COOPER INVESTORS ASIAN EQUITIES FUND

QUARTERLY COMMENTARY REPORT

COOPER INVESTORS
AFS LICENCE NUMBER 221794
ABN 26 100 409 890

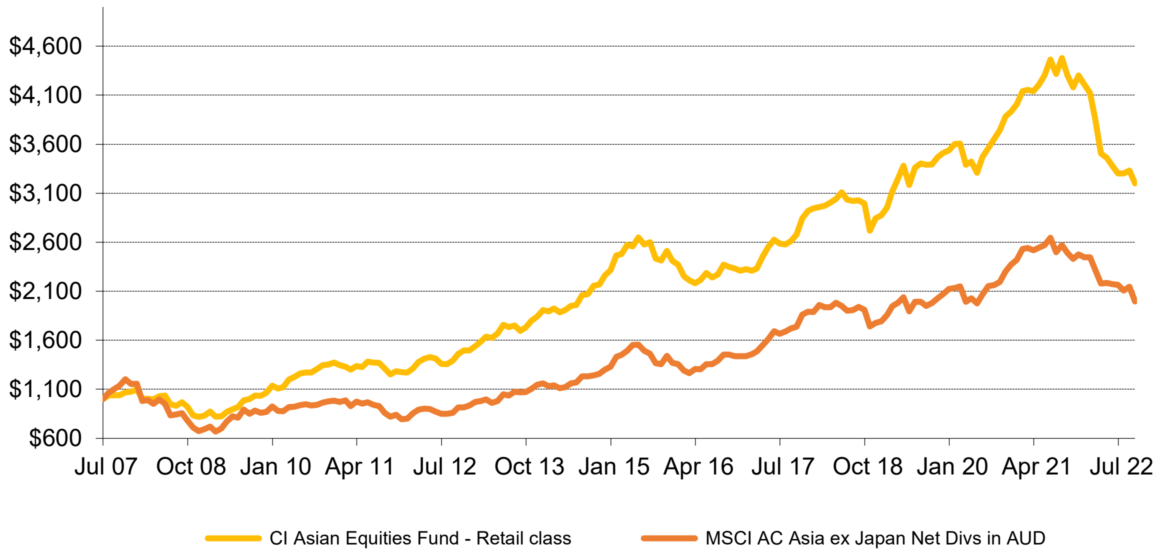
For current performance information please refer to the Monthly Performance Report.

SEPTEMBER 2022

Cooper Investors Asian Equities Fund (Retail Class)	****PORTFOLIO**	**#BENCHMARK**	**VALUE ADDED**
Financial Year Ending			
FYTD 30 September 2022	-3.0%	-7.8%	4.8%
30 June 2022	-26.0%	-18.1%	-7.9%
30 June 2021	28.6%	28.1%	0.5%
30 June 2020	3.2%	3.6%	-0.4%
30 June 2019	10.8%	4.8%	6.0%
30 June 2018	17.2%	14.1%	3.1%
30 June 2017	15.4%	23.0%	-7.6%
30 June 2016	-13.0%	-9.2%	-3.8%
30 June 2015	31.4%	27.5%	3.9%
30 June 2014	13.1%	12.9%	0.2%
30 June 2013	27.4%	21.9%	5.5%
30 June 2012	-0.8%	-9.5%	8.7%
30 June 2011	7.9%	-0.8%	8.7%
30 June 2010	38.3%	16.9%	21.4%
30 June 2009	-3.0%	-2.7%	-0.3%
30 June 2008	-5.2%	-16.6%	11.4%
SINCE INCEPTION*	**7.9%**	**4.6%**	**3.3%**
SINCE INCEPTION^	**220.2%**	**99.6%**	**120.6%**

* Annualised
^ Cumulative (2 July 2007).
** Historical figures are derived from the historical returns of the existing Cooper Investors Asian Equities Fund Wholesale Class, net of fees and costs that are applicable to Retail Class units.
# MSCI AC Asia ex Japan Net Divs in AUD
Past performance is not necessarily a reliable indicator of future performance

Cooper Investors Asian Equities Fund (Retail Class) – Net of Fees
$1,000 Invested since Inception



Source: National Asset Servicing

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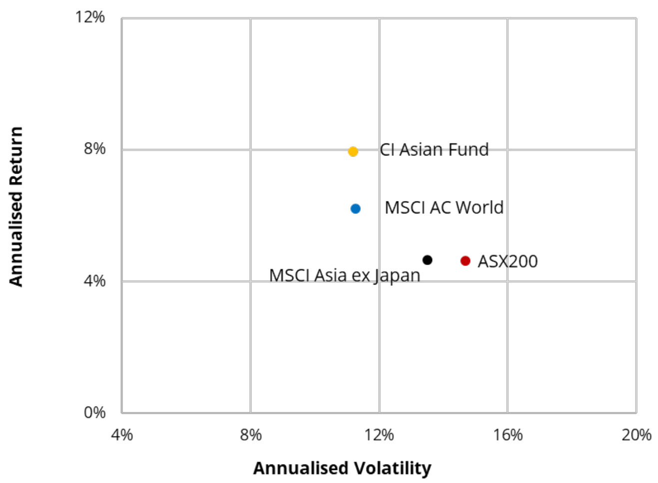
"Three Rules of Work: Out of clutter find simplicity. From discord find harmony. In the middle of difficulty lies opportunity." — Albert Einstein

TOP CONTRIBUTORS AND DETRACTORS*

Top Contributors	Biggest Detractors
China Mobile	AIA
DBS Group	China Mengniu Dairy
HDFC Bank	China Yongda Auto
State Bank of India	China Meidong Auto
WNS	Shenzhou International

* In alphabetical order. Excludes stocks not held in the Portfolio

RETURNS AND VOLATILITY (SINCE INCEPTION)



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Portfolio Performance

The Portfolio declined by 3.0% over the September quarter, compared to the Benchmark decline of 7.8%.

Our China and Hong Kong holdings attributed 300bps of outperformance. The Chinese markets continue to underperform the overall region, declining by 16% compared to 8% for broader Asia. Both our capital allocation (the Portfolio is less exposed to China than the index) and stock picks (our Chinese holdings also fared better than the market) added value. China Mobile, Yum China and YTO Express were the notable contributors, whilst China Meidong, China Mengniu, and Yili detracted from performance.

We wrote in our last letter that a large part of our underperformance during the June quarter was due to our portfolio 'missing out' on the excitement of re-opening post COVID. We were confident that although our companies were not the hot 're-opening' stocks, gradually normalizing operating conditions will suit them well over the long term. Our portfolio did not disappoint us – the June reporting period was a good one, with over 80% of our companies beating the expectations (albeit low ones) by a wide margin. Their outlook for the future also remains optimistic.

Take Tencent as an example. It recorded a small revenue decline of 3% during the June quarter, mostly driven by declining advertising revenues as Shanghai (the center for advertising in the country) was in lockdown. However, this was better than feared and more importantly, exciting new revenue streams are emerging for the first time in 18 months. Tencent's video account advertising product is ramping up fast, enjoying a lot of user time and attention and just started to monetize. Tencent is confident in its ability to implement cost discipline and restart profit growth 'regardless of the state of the macro economy". Its management team is also putting their money where their mouth is – over the past few months, Tencent is liquidating its investments in other companies to buy back its own shares. Using their own words, "our stock is the best investment we can find in the market today".

China Mobile is another good example. It reported a solid set of June results, with service revenues and EBITDA both growing a healthy clip of 7-8%. It also announced raising the dividend payout ratio from the current 58% to 70% or above in 2023, one year ahead of expectations. The strategic shift from heavy capex investment to capital return is very meaningful – as of 1H'21 the payout ratio was still less than 50%. China Mobile's current dividend yield is 9%, and likely to rise further to 10% and beyond in 2023.

We also observed encouraging signs of the regulatory environment improving for our companies, both domestically and internationally.

The Chinese and US regulators made good progress at resolving a long-standing issue around auditing the financial documents of US-listed Chinese companies. The two sides had agreed to let the US regulators, the Public Company Accounting Oversight Board ("PCAOB"), to inspect audit papers in Hong Kong. Representatives from PCAOB arrived in Hong Kong in September 2022, and the inspection of the first batch of US-listed companies is underway. Whilst there may still be disagreements on the details and implementation of these audits, we believe this marked major progress towards retaining the US-listing of many large internet companies and reduced the long-term risk considerably.

Domestically, we also observed signs of the regulatory cycle turning from tightening to more accommodation. The Vice Premier had expressed his support for large platform companies on multiple occasions from March to June. Industry-specific regulations are also gradually returning to normal. For example, Tencent won the approval for a new game for the first time since the regulators suspended new game licensing in 2021. We are encouraged by these signs, and believe these large platform companies have a resilient and profitable core business that should be on track for recovery.

Our Indian portfolio holdings attributed 34 bps to performance for the September quarter. Our bank holdings such as State Bank of India and HDFB Bank, as well as IT outsourcing company WNS contributed positively. There are no notable detractors.

The Indian economy remains robust, especially now that the pressure from elevated crude oil price has ameliorated. Consumer and business confidence is strong and the government's infrastructure spending provides additional growth drivers. Under this favorable macro backdrop, our Indian bank portfolio holdings reported positive results for the June quarter. Retail and mortgage loans continued to grow, whilst corporate and small-and-medium businesses loans recovered. Large private banks and State Bank of India also grew deposits at a healthy 10% as they consolidated market share from smaller banks.

Our ASEAN holdings contributed 81bps to performance for the September quarter. We have been pleasantly surprised by the strength of the ASEAN economies. Indonesia is enjoying a mining boom and its production of raw agricultural products are in high demand globally. Thailand is benefitting from the re-opening of its border and the return of tourism. Singapore is going strong as the important regional finance hub. Our holdings in Singapore and Indonesia contributed positively to performance.

Our Korean and Taiwan holdings outperformed by 21bps

The biggest contributors to performance in terms of total shareholder return in AUD included:
- DBS Group (beneficiary of rising interest rates; robust loan growth in Southeast Asia)
- China Mobile (strong June half-year results; raised dividend payouts)
- State Bank of India (strong June quarterly result; generally a positive lending environment with good asset quality)
- WNS (strong June quarterly result)
- HDFC Bank (strong June quarterly result; generally a positive lending environment with good asset quality)

The biggest detractors to performance in terms of total shareholder return in AUD included:
- China Yongda Automobile Service (concerns on high end auto demand due to weak consumer sentiment and slow economic recovery)
- China Mengniu (concerns on consumer demand, despite the Company's strong results and confident guidance)
- China Meidong (concerns on high end auto demand due to weak consumer sentiment and slow economic recovery)
- AIA (on China concerns)
- Shenzhou (concerns on slowing demand from US retailers)

Recent Portfolio Changes

We initiated a position in **Applied Materials** (AMAT-US). We have written in our previous letters about our excitement regarding the new development in lithography, namely the Extreme Ultraviolet (EUV) and the high-aperture EUV ("High NA"). We believe the transition to EUV and high NA will increase the complexity in semiconductor manufacturing substantially, as chips get ever smaller and the light source becoming less stable. This increased complexity benefits the leading equipment makers in two ways. One, the equipment intensity is likely to go up, as foundries (TSMC, Samsung and Intel) use more equipment to make the leading-edge chips. Secondly, the competition will be very little, if at all, as smaller equipment makers cannot handle the sophisticated tasks. In other words, technical complexity raises the barrier to entry. This is crucial at reducing the typical cyclicality of the industry. If only one or two companies could do a certain task, the need to compete on price and risks of over-building is greatly reduced.

AMAT provides the best material engineering products and services for the semiconductor companies. Its broad range of products such as patterning, inspection, and packaging enable its customers to improve device performance, increase yield and reduce costs. We are particularly excited about AMAT's contribution to the logic chips' transition to 3-dimentional design. We believe this transition will happen irrespective of the macroeconomic conditions in the world today. Currently, the valuation for the entire semiconductor industry is very depressed and close to a decade-low. Investors are concerned about the weak PC and smartphone sales as interest rates rise. We are pleased to have had the opportunity of acquiring AMAT shares at around 10x P/E, much lower than its 10-year average of 15x.

We initiated a position in **Indofoods (INDF-JKT),** the owner of the globally renowned instant noodles brand *Indome*. Founded by Mr. Sudono Salim in 1982, Indome stormed the Indonesian market with its affordable price and highly popular (and addictive) "Mi Goreng" (fried noodles) flavour. Five decades later, Indome not only dominates its home market with a formidable 75% market share, but also captures a large share of adjacent markets such as Nigeria (65% share) and the Middle East (95% share in Saudi Arabia). Creative, localized flavouring remains the secret to its success. Even today, seasonings for every flavour are developed and manufactured in Indonesia.

We are excited about Indofoods' long term prospects. In their home market of Indonesia, it enjoys resilient demand and strong profitability levels. Its domestic EBITDA margins of around 25% are the highest in the world. Its overseas business is growing a healthy rate of double digits and profitably. Priced at a 20-40% discount to local staples, Indome has much room to grow in these markets especially during a period of high inflation.

Indofoods is currently trading at a low valuation of 6x P/E, compared to the 10-year average multiple of 12.5x. Investors remain sceptical of the international growth prospect and concerned about input costs. We believe the input costs, most notably palm oil and flour, have peaked. Price hikes in June and July should further reduce the margin impact from higher raw material costs.

Meeting Notes

We enjoyed a very engaging meeting with **HDFC Bank** CEO, Mr Sashi Jagdishan. This is the first time we have met with Mr. Jagdishan in person since he took over the top post at the bank during the pandemic in 2020. He was humble and down-to-earth and spoke with both great depth and simple clarity. He has carried on the strong ethos of HDFC Bank from his predecessors and maintained a well-balanced approach in pursing new business opportunities and managing risks.

We are excited about HDFC Bank's mortgage and small-and-medium-business segments, especially after the merger with HDFC Ltd which is the Group's mortgage arm. HDFC Bank is confident in putting its strong sales network to cross-sell banking products to mortgage customers and vice versa. We are looking forward to the close of the merger (subject to final government approval), and the next phase in HDFC Bank's journey.

We held our first meeting with the chairman of **State Bank of India** (SBI), Mr. Dinesh Kumar Khara. Mr. Khara is a commercial, savvy and humble leader. Despite being state-owned, SBI is run as a true commercial bank rather than a vehicle to facilitate political mandates. We are particularly excited about its digital initiatives, which enable the bank to better serve it vast customer base of 450 million customers. For example, through better analytics, SBI was able to grew the pre-approved loans by over 10 times over the past 3 years. This has become a very popular product for its customers and a profitable product for the bank.

SBI is also benefiting from the Indian government's increased investments in infrastructure and manufacturing. The generous government guarantees and subsidies make customers in these industries attractive clients for SBI and the ties to the government make SBI the preferred banking partner for these customers.

We met with Mr Sanjay Gupta, CFO of **Welspun India**. The headwinds from high cotton prices are receding with the arrival of a new season of crops. Cotton is a key raw material for Welspun and accounts for more than 50% of total input costs. Prices had come down from the peak and were expected to decline further over the new few months. We also believe that Welspun's customers will get the industry overstock issue under control by December 2022, and resume normal ordering again. This bodes well for both revenue and margins for Welspun.

We met with the Head of Investor Relations of Indofood Sukses Makmur (**Indofood**). We are impressed by the resilience of its flagship noodles brand, Indomie. Over the past 20 years, Indomie had transformed Indonesia from a non-noodle eating country to a nation whose citizens consume 50 packs of noodles per person per year. Its domestic sales continue to grow at a steady rate of ~5% per year. We are also excited about its international growth opportunity. Nigeria and key Middle East markets such as Saudi Arabia are growing at more than 20% per year. Similar to Indonesia decades ago, these are also countries that do not traditionally embrace noodles. Indomie has single-handedly pushed noodles from nil to now 12 packs per person per year in these markets. And we think they are on track to go up much higher from here. The next phase of expansion is to grow distribution in second-tier markets and introduce more popular and localized flavours.

We had an encouraging conversation with the CFO of **CSPC,** a large Chinese pharmaceutical company and previous portfolio holding. We were impressed with how its management team delivered strong results despite heavy regulatory challenges. Even as the prices of multiple products received 50-80% cuts, CSPC grew overall sales at a compound rate of 15% over the past three years. Furthermore, this growth was delivered profitably, with its profit margins now near a historic high of 26%.

We believe CSPC enjoys strong risk-adjusted value latencies at the current price. Regulation headwinds will be more benign in the future. Rules for further price cuts have been clarified and announced. They are likely to lead to more gradual declines of 15-20% every two years going forward. CSPC enjoys an exciting long-term new drugs pipeline. In addition to its usual stronghold of oncology and cardiovascular drugs, it is also developing a very promising COVID-19 vaccine. CSPC is now trading at 11x P/E, the lowest multiple in over a decade and nearly 50% lower than its long term average of 20x. We re-initiated CSPC into the portfolio.

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We had a helpful meeting the Investor Relations Director of **Applied Materials** (AMAT)**.** We are impressed at AMAT's proactive pursuits for opportunities for the next generation of technology transition. It is innovating for the ever-smaller wires and its placements in the backside specifically for the production process during EUV. It is also anticipating the logic industry transitioning from FinFET to Gate-All-Around structure, and is well positioned to gain market share during this transition.

AMAT is also confident on the continued demand for the semiconductor equipment industry. Accelerated pace of innovation and geopolitical tension are resulting in more fabs being started globally. As of now, AMAT is observing over 80 fabs starting, compared to 68 at the start of the year, and a much faster pace than historical levels.

We had an enlightening meeting with the Investor Relations Director at **Lam Research (LRCX)**. LRCX provides key tools to the semiconductor fabrication process. Its etching and deposition machines already enjoy industry-leading market share and are well positioned to continue gaining share via new product launches. We are impressed with LRCX's technology leadership in multiple areas, and we believe the company will gain even more market share as the industry advances to high-aperture EUV in the next three years.

LRCX is trading at 10x forward P/E, which is close to the troughs during the previous cycles. We continue to hold positive views towards the leading US semiconductor equipment companies.

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Portfolio Attributes

Industry Sector Breakdown	
Consumer	32%
Financials	29%
Information Technology	20%
Communication Services	11%
Real Estate	0%

Regional Breakdown	
China and Hong Kong	40%
India	21%
ASEAN	15%
Korea and Taiwan	10%
Europe and Japan	8%

Portfolio Attributes[2]	
Number of stocks	32
Number of stocks outside of Benchmark	11
Beta	0.94
P/E (x)	13.3x
ROE %	13%
Price to Free cashflow	15.5x

Subsets of Value Breakdown	
Stalwarts	51%
Growth	23%
Cyclicals	13%
Turnarounds	8%
Asset Plays	1%

[2] *Source: UBS Quant Answers / Factset*