be given the benefit of the doubt by markets as a driver of genuine reform.

Russia and Brazil remain extremely challenged. Brazil, in particular, has been disappointing – a country with such promise, attractive demographics and a structural long term growth story yet mired in a recession and struggling with persistently high inflation. In October 2014 the country had an opportunity to elect a pro-business leader in Aécio Neves, but the eventual re-election of former-Marxist Dilma Rousseff as President was probably the last thing the country needed. That her current approval rating today of 10% is the lowest for a Brazilian president in over 20 years suggests the locals are feeling 'voter's remorse'.

With 30 June upon us, it is pertinent to look at annual global returns. For Australian Dollar-denominated investors, the year to 30 June 2015 has been another excellent year to be invested internationally. This is partly due to the flat performance of the ASX this year, but also due to the Australian Dollar weakness against other currencies.

DEVELOPED MARKETS 1Y Price Change		
Country *(Index)*	**AUD**	**Local Ccy**
Hong Kong *(Hang Seng)*	**39%**	13%
Japan *(TOPIX)*	**31%**	29%
US *(S&P 500)*	**29%**	5%
Denmark *(OMX Copenhagen)*	**27%**	28%
Switzerland *(SMI)*	**20%**	3%
Singapore *(STI)*	**16%**	2%
Netherlands *(AEX)*	**14%**	14%
Germany *(DAX)*	**11%**	11%
Sweden *(OMX Stockholm)*	**11%**	12%
UK *(FTSE 100)*	**9%**	-3%
France *(CAC 40)*	**8%**	8%
Italy *(FTSE MIB)*	**5%**	6%
Australia *(ASX 200)*	**1%**	1%
Canada *(TSX Composite)*	**1%**	-4%
Spain *(IBEX)*	**-1%**	-1%

EMERGING MARKETS 1Y Price Change		
Country *(Index)*	**AUD**	**Local Ccy**
China *(CSI 300)*	**154%**	107%
India *(SENSEX)*	**27%**	9%
Thailand *(SET)*	**19%**	1%
Taiwan *(TAIEX)*	**18%**	-1%
Egypt *(EGX30)*	**18%**	3%
Korea *(KOSPI)*	**15%**	4%
Indonesia *(JCI)*	**10%**	1%
South Africa *(JSE)*	**9%**	2%
Malaysia *(Bursa KLCI)*	**5%**	6%
Mexico *(IPC)*	**7%**	5%
Chile *(IPSA)*	**7%**	1%
Turkey *(ISE 100)*	**2%**	5%
Brazil *(Bovespa)*	**-13%**	0%
Russia *(MICEX)*	**-15%**	13%
Greece *(ASE)*	**-33%**	-33%

Source: Factset

The AUD this year has fallen almost 25% against the U.S. Dollar and 12% against the British pound. It actually remained more or less flat against the Euro and the Japanese Yen, but a rather inglorious feat considering both regions' central bankers are busy devaluing their own currencies through Quantitative Easing programs.

The portfolio returned -1.54% during the quarter vs the benchmark return of -0.26%, and for the year to 30th June, the portfolio returned 23.66% versus the benchmark return of 23.67%.

The currency unhedged portfolio achieved a market return this year. There was significant volatility in stock prices over the 12 months, with local currency underperformance (i.e. ignoring AUD fluctuations for the moment) mainly occurring in the strong markets of August and April. The natural outcome of our investment philosophy is a portfolio that is constructed with lower volatility and lower risk than the market, and so this is not a surprising outcome.

Conversely the portfolio should do well in weaker markets, and indeed the portfolio outperformed in 4 of the 6 local currency down months in markets that occurred during the year. Taking only the local currency down months in isolation, the portfolio outperformed cumulatively, but this was negated over the year by the underperformance in strong up markets.

Currency markets continue to be volatile - this quarter the AUD gained 1% against the USD and 3% against the JPY, but fell 3% and 5% against the EUR and GBP respectively.

The positive contributors to performance in terms of total shareholder return included:

1. **NTT DoCoMo** – reported decent year-end results and benefitted from strong Japanese markets (the Topix rose 6% and was the strongest developed market in the quarter).
2. **Makita** – ditto the above.
3. **Comcast** – clarity around the company narrative returned after a long period of regulatory uncertainty pertaining to the acquisition of Time Warner Cable (discussed in the Stock News section below).

The worst performers in terms of total shareholder return over the quarter included:

1. **International Paper** – saw softness on dismissal of the MLP conversion option.
2. **Jardine Strategic** - fell in line with a weak Indonesian market through which Jardine has exposure via investments in Astra International and United Tractors.
3. **Telefonica Brasil** – down on capital raising and closure of the GVT deal.

The Portfolio

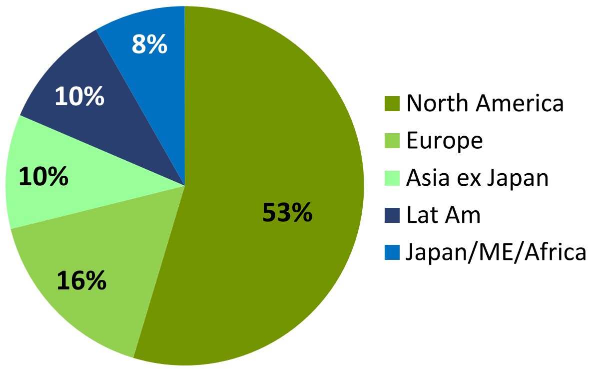
The portfolio is positioned around five clusters or subsets of value:

- **Stalwarts** (43% of the portfolio) – sturdy, strong and generally larger companies with world class privileged market and competitive positions. (Comcast and Reckitt Benckiser)
- **Bond like equities** (4%) – stocks with secure, low-volatile dividends that can be grown and recapture inflationary effects over time. (Unibail-Rodamco)
- **Niche growth companies** (29%) – growing companies with identifiable value propositions using traditional value metrics and run by focused, prudent and experienced management. (Costco and Close Bros)
- **Asset plays** (8%) – stocks with strong or improving balance sheets trading at discounts to net asset value or replacement value. (Jardine Strategic and Remgro)
- **Low risk turnarounds** (12%) – sound businesses with good management in place and good balance sheets essential. We especially like government to private turnarounds (RBS and NTT DoCoMo).

The portfolio is also diversified by country and sector:

No. of Stocks	**42**
Region Weights	**U.S. 50%** **Europe 36%** **Asia inc. Japan 5%**
Most OW Sectors	**Industrials, Cons. Staples**
Most UW Sectors	**Energy, IT**
Cash	**4%**

Geographical Exposure by Source of Revenues#



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

During the quarter we initiated positions in **Henkel, Constellation Software, First Republic Bank, Time Warner Cable, SGS** and **Indus Holding**. We also fully exited positions in **GEA Group, Domino Printing Sciences**, **McDonalds** and **Itau Unibanco**.

- **Henkel** (Mcap US$47bn) is a German family-controlled consumer and industrials conglomerate. Founded by Fritz Henkel in 1857, the company is mostly known for its home laundry products – Henkel invented *Persil* in 1908, the world's first commercially available detergent. However these days the business contains a growing, global-leading adhesives business that is exposed to growth in consumer packaging, electronics, transportation and general industry. The balance sheet is net cash and the family is regarded as disciplined and astute asset allocators. The portfolio has purchased the voting share class, which trades at a 16% discount to the non-voting, despite ample liquidity in excess of A$20mn per day.

- **Constellation Software** (Mcap US$9bn) is a Canadian-based provider of software and services to a select group of public and private sector markets. Constellation is a group of 250 small software companies across 6 industry platforms that builds and manages software to address the specific needs of particular industries. The success of Constellation since its founding in 1995 lies in its ability to penetrate its markets and to acquire more software businesses. With a background in venture capital, CEO Mark Leonard has over the long term succeeded in finding a stream of successful niche investments and acquisitions. We find Constellation to be a unique company in the technology space. Unlike most software companies who hand out stock like it's going out of fashion, Constellation has a well thought out remuneration model whereby employees must use 75% of after tax proceeds from their bonus to buy shares, thus today employees combined own 19% of the company. We think highly of the culture and in particular its view of investors as partners - for a good read see the annual President's letter on the company's website.

- **First Republic Bank** (Mcap US$9bn) is a California-based private bank with over US$50bn of assets. Continuing on with our cluster built around a return to "old-fashioned banking", we added

First Republic ("FRC") to the portfolio. It is a highly focused bank run with a conservative risk culture, emphasis on customer service and importantly a focus on keeping loan losses to a minimum by lending to people who can and will pay them back. Led by founder Jim Herbert, FRC has built a culture that contrasts with the typical large bank. For example 90% of all loans since 1985 were originated by bankers still with the company. We believe that FRCs superior service and a growing wealth management platform have it well placed for the future.

- **Time Warner Cable** (Mcap US$50bn), the second largest cable player in the U.S. was added to the portfolio at the end of the quarter. The portfolio previously owned Time Warner Cable and we sold the position post the buyout offer from Comcast to fund another holding in early 2014. We discuss Time Warner Cable in more detail in the Stocks News section below.

- **SGS** (Mcap US$15bn) is a Swiss-based, global Testing, Inspection and Certification ("TIC") company and it is another former holding that we sold in 2012 on valuation. Since then we have continued to monitor the industry through regular meetings with the company and their key peers. Recently the TIC sector has fallen out of favour with investors, partly due to concerns about end-market exposures to commodities and energy. Whilst this is a legitimate short-term challenge for the industry, SGS has the smallest exposure to these end markets and we believe that it has a decade-long opportunity to grow via acquisitions as they continue to consolidate a highly fragmented industry. In addition, we feel positively about the appointment of Frank Ng as CEO as we believe that his mixed cultural heritage will be a major asset for this global firm and we are happy to clip the 4% dividend yield in Swiss Francs (remember the local policy rate is negative) while the sector remains disliked.

- **GEA** (Mcap US$9bn) was sold on valuation. The stock was first purchased in November 2012 at around 12x forward earnings after meeting management in Düsseldorf. At that time the market had not yet cottoned on to the extent of the restructuring occurring under CEO Jürg Oleas and the potential for a focused food equipment business once lower returning divisions were sold off. Today the story is well known, and while we continue to think it is a good business, the majority of the value latency has gone. At the point of sale the stock had rerated to 23 times forward earnings and it had generated a total return of over 125% versus ~90% for both the MSCI AC World and the German DAX (all in AUD terms).

- We continue to find compelling opportunities to invest in the Rhine-Ruhr region, an area with a rich industrial footprint that is well suited to our investment style – highly focused companies with long term time horizons. In March we met with a company called **Indus Holding** (Mcap US$1.3bn) who owns a portfolio of 42 Mittelstand firms (German SME's), companies which are globally competitive in highly niche industries. We believe that management has a great opportunity to increase the value of the portfolio through internal growth and further capital deployment and so we initiated a small position in March.

- As discussed in the prior quarter's newsletter, **Domino Printing Sciences** (Mcap US$1.5bn) has now been fully acquired by Brother Industries of Japan. The deal was approved by shareholders in April and the portfolio received £9.15 per share in June, having initially purchased the stock at £5.40 per share in January 2012. This translates to a total return of more than 150% over the holding period, versus 110% for the MSCI AC World and 67% for the FTSE 100 (all in AUD terms).

- **McDonalds** (Mcap US$93bn) was sold as we are disappointed with the new management team's unwillingness to restructure the company in order to unlock short and long term shareholder value. New CEO Steve Easterbrook talked a big game by describing himself as an internal activist, however the reality has proven different. We believe that a lot of upside could have been made by re-franchising more stores, cutting general and administration costs, right-sizing capex and realising value from the extensive property holdings. However, the most significant thing Mr. Easterbrook has achieved since taking charge is serving a Big Mac on a wooden board. Although there is hidden value here, it won't be realised until management has the willingness to do so. While we did not lose money on the McDonalds investment, it generated significant relative underperformance.

- **Itau Unibanco** (Mcap US$60bn) has been a long term portfolio holding. In local currency the stock was a strong performer, providing a total return of 86% in BRL terms versus the local Bovespa Index which returned 12%. Given a weak BRL over a number of years however, relative returns in AUD have been disappointing; Itau returned only 21% versus the MSCI AC World which returned 116%. In summary Itau was a good local outperformer (the Bovespa actually returned *negative* 27% in AUD over the period) but currency has been a material detractor to performance in AUD terms.

Stock News

On May 13th **Danaher** made two big announcements. First; it intends to acquire Pall Corp (a leader in filtration systems) and secondly, that it intends to separate into two independent companies. Regarding the split, we believe that this is a positive move as Danaher will be spinning off the industrial businesses into its own company. These businesses have been starved of capital as Danaher has been investing in healthcare and technology. The new company will be an exciting and well run industrial business with US$6bn of revenue, strong cash flow generation and a strong balance sheet with the ability to increase internal and external investments. The legacy Danaher will be a global leader in sciences and diagnostics. This will be an US$18bn revenue company with a large portion of recurring revenues and an exciting healthcare growth profile which we believe that the market continues to undervalue.

On the other hand, the acquisition of Pall Corp is much more controversial. For a company with a successful and patient track record of acquisitions, Danaher has paid a full price for Pall at a staggering 20x EBITDA. We are sceptical on the potential return of the deal but will remain tolerant as we had similar thoughts about the Beckman Coulter deal back in 2011 which proved to be a big success. With an ability to borrow below 2% and pay all the debt back within 3 years, we see the risks related to Pall as contained. In the meantime we will give Danaher the benefit of the doubt but we will be following the execution of the Pall integration very closely.

During the quarter **Comcast** terminated plans to acquire **Time Warner Cable ("TWC")** as it became clear the deal was not going to be approved by the regulators. As shareholders in Comcast we were positive on the potentially substantial amount of value created by pinning together the two largest U.S. cable networks. Nonetheless, we remain optimistic in our Comcast investment which still rests on the key tenets of best-in-class cable assets with significant free cash flow potential as the demand for broadband continues to grow, material operating latency at NBCU and a focussed management team bringing it all together.

TWC moved on quickly from its near marriage to Comcast, finding another suitor in the John Malone-backed Charter Communications. The couple will need approval from the regulator before consummating their union, however we see this as having a high probability given the combined entity will have a smaller share of the important U.S. broadband market than Comcast does currently.

As well as TWC, Charter Communications will also be acquiring another (private) cable operator in Bright House Networks. The 'New Charter' will have significant scale as the second largest cable player in the U.S. with about 90% of the broadband subscribers of industry leader Comcast. We see value latency at New Charter from both the substantial value creation opportunities afforded to scale players and the significant free cash potential of the cable broadband business.

As a means of gaining exposure to Charter, we took a position in TWC at a meaningful discount to Charter's standing cash/scrip takeover offer. In the likely event the deal is approved, we receive about half our position back in cash and the remainder in Charter stock. We believe that the downside is limited in the event the deal is not approved due the combination of a U.S.$2bn break-up fee, other strategic buyers of the asset and cable industry fundamentals.

To the U.K., and May saw the long-awaited General Election, which was touted by pollsters as a close fought battle between the Conservatives and Labour, with the victor likely having to build another weak coalition government - so much for predictions. David Cameron's Tories trounced their way to a win and a Parliamentary majority in a remarkable outcome that saw all three opposition leaders, Ed Miliband, Nick Clegg and Nigel Farage, resign in the aftermath.

The U.K. economy has been a bright spot within Europe since the GFC, and that the citizenry voted to give the Tories another 5 years to the finish the job is obviously bullish for domestic U.K. equities. Indeed a key beneficiary will be the **Royal Bank of Scotland**. CEO Ross McEwan has been steadily ticking off boxes on his (lengthy) restructuring to-do list: the 25% additional sale in late March of Citizens Financial Group, the settlement with U.K. and U.S. regulators over FX misconduct and the sale of several multi-billion-dollar foreign loan books to Japanese and Chinese banks were all key milestones achieved over the last three months.

The real juice in the RBS story though will come when the bank gets re-privatized. Within weeks of regaining power, Chancellor George Osborne announced the Government's plan to start a sale as soon as this year. The timing is significant for two reasons:

- First, at around £3.70 the stock remains significantly below the £5.02 per share paid by Gordon Brown in 2008, which suggests the Tories are comfortable selling RBS at a loss to the taxpayer. They will justify this by pointing to the profit made from, in aggregate, the bank bailout including Lloyds and the subsequent billions of pounds of fines and penalties paid by U.K. banks since.

- Secondly, there is the key issue outstanding on the scale of fines to be paid in the U.S. for mis-sold mortgages to Fannie & Freddie during the GFC (the 'FHFA settlement'). The bank has provided US$3bn for this, but the timing is unknown and the range of outcomes could be several billion either side. The fact that the U.K. Government is preparing to sell suggests they are sanguine on this issue being resolved satisfactorily and soon.

Irrespective of the outcome, the accelerated timetable is a huge vote of confidence for the work being done by Ross McEwan and his team to rebuild the bank. With the stock still trading below tangible book value, we would expect to see renewed interest in the long term potential of the stock as a pure-play U.K. retail and SME bank whilst the deal documents start getting polished up - RBS outperformed the FTSE 100 by 7% during the quarter.

Trip News

This quarter we returned to Japan, spending the entire week in Tokyo. Yet again Tokyo impressed us, not only with its safety and operational efficiency but the cleanliness of its urban spaces, and an overarching sense of peace – no mean feat for a city of close to 14 million people.

Though most people will tell you Japan's population is declining, few realise that Tokyo is actually still growing, and expected to continue doing so through 2020. The lure and power of the urbanisation trend is strong in spite of the Government's attempts to reduce the net inflow of people into the city.

It seems clear to us that Tokyo is underappreciated as a destination both for tourists and for Chinese money – as London is to Russians and Saudis, Tokyo is going to be a wonderful place for the Chinese to both visit and park their money over the coming years. The economy is remarkably open to outsiders, and it is relatively easy to buy property. We met a senior and long term investor in the Japanese property market who told us that 'the Chinese are buying Tokyo apartments in spades', and at recent off-plan purchases '40% of buyers were Chinese'.

We see Tokyo as potentially the 'London of Asia' - with a stable political regime and proven individual property rights, this could be an interesting thematic with benefits for a range of sectors such as inbound tourism plays, luxury retailers and the railway companies.

A year on from our previous trip a key focus was to visit a number of the large 'Japan Inc.' companies who are all going through sweeping restructuring, in addition to conducting repeat visits to portfolio holdings and several watchlist stocks.

NTT DoCoMo was a position we initiated following the trip last year, an investment premised as a low-risk turnaround. As the level of competitive intensity in the sector eased, we saw an opportunity for the company to increase average revenue per user (ARPU) through increased data usage, whilst having sufficient financial capacity to increase returns to shareholders. Twelve months later the investment has performed well with the major Japanese Telco's no longer competing on price and focusing more on profits. DoCoMo conducted a JPY473bn (A$5bn) share buyback during the year, though handset subsidies remain a drag on ARPU.

On corporate reform in Japan, we came away with a clear sense that the 'willingness to change' is probably better than the rest of the world realises, but that the *pace* of reform will be slower than foreign investors would like. Take Sony for example, who we met along with fellow electronics giants Panasonic and Hitachi. As a typical Japanese conglomerate, Sony has some great businesses, some average businesses, and one or two complete duds. Recognising that Silicon Valley and the Koreans have won the consumer electronics war, a year ago Sony sold off their VAIO laptops business, a decision that was described by the Chairman at the time as like 'cutting off one's own arm'.

However, Sony persists in attempting to restructure large TV and mobile device businesses, both loss making and a drain on capital and management's time. We saw similar behaviour elsewhere, so for big Japanese conglomerates it remains 'two-steps forward, one-step back'.

Away from these, we are finding much more interesting opportunities in niche companies that are focused in one or two areas, have engaged and entrepreneurial management, and are adopting more Western methods of compensation, i.e. pay for performance rather than the 'salaryman' model of longer pay for longer service. We are building a shortlist of businesses here that fit into the theme of 'system cost reduction', across a number areas including retail, online platforms and, in particular, healthcare.

This is a rich theme globally - not just in Japan admittedly, but with the enormous Government debt load and the well-documented aging population, the need to take inefficiencies out of the healthcare system is more urgent for Japan than most.

We visited a number of companies in the pharma, medical device, and healthcare IT sector and we have been broadly impressed with their focus, strategy, and understanding of the scale of the problem. In many cases these are companies with global links to Australia – Teijin Holdings for example, who runs the Japanese distribution of Resmed sleep apnoea devices.

We suspect Japan could be a big exporter of the 'systems of healthcare' globally over the long term.