



OC Dynamic Equity Fund

Fact Sheet

The OC Dynamic Equity Fund is a benchmark-unaware managed fund that invests in quality small to mid-capitalisation Australian listed companies with sustainable business models, quality management and attractive investment fundamentals, as well as some emerging companies.

Key characteristics of the strategy include:

- Highly rated portfolio of quality smaller Australian companies with exposure to some rapidly growing emerging companies
- Well-resourced and seasoned team of professional smaller companies investors
- Proven process that has delivered investors strong long-term returns across all market cycles
- Strong focus on risk management and capital preservation

Case for smaller companies

“Companies with smaller market capitalisation, or small-cap stocks, can present excellent investment opportunities and play an important role in an investor’s portfolio.”

Providing added diversification, small-cap stocks can temper the exposure large-cap managed funds typically have to banks and resource stocks. For example, the financials (ex property) sector alone, which includes banks, makes up over a third of the S&P/ASX 100 Index.

A challenging domestic economy has created a difficult operating environment for many of the larger companies listed on the ASX, including the major banks. The beauty of small-cap investing is that despite the structural and macro issues facing the broader economy, it is possible to find small-cap companies that are performing well and off much lower earnings bases than their larger peers.

Greater growth potential

Smaller companies tend to be at an earlier stage of development which increases their growth potential. For example, it is usually easier for a company making \$50 million in profit to double that amount than one that is making \$500 million. Similarly, faster growing companies can be harder to find among larger businesses as many already operate in more mature business models or industries.

Greater alignment of investor interest

Smaller businesses tend to have a higher level of founder and/or management ownership or ‘skin in the game’, meaning management’s interests are more likely to be better aligned with those of investors.

Greater investment choice

The number of listed smaller companies is greater than those with larger market capitalisation. This provides more stocks in which to invest and therefore, the potential for greater portfolio diversification.

Less index concentration

The top 10 small-cap stocks make up around 15% of the small-cap index, compared with the 10 largest large-cap stocks making up over 50% of the S&P/ASX 100 Index. This diversity is one reason why active investment managers may have more opportunity to generate superior returns.

Fund overview

Managed by OC Funds Management (OC), the OC Dynamic Equity Fund (Fund) is a benchmark-unaware unit trust. It typically invests in 30 to 50 high quality small to medium-sized Australian companies with sustainable business models, quality management and attractive investment fundamentals that are listed, or about to list, on the ASX.

The Fund can also invest up to 20% of total capital in either smaller emerging leaders businesses (\$50 million to \$350 million market capitalisation) and/or event-driven positions (companies expected to benefit from an upcoming catalyst or undergoing a positive change).

Investment objective

The Fund aims to provide investors a total return of (after fees and expenses) 3 - 5% per annum above the S&P/ASX Small Ordinaries Accumulation Index over a rolling five-year period.

Investment approach

The Fund’s investment universe includes all companies listed, or about to list, on the ASX regardless of their size or business sector. Despite the broad investment universe, OC focuses on smaller businesses (ex ASX 100) believing they are:

- easier to understand
- simpler to value, and
- more accessible to research.

To minimise the risk of poor performing investments, OC looks to invest in companies with:

- strong management
- simple and transparent business models
- high cash conversion and capital light
- sustainable competitive advantages
- favourable operational risk characteristics, and
- attractive valuation metrics based on OC’s proven financial analysis and valuation techniques.

Access to key management and earnings transparency is also critical.

The team places heavy emphasis on risk management, which is ingrained through each stage of its investment process, screening out businesses with:

- no profitability or cash flow
- a market capitalisation of less than \$50 million (due to liquidity and quality considerations)
- complex technologies, which are difficult to forecast
- unproven business models
- insufficient diversification of product or supply (e.g. single commodity/single mine), or
- management that is not aligned with its shareholders or that is inaccessible.

Investment team

OC is one of Australia's most experienced mid, small and micro-cap fund managers, with Robert Frost successfully managing small and micro-cap Australian equities since 2001.



Robert Frost
Head of Investments
BCom, LLB

- Joined OC in 2001 as a Portfolio Manager and was appointed Head of Investments in 2009.
- Responsible for portfolio management and OC's investment philosophy and strategy.
- Prior to OC, Robert was a Senior Research Analyst with Austock Group specialising in small and mid-cap industrial companies.



Robert Calnon
Portfolio Manager/
Dealer
BCom, GDipAppFin, CA

- Joined OC in 2007 as a Senior Investment Analyst with additional responsibility as the Equities Dealer for the investment team.
- Responsible for company and sector analysis of stocks within OC's investment universe.
- A Chartered Accountant, Robert was previously a manager in the Bank of New York's investment accounting division prior to joining OC.



Stephen Evans
Portfolio Manager
BCom, CA

- Joined OC in 2010 as a Senior Investment Analyst.
- Responsible for performing in-depth analysis and financial modelling of stocks and was the systems architect of OC's proprietary investment database.
- Prior to OC, Stephen was an Investment Analyst with Patriot Asset Management and is a Chartered Accountant.



Daniel Stein
Senior Investment
Analyst
BCom, CFA

- Joined OC in 2017 as an Investment Analyst.
- Responsible for researching companies within OC's investment universe and financial modelling.
- Prior to OC, Daniel was an Associate Analyst at Altair Asset Management where he specialised in small and mid-cap industrial and financial companies.



Aaron Yeoh
Senior Investment
Analyst
BCom (Hons), BA, CFA

- Joined OC in 2022 as a Senior Investment Analyst
- Responsible for fundamental analysis on small companies which includes financial modelling and company valuation.
- Prior to OC, Aaron was a Research Analyst at Cooper Investors, covering Asian and global listed companies in consumer brands related sectors.



Nga Lucas
Portfolio Manager
BCom, GDipAppFin

- Joined OC in 2024 as a Portfolio Manager
- Responsible for the management of the mid-cap portfolio.
- Prior to OC, Nga worked at AFIC for over a decade where she served as a Senior Investment Analyst specialising in Technology, Telecommunications, Industrial and small companies, and assisted with the management of the portfolio.

Key facts

Manager

OC Funds Management

Responsible entity

Copia Investment Partners

Inception date

December 2000

Benchmark

S&P/ASX Small Ordinaries Accumulation Index

Investment time frame

At least 5 years

Relative risk

High

Minimum investment

\$20,000

Minimum additional investment

\$5,000

Distribution

Yearly

Establishment fee

NA

Termination fee

NA

Management fee

1.72% p.a. (including GST net of RITC)

Performance fee

20.5% (including GST net of RITC) of the amount of excess performance in any financial year, subject to a high-water mark

Performance hurdle

The greater of the net asset value of the Fund at the beginning of the year plus 15% p.a., or the high-water mark

High-water mark

Yes

Suitable investors

- Investors seeking a diversified exposure to quality Australian listed small and mid-capitalisation companies, as well as shorter-term catalyst-driven opportunities.
- Investors looking to complement their core direct large-cap Australian equities holdings or large-cap Australian equities managed funds.
- Investors seeking an active investment approach that seeks to deliver excess risk-adjusted returns.
- Those with an investment horizon of five years or more.

Ratings



Why invest

Smaller companies specialist

Access the extensive smaller companies investment management expertise of OC. Supported by an experienced and stable team of seasoned investment professionals, Head of Investments, Robert Frost, has successfully managed small-cap portfolios since 2001. During this time, OC has formed strong relationships with management teams giving OC unique insight and deep understanding of the companies in which the team invests.

Proven investment process

Gain exposure to the team's proven bottom-up, benchmark-unaware and risk-averse investment process that has delivered investors strong long-term returns across all market cycles.

Highly rated, quality portfolio

Rated 'Highly Recommended' by Lonsec, investors gain access to a quality portfolio of smaller companies with robust business models, quality management and attractive investment fundamentals, as well as some rapidly growing emerging companies and shorter-term catalyst-driven opportunities.

Long-term track record

The Fund has a long-term track record of generating alpha for investors through a wide variety of markets. Additionally, as owners of the business and co-investors in the Fund, OC's interests align with those of investors providing strong performance incentive.

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