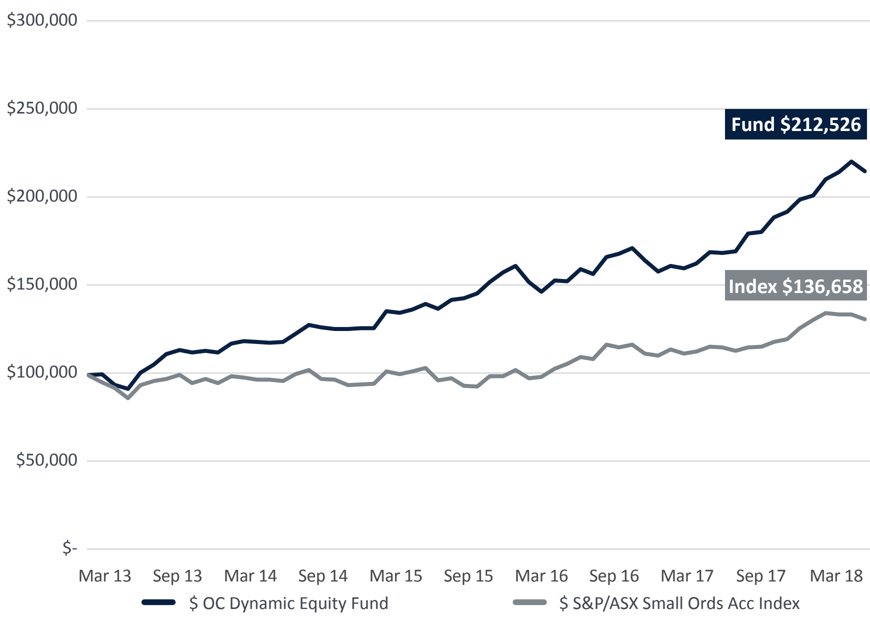
2.3% Fund up 2.3% for the quarter

16.3% Returned 16.3% p.a. for the past five years

We remain confident the Fund will continue to deliver attractive long-term returns

Performance comparison of $100,000 over 5 years*



Total returns

At 31 March 2018	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	10 yrs % p.a.	Incep. % p.a. (Dec 2000)
OC Dynamic	-2.4	2.3	26.7	16.6	16.3	14.8	11.6	13.4
S&P/ASX Small Ords Accum	-2.3	-2.8	15.0	10.7	6.4	2.4	1.4	6.2
Outperformance	**-0.1**	**5.0**	**11.7**	**5.9**	**9.9**	**12.4**	**10.3**	**7.3**
S&P/ASX Small Ind Accum	-1.7	-2.2	10.9	8.7	8.8	8.5	4.8	6.5
Outperformance	**-0.7**	**4.5**	**15.8**	**7.9**	**7.5**	**6.3**	**6.8**	**6.9**

Performance review

The OC Dynamic Equity Fund posted a solid March quarter returning 2.3% which was a credible result considering the challenging back drop for equities with a potential trade war between the US and China spooking the market and threatening to derail synchronised global growth. This return was well-ahead of both the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which were down 2.8% and 2.2% respectively for the quarter.

The Fund has enjoyed a strong 12 months posing an annual return of 26.7% which is well ahead of both the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which returned 15.0% and 10.9% respectively over the rolling year.

Sirtex Medical (SRX, +67.9%) – as discussed in the January monthly review, SRX provided investors with good news on two fronts during the quarter. Firstly, SRX delivered a H1 FY18 earnings result materially ahead of consensus expectations which was followed shortly thereafter by an announcement that SRX had entered into a binding Scheme Implementation Deed with Varian Medical Systems (Varian) under which it is proposed Varian will acquire 100% of the issued capital in SRX by way of a Scheme of Arrangement for A$28.00 per share in cash. The board of SRX disclosed that it had received several unsolicited, credible approaches to acquire the business in recent months and had consequently run a process to extract the best possible bid for shareholders. Clearly the Varian bid is a great outcome for shareholders, ourselves included, and we do not think that the conditions of the bid, including the independent expert report, will pose an obstacle to the deal being successfully completed.

Bravura (BVS, +56.1%) – the company continued to re-rate over the March quarter following an announcement in late December that it had signed a long-term contract with ASB Bank Limited, a leading New Zealand financial services provider, for the implementation of the Sonata platform. BVS is a market leader in the provision of enterprise software to the global wealth management and funds administration industries. It is generating around 70% of revenue from recurring sources under long-term contracts, (typically 5 to 10 years in duration). BVS has invested heavily into its flagship wealth management product, Sonata, with more than $100m having been spent on the product over the past decade. Management has flagged a strong pipeline of opportunities for Sonata, predominately in the UK, Australia and South Africa, and we expect a number of these deals to be signed in H2 FY18. Despite the recent share price appreciation, BVS continues to trade at a discount relative to software peers and we believe this discount can narrow as the company continues to announce new contract wins and deliver on its earnings forecasts.

The A2 Milk Company (A2M, +55.5%) was again a stand-out performer during the quarter as the company continues to evolve from a branded Australian and New Zealand liquid milk and infant formula business to become a global nutrition firm. A2M re-rated significantly during the quarter after it reported another high quality result which once again exceeded market expectations. The company continues to grow market share in the large Chinese infant formula market and following a period of strong revenue growth in the UK and North America, management has been able to demonstrate a clear pathway to profitability in those large markets. In a strong endorsement of the brand, A2M also announced it entered into a strategic relationship with global diary giant, Fonterra, which encompasses a range of supply, distribution, sales and marketing arrangements in targeted markets. Clearly this will expand the company's distribution channels, including in SE Asia and the Middle East, and may also result in the creation of new and innovative milk products. We continue to view A2M as a high quality global growth story in a growing market, although we trimmed our weighting in the stock following strong share price appreciation.

Blue Sky Alternative Investments Limited (BLA, -28.5%) – the Australian based alternate asset manager with a solid long-term track record and a management team we hold in high regard came under considerable pressure following the release of an aggressive research report by Californian based short-seller Glaucus Research Group. Glaucus, who stands to profit handsomely from any fall in the BLA share price, made a series of damning assertions about the BLA management team and their disclosure practices. These included that the actual fee earning assets under management held by the group are "wildly exaggerated", that management misrepresents the performance of its investments and, further, that it "gouges Australian investors with extortionate fees". Whilst management issued a thorough rebuttal dismissing the claims, we take these assertions very seriously, and over the past few weeks we have met with and spoken to management on numerous occasions as well as other industry players to reinforce our view.

The market has reacted savagely to the report and the stock price has fallen sharply. Whilst we always welcome any call for additional transparency and enhanced disclosure from our investee companies, we believe that the Glaucus report contained material factual inaccuracies in relation to BLA around the key assertions listed above. Notwithstanding this, the report has shaken the market's confidence in the stock and it is clear that investors are reconsidering their investment thesis, especially given that Glaucus has renewed its attack on the company with a follow up report. Whilst we believe that BLA looks fundamentally cheap, our years of experience have taught us that doubling down in these situations can be a dangerous strategy and for the time being we are retaining our existing holding.

Axsesstoday (AXL, + 51.3%) reported a strong interim result and once again upgraded its full year earnings forecast. As a reminder, AXL is a rapidly growing equipment finance provider which offers leasing solutions across the hospitality and transport sectors. The company has been a stand-out performer since listing in December 2016 and has upgraded its earnings forecasts several times over that period. AXL again exceeded our forecasts on all key metrics at its interim result including revenue growth, loan book growth and operating profitability whilst maintaining bad debts and arrears at relatively benign levels. AXL continues to diversify its funding sources and in late March announced the establishment of a new $200m securitisation warehouse facility with a "leading Australia bank". The facility is a material positive for two reasons: (1) it delivers AXL diversified access to the Australian wholesale debt market and (2) it ought to lead to a "material reduction in cost of funds" as the associated securitisation program is utilised. The securitisation warehouse facility with a major bank adds further credibility to the business and we continue to hold AXL as a core position in the Fund.

Millennium Services Group (MIL, -37.2%) delivered a very disappointing update with full year guidance being re-set some 25% below expectations driven by essentially poor management and strategy execution. Management has told us the reduced full year earnings expectations are due to delays in the realisation of efficiency gains from roster management initiatives and its robotic cleaning strategy not yet yielding anticipated benefits. We consider staff management and efficiency gains are a core competency in a low margin cleaning/security services business such as MIL and are not encouraged by these excuses. Additionally, MIL is going through a period of transition with key CEO/CFO roles changing in the last 12 months, a concerted effort to move into the security sector (through the hiring of key SecureCorp personnel) and executives from the recently acquired Airlite business stepping up to implement their proven and successful systems across the broader Millennium Group. Whilst these changes may or may not be successful, we have reduced our exposure in the near term with a view to revisiting our investment thesis in the future.

Outlook

The emergence of a US-China trade war (via the threat of tit-for-tat tariffs) has, not surprisingly, spooked investors and led to heightened volatility in global markets in recent weeks. The feud began in March when Trump announced a plan to tax steel and aluminium from China and other countries. Since then, he has threatened to impose tariffs on other products, such as appliances and electronics. China has made similar threats about American cars, wine, soybeans and other items.

Last week, Trump raised the stakes when he said he had directed the United States Trade Representative (USTR) to consider an additional US$100b tariff following China's decision to retaliate against an earlier US$50b worth of proposed tariffs. China, whilst making it clear it doesn't want a trade war, responded by saying it would do whatever is necessary to protect its interests.

The underlying rationale for the US tariffs against China is believed to be to punish China for its intellectual property practices. US officials have accused China of using unfair trade practices, as well as employing coercive tactics, to gain access to American intellectual property. This follows an investigation launched by the USTR under Section 301 of the U.S. Trade Act of 1974, which allows for the unilateral imposition of duties in retaliation to unfair trade practices. The US alleges that China has been stealing US intellectual property, forcing American companies to hand over proprietary technology as a condition of doing business in mainland China, and providing state support for Chinese firms to acquire important technology abroad. Trade between the United States and China is valued at nearly US$650 billion a year, with the United States importing far more than it exports. Clearly Trump is seeking to level the playing field but the stakes are very high as a global trade war would likely be devastating for global growth and have a detrimental impact on asset valuations, including equities.

Even as the rhetoric heats up, there is a widespread belief that Trump's economic team is in talks with China's trade officials looking for an amicable solution, although Chinese officials deny that such talks have commenced. Whilst we continue to ascribe a low probability that a full-scale trade war eventuates, we are keeping a close eye on policy developments out of Washington and Beijing and will shift the portfolio to a more defensive stance should the situation escalate.

On the domestic front, fourth quarter GDP growth in Australia came in a little weaker than the consensus analyst estimates at +0.4% quarter-on-quarter (q/q). The prior quarter was revised up slightly from +0.6%q/q to +0.7% q/q, though the annual rate nevertheless came in a fraction lower than expectations at +2.4%. The details were soft and will consolidate the sense that the RBA will need to lower its sights on the forecast recovery back to 3% growth this year. Interest rates were once again kept on hold at 1.5% by the RBA at its March interest rate policy meeting. While the global growth backdrop continues to improve, the conundrum for central banks around the world is that inflation is being kept low, particularly by soft wages growth which continues to be constrained in Australia at just 2.1%.

The housing market in Sydney and Melbourne continues to slow whilst it remained stable in other capital cities. Tighter credit standards seem finally to be impacting the real estate markets. The portfolio remains underweight domestic housing exposure.

Our key conviction calls, at present, remain in companies exposed to the large pipeline of east coast-based infrastructure projects, particularly in areas such as road, rail, transport, telecommunications and renewable energy. Our site visits and management meetings during the quarter heightened our conviction in that call and the portfolio is well represented by companies that ought to benefit from an uptick in spending in these areas with **RCR Tomlinson**, **Bingo Industries**, **Seven Group Holdings** and **NRW Holdings** all expected to be beneficiaries to varying degrees.

Following our post-reporting season management catch-ups, we are again heading out on the road with an extensive list of companies, competitors and sites to visit in the coming weeks. We thank our investors for their ongoing support and remain committed to our goal of generating strong long-term risk-adjusted returns for our clients.

Top 5 holdings#

Company	ASX code
Bapcor Limited	BAP
Bingo Industries Ltd	BIN
Eclipx Group Ltd	ECX
Mineral Resources Limited	MIN
Speedcast International Ltd	SDA

#Alphabetical order

CONTACT COPIA

1800 442 129 | clientservices@copiapartners.com.au | copiapartners.com.au

John Clothier	General Manager, Distribution	0408 488 549 | jclothier@copiapartners.com.au
Adam Tweedale	State Manager, Southern Region	0425 804 727 | atweedale@copiapartners.com.au
Angela Vincent	State Manager, Northern Region	0477 347 260 | avincent@copiapartners.com.au
Sean Paul McGoldrick	Account Manager, Northern Region	0421 050 370 | spmcgoldrick@copiapartners.com.au
Iain Mason	Director, Institutional Business	0412 137 424 | imason@copiapartners.com.au
Jacinta King	Business Development Associate	0413 962 922 | jking@copiapartners.com.au

* The performance comparison of $100,000 over 5 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. There is no guarantee these objectives will be met.

The top 5 portfolio holdings are in alphabetical order and may not be representative of current or future investments. The securities listed may not represent all of the portfolio's holdings and may represent only a small percentage of the strategy's portfolio holdings. Future portfolio holdings may not be profitable.