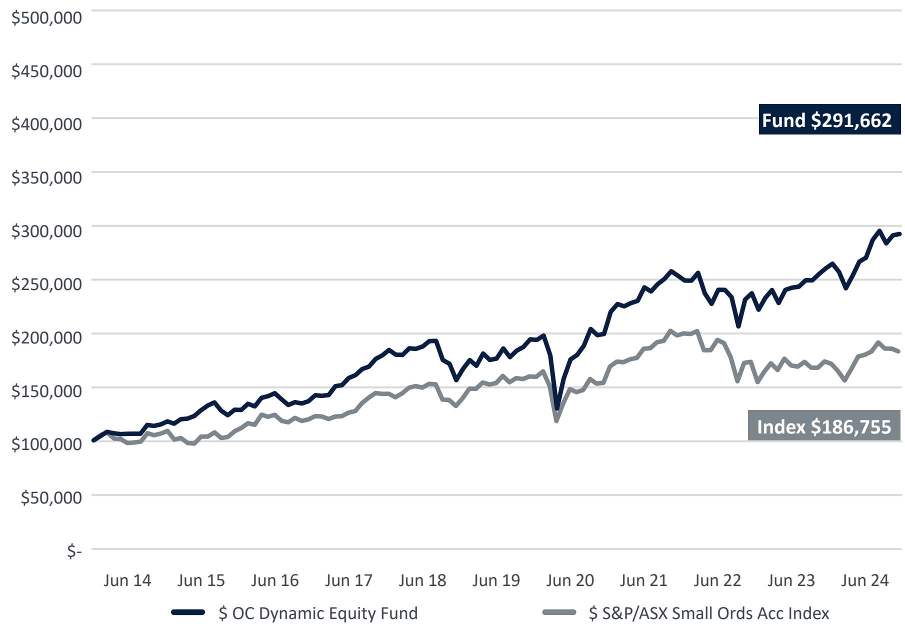
- Fund down -1.0% for the quarter (-1.0%)
- Returned 14.6% over the past 12 months (14.6%)
- We remain confident the Fund will continue to deliver attractive long-term returns

Performance comparison of $100,000 over 10 years*



Total returns

At 30 June 2024†	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	10 yrs % p.a.	Incep. % p.a. (Dec 2000)
OC Dynamic	0.4	-1.0	14.6	6.0	10.7	11.3	12.0
S&P/ASX Small Ords Accum	-1.4	-4.5	9.3	-1.5	3.7	6.4	5.7
Outperformance	**1.8**	**3.5**	**5.3**	**7.5**	**7.0**	**4.9**	**6.3**
S&P/ASX Small Ind Accum	1.4	-4.5	12.4	-2.2	2.9	6.6	5.9
Outperformance	**-1.0**	**3.5**	**2.2**	**8.2**	**7.8**	**4.8**	**6.0**

The total return performance figures quoted are historical, calculated using end-of-month net asset value per unit after fees and do not allow for the effects of income tax or inflation

Performance review

Global equity markets had a mixed quarter, although the resilient US market again rallied, with the US economy remaining robust and inflation continuing to moderate in the world's biggest economy. The US Nasdaq and S&P 500 index maintained their gains in the second quarter (although the DOW Jones Industrial Average stalled), despite concerns about persistent inflation which has tempered expectations on the timing and pace of rate cuts in the world's biggest economy since the start of the year. Markets were bolstered by solid Q1 CY2024 earnings out of the US, predominantly driven by a select group of high-performing mega-cap stocks. Investor enthusiasm around artificial intelligence (AI) continues to underpin the big cap technology sector, with another strong result from chip maker NVIDIA during the quarter, and an impressive recovery from Apple fuelling further gains in the technology space.

The domestic small-cap indices had a weak June quarter with a raft of negative stock specific news-flow from consumer facing companies and weakness in the Materials sector driving the indices lower. The S&P/ASX Small Ordinaries Accumulation Index was down 4.5% for the quarter, in-line with the S&P/ASX Small Industrials Accumulation Index which also slipped 4.5%.

The OC Dynamic Equity Fund fared materially better than both small-cap indices, finishing the June quarter down 1.0%.

Despite the weak end to FY24, the domestic small-cap space bucked inflationary pressures and a slowing economy to finish the financial year comfortably in positive territory with the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index finishing up 9.3% and 12.4%, respectively, in FY24. The OC Dynamic Equity Fund once again finished ahead of both the small-cap benchmarks, posting a strong return of 14.6% for the financial year.

In recognition of the investment managers strong and consistent performance, the OC Premium Small Companies Fund was awarded the prestigious 2024 Money Management Fund Manager of the Year Award in the Australian Small Cap Equity Fund of the Year category during the quarter. The Money Management Fund Manager of the Year Awards, a benchmark of excellence within the Australian financial services industry, celebrates the top-performing fund managers who demonstrate superior investment performance and a commitment to providing value for their clients.

The OC Premium Small Companies Fund's success underscores the managers consistent track record in small-cap investments. It marks the fifth time since 2018, when the OC Dynamic Equity Fund won the award, that OC Funds has been nominated in the category. The investment manager's commitment to its robust investment process, prudent risk management, and disciplined portfolio construction approach has resulted in significant value creation for our investors.

Telix Pharmaceuticals (TLX, +44.7%) was again an outstanding performer for the Fund during the quarter with a series of positive announcements leading to a further re-rating in this profitable and well-funded biotechnology company. The positive catalysts during the quarter for TLX included:

- In April, TLX announced that the US FDA had granted Fast Track designation for its brain cancer imaging product, TLX 101-CDx. Fast Track status expedites the review of drugs to treat serious conditions and fulfill an unmet medical need and helps important new drugs secure patent approval earlier.
- TLX's Q1 2024 quarterly update exceeded consensus expectations, particularly US Illuccix sales, with solid cost control also leading to a positive gross margin outcome.
- TLX announced it has submitted a New Drug Application to the FDA for a new proprietary cold kit for the preparation of PSMA-PET imaging for prostate cancer imaging. If approved, as expected, it will expand how far/long Illuccix can be transported and, importantly from a commercial perspective, allow new pass through payment in Medicare thereby delaying the point at which TLX takes a price cut by two years.
- In late May, TLX announced positive trials results from ProstACT SELECT Trial of TLX951 for metastatic castrate resistant prostate cancer. The study reported a medium radiographic progression free survival (rPFS) of 8.8 months which is an encouraging signal of the potential efficacy of TLX591 result, an important milestone ahead of the upcoming comprehensive ProstACT GLOBAL Phase III trial.
- In early June, TLX submitted its Biologics Licence Application to the FDA for its renal cancer imaging product, TLX250-CDx, which is likely to be the first commercially available imaging agent for kidney cancer which has a large potential addressable market.

Towards the end of the quarter, TLX announced that it had elected to withdraw from its proposed IPO onto the Nasdaq in the USA. It was an unexpected development for the company and likely indicative of management's unwillingness to raise capital at a material discount. TLX remains well funded to execute on its robust pipeline of additional material opportunities in the growing field of radiopharmaceuticals and management was therefore unwilling to undertake a discounted raising to facilitate a NASDAQ listing. Whilst the withdrawal sends a somewhat mixed message, given management's stated desire to become dual listed in the US, the stock shrugged off the news and ultimately finished the quarter at near-record highs.

Global boutique fund manager **GQG Partners Inc (GQG, +27.8%)** served up another excellent quarter for investors driven by further outstanding funds under management (FUM) growth and robust performance from key investment strategies. GQG announced that FUM inflows for the calendar year to date have reached US$9.1B USD, the significant growth bringing the total FUM to over US$150B. We see the strong performance track record, relatively modest management fees (for their sector) and strong distribution network as a winning formula. The large ownership stake by founder and chief investment officer Rajiv Jain limits the free float and, by extension, index representation for this company. A small, co-ordinated sell-down by Mr Jain could facilitate inclusion in the ASX 200 in the coming 12 months which would likely be a catalyst for a re-rating of the stock. Despite the stellar share price performance of the stock over the past year, GQG remains attractively priced on a PE multiple of c14x one-year forward consensus earnings and a 6.6% (unfranked) dividend yield. It remains a core position in the Fund.

Luxury e-commerce platform **Cettire (CTT, -71.1%)** was a poor performer during the quarter driven by a tough operating environment that resulted in a difficult period for the company. In late June, the company provided an update to the market where it called out a softening demand environment and an increase in the intensity of promotions during the last several weeks of the year, which resulted in a significant deterioration in the margin environment for the company. This led to the company issuing adjusted EBITDA guidance for FY24 well below (c.-20 to -25%) market expectations. Given the founder and Managing Director Dean Mintz had offloaded a material amount of stock earlier in the calendar year, the reaction from the market was understandably brutal. The sharp magnitude of the downgrade, and the uncertainty in the near-term competitive environment, led us to reduce our position in CTT. However, the ongoing severity of the share price decline into the year end, likely exacerbated by tax loss selling, caused us to pause our selling. CTT has a strong global footprint and excellent supplier relationships. The company's operating performance ought to rebound once heavy promotional activity from competitors such as MatchesFashion (in administration) dissipates and the current challenging trends in the luxury goods market passes. CTT will have some work to do to restore market credibility, but the quantum of the stock price fall makes the risk versus reward equation from this point much more attractive.

Mineral Resources (MIN, -24.4%) had a tough quarter despite two material positive catalysts, namely the delivery of first ore on ship ahead of time and budget at Onslow Iron, and the sale of a minority stake in Onslow Iron Hail Road at an attractive price, ultimately overshadowed by a material pull-back in the iron ore and spodumene price late in the quarter. The commissioning of Onslow Iron represents a significant milestone for MIN with the low-cost project set to ramp up to nameplate capacity of 35 million tonnes annually by June 2025. MIN proved the sceptics wrong by announcing the sale of a 49% interest in the Onslow Iron project's dedicated haul road for expected total proceeds of A$1.3B, which was ahead of consensus expectations of A$1.0-$1.1B. This was a significant achievement and will begin the process of de-gearing the company's balance sheet following a large ramp-up in capex required to complete Onslow Iron, ongoing exploration expenditure in the Perth Basin, as well as capital outlaid to acquire stakes in several lithium assets, including the Bald Hill mine and processing plant. There are residual concerns from some market participants about MIN's balance sheet which will peak around A$5.0B net debt prior to the proceeds of the haul road sale. However, the interest component of the debt is comfortably serviced by the cashflow that is generated from MIN's world class mining services business, which will almost double in size in the coming two years as Onslow Iron ramps up, as well as the cashflow generated from this new low-cost iron ore operation.

The fall in the share price in June coincided with a fall in the iron ore price and negative sentiment towards lithium producers with many analysts now forecasting a surplus in the commodity in the next two years. This has put material downwards pressure on both the spodumene price and battery chemicals more generally in recent weeks as the market prices in this expectation. MIN operates two of the highest quality and lowest cost hard-rock lithium mines in the world at Wodgina and Mt Marion in one of the premier mining jurisdictions in the world in Western Australia. The company remains a core Fund position with its diversity across commodity (iron ore, lithium, oil, and gas), its rapidly growing mining services business, and its quality founder-led management team leaving it well placed to weather near-term commodity price fluctuations. We continue to believe that MIN management will create significant value for shareholders in the coming years from a raft of exciting projects in the company's pipeline.

Outlook

Global markets defied higher interest rates and elevated inflation to strengthen over the course of FY2024 with investor sentiment buoyed by the performance of the US tech behemoths, the so called 'Magnificent Seven' tech stocks, resilient labour markets and the expectations that key central banks will soon commence a rate cutting cycle. Growth, on balance, is slowing across the globe, although moderating inflationary pressures in the US has investors hoping the US Federal Reserve (The Fed) can still orchestrate a soft landing. The Canadian and the European Central Bank have become the first central banks of major economies to cut rates with a backdrop of falling inflation and rising unemployment the catalyst for these cuts. Domestically, services inflation looks entrenched or possibly even accelerating again. This is making the job of the Reserve Bank of Australia (RBA) a difficult one in view of the weakening economy and stubbornly resilient labour markets. We are now expecting two potential rate hikes in Australia in the back half of the calendar year to get the inflation genie back in the bottle.

In late June, the US Fed's preferred measure of inflation, the core personal consumption expenditure index (Core PCE), which strips out volatile food and energy items, increased 0.1% in May marking the smallest advance in six months. At the same time, data from the Bureau of Economic Analysis indicated that consumer spending on goods has rebounded which is a positive signal given that the data indicated that US GDP growth had slowed sharply to 1.6% on an annualised basis in the March quarter. Overall, the US economy is on a solid trajectory with moderate growth, slowing inflation and a labour market which is returning to normal after the tight conditions of the past few years. The Fed kept the federal funds rate on hold in mid-June, as was widely expected. But recent inflation data, including the benign Core PCE print in late June, has been encouraging and likely paves the way for the rate cutting cycle to commence in the back half of the year for the US economy. The Fund currently has several holdings with exposure to the US consumer including Light and Wonder Inc, Lovisa Holdings and Life360 Inc.

In Australia, the economic picture is a more challenging one with a per capita recession entrenched, households under pressure and inflation reaccelerating. Australian GDP expanded by a tepid 0.1% in the March quarter, or 1.1% on an annualised basis with net migration, which is now moderating, cushioning the slowdown. The squeeze from higher interest rates on household incomes and discretionary spending is delivering an economic slowdown, although the impact of this slowdown continues to affect cohorts of the population quite differently. Younger Australians with mortgage or rent pressures are cutting back the most, whilst older cohorts, who are more likely to be outright homeowners and have large savings buffers, continuing to spend on luxury items such as overseas travel given that they have been the beneficiaries of rising house prices and higher rates. This is reflected in our portfolio positions with the Fund underweight consumer exposure to the youth demographic but overweight travel stocks such as Webjet and Flight Centre which are more exposed to older consumers.

The elephant in the room domestically is the stubbornly high inflation rate. Domestic inflation again surprised on the upside in May with the CPI exceeding consensus expectations at 4.0%, up from 3.6% the previous month. At best inflation is sticky, at worst it is once again accelerating. Stage 3 tax cuts, cost of living relief (energy bills) and improvements in real wages will support household finances in the second half of the year, making the job of taming inflation incrementally more difficult for the RBA. Additionally, the unemployment rate remains low at 4.0% and both the Federal and State governments have recently laid down expansionary budgets which will likely add to cost pressures. Reserve Bank Governor Michelle Bullock has said the "narrow path" to a soft economic landing was getting "narrower" and reiterated that the board was cognisant of upside risks to inflation. Recent inflation data has left the RBA with a difficult predicament, and we expect the RBA board to increase rates in the coming months in a bid to stamp out inflation. We do note that market commentators are divided on the direction of rates domestically with many believing the RBA will be reluctant to raise further given the weakening economy and elevated recession risk. For context, money market traders are pricing in a 40% chance of a 0.25% rate rise in August, and a 60% chance by September. The ultimate decision will likely be determined by economic data released between now and the August board meeting, with the June quarter consumer price index, released at the end of July, likely to prove highly influential.

In terms of current positioning, the Fund remains quite defensive with the portfolio underpinned by a raft of stocks that can grow outside of the economic cycle (e.g. AUB Group, Telix Pharmaceuticals and Steadfast Group). We also predominately own stocks with pricing power that can weather sticky services inflation (e.g. Seven Group Holdings, Ventia Services Group and Kelsian Group) and are underweight domestic cyclical exposures.

Experienced investors and long-term readers will appreciate that we have now entered the 'black out' period between the end of the financial year for many companies (30 June) and the delivery of company financial results in the August reporting season. During this intervening period, company management teams go into lock down and avoid investor communication ahead of the release of their full year results announcements. Ahead of this period, the investment team was busy, travelling widely and communicating directly with all our holdings to ensure that our investment thesis remains intact and that the key assumptions underpinning our financial forecasts remain accurate.

We would like to thank our investors for their support over the past financial year. The investment team remains invested along-side you all, and we remain committed to working diligently to deliver strong investment returns in the new financial year.

Top 5 holdings#

Company	ASX code
GQG Partners	GQG
HMC Capital Limited	HMC
Mineral Resources	MIN
PSC Insurance Ltd	PSI
Telix Pharmaceutical	TLX

The top 5 portfolio holdings are in alphabetical order and may not be representative of current or future investments.

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[†] The total return performance figures quoted are historical, calculated using hard-close end-of-month mid-prices and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. The performance is quoted net of all fees and expenses. The index does not incur these costs. This information is provided for general comparative purposes.
[*] The performance comparison of $100,000 over 10 years is for illustrative purposes only. All returns shown are based on Australian dollar figures. Past performance is not a reliable indicator of future performance. The total returns shown are prepared on an ongoing basis (i.e. they include all ongoing fees and expenses and assume reinvestment of all distributions). They do not take personal taxation into account. The comparison with the S&P/ASX Small Ordinaries Accumulation Index is for comparative purposes only. Index returns do not allow for transactional, management, operational or tax costs. An index is not managed and investors cannot invest directly in an index.