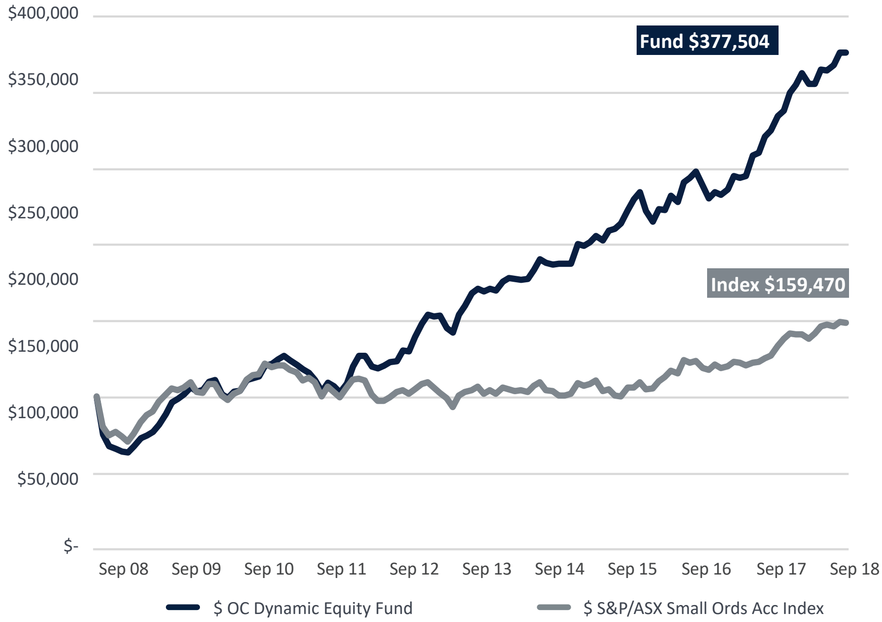
4.0% Fund up 4.0% for the quarter

14.2% Returned 14.2% p.a. for the past ten years

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 September 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	0.1	4.0	19.9	16.3	15.4	19.9	14.2	13.5
S&P/ASX Small Ords Accum	-0.4	1.1	20.3	17.0	8.7	7.0	4.8	6.5
Outperformance	**0.5**	**2.9**	**-0.5**	**-0.7**	**6.6**	**13.0**	**9.5**	**7.0**
S&P/ASX Small Ind Accum	-0.4	3.4	19.4	14.1	9.8	12.5	7.9	6.9
Outperformance	**0.5**	**0.6**	**0.5**	**2.2**	**5.6**	**7.4**	**6.4**	**6.6**

Performance review

The OC Dynamic Equity Fund finished the quarter up a robust 4.0% after returning 0.1% in the month of September. This was a strong outcome which was underpinned by solid results from most of the companies in our portfolio during the August reporting season. The quarterly return for the Fund was ahead of both the S&P Small Ordinaries Accumulation Index and the Small Industrial Accumulation Index which returned 1.1% and 3.4% respectively.

The key stock moves for the Fund in the month of September included:

Helloworld Travel Limited (HLO, +13.3%) was a strong performer for the Fund in September following another solid operating result in the FY18. HLO is an Australian based travel distribution company comprising retail and wholesale businesses, franchise-based and affiliate agency networks, air ticket consolidation and online operations. The company has come on in leaps and bounds since current Managing Director, Andrew Burnes, took the helm in January 2016 when his business, The Australian Outback Travel Company (The AOT Group), merged with Helloworld Travel and turned around the previously underperforming business. Under Burnes' leadership, HLO has delivered two consecutive years of strong results and the outlook remains promising underpinned by further EBITDA margin expansion driven by ongoing optimisation of the cost base, increased brand awareness through sensible marketing initiatives and benefits from restructuring the New Zealand and Rest of World businesses. Although Andrew Burnes recently sold a small percentage of his holding to facilitate liquidity and index inclusion, he retains a substantial stake in the company (around 31%, in conjunction with his wife Cinzia, an Executive Director) and remains strongly aligned with shareholders. We expect the company will continue to re-rate in the coming years and believe they are well placed to surprise the market on the upside from an earnings perspective.

Autosports Group (ASG, -13.6%) came under pressure during the month with new car sales continuing their downward trajectory in September, down 5.5% on the prior corresponding period, following on from a 1.5% decline recorded in August. ASG is a well-managed dealer of prestige and luxury vehicles, providing both front-end and back-end products and services including aftermarket, parts and servicing and finance and insurance products to customers. No doubt the macro environment for new car sales is challenging with weakness in the housing market putting pressure on householders and delaying purchasing decisions for new vehicles. Nevertheless, ASG generates close to half of its earnings from back-end products and services which tend to be resilient and are continuing to grow. Further, in a tough operating environment for new car sales, the OEMs will typically adjust the volume targets dealerships must hit for override bonuses and, given the quality of the ASG dealership network, whereby they tend to outperform in a challenging environment, ASG ought to still achieve the bulk of these override bonuses. We believe that these more nuanced industry dynamics are underappreciated by the broader market.

We see growth for ASG coming from annualised contributions from recent acquisitions, cost reductions from consolidation of back-office functions, contribution from greenfield dealerships reaching maturity, growth in used vehicle hubs and from back-end operations helping to offset the weakness in new car sales. ASG is currently trading on a FY19 PE of just 8.7x with a 7.1% fully-franked yield based on consensus estimates which implies flat EPS growth. We believe these fundamentals excessively discount the tough operating environment and we expect the stock to re-rate over the medium term once the macro environment and sentiment towards the space improves.

The Fund benefitted from stocks exposed to an improvement in both the commodity and infrastructure cycle during the month with **Ausdrill (ASL, +9.6%)**, **Seven Group Holdings (SVW, +9.5%)** and **Imdex (IMD, +6.3%)** all solid contributors. Each of these businesses are well positioned to capture current cyclical tailwinds. ASL and IMD have leverage to drilling activity levels in the gold and the base metals sectors which are continuing to improve as the cycle ticks-up. SVW is an excellent exposure to an expected pick-up in both the Australian infrastructure investment cycle, through its Coates Hire equipment hire business, and the mining cycle, via Westrac Australia, the authorised dealership for Caterpillar heavy equipment in WA, NSW and the ACT. Both Coates Hire and Westrac are well positioned in these sectors which appear to be in the early stages of a recovery which could run for several years.

Outlook

The US remained the focal point of global equity markets during the September quarter with the Dow Jones Index taking a raft of economic and political developments in its stride to close at another record high in early October. The escalating trade war with China, the strengthening US dollar, rising bond yields, Federal Reserve monetary tightening and further scandal involving Trump, as well as his Supreme Court nominee Brett Kavanaugh, were cast aside by the market which instead focussed on the continued strength of the US economy.

The bitter trade dispute between Beijing and Washington took centre stage for much of the quarter with Trump upping the ante with a further US$200 billion in tariffs in mid-September and warning that he stood ready to impose tariffs on nearly all Chinese imports as he seeks to rein in what he says are unfair trade practices by the Chinese. China immediately hit back by announcing new trade tariffs on US$60 billion on US goods. To date, the US equity market has brushed off the trade war, although the Chinese market retreated into “bear market” territory ecently with the Shanghai Composite Index down over 20% from its highs.

Whilst we believe that the direct impact of the trade dispute on the OC portfolio will be relatively limited at this point (see August Monthly Review), we remain concerned about the potential knock on effects for the Australian economy which remains heavily dependent on China. Australia’s trade surplus with China means that our local economy could be impacted by a tariff induced slowdown. We are closely monitoring any potential fallout from the US-China trade war.

The US economy remains the global bellwether with growth strengthening at a time when unemployment continues hit new lows (3.9%). Inflation has now reached the US Federal Reserve’s target of 2% and inflation appears to be contained at present, albeit rising energy costs will likely be a factor going forward given the stronger oil price.

The US bond market has surged over the past week, with the yield on the US 10-year treasury note rising to 3.23 per cent, its highest level since mid-2011, following the release of more data pointing to strong momentum in the US economy. Rising US bond yields threaten to put further upward pressure on Australian bank funding costs at a time when domestic housing market is already under pressure from tightening credit markets in the wake of the Banking and Financial Services Royal Commission and as APRA’s supervisory measures start to bite. September was the 12th straight month in which the nation’s housing prices fell with Sydney, Melbourne, Perth, Adelaide and Darwin all recording price falls in the first month of spring. CoreLogic data indicates that home prices have fallen 2.7% since peaking in September last year, with the Sydney and Melbourne markets leading the fall. Should the ALP’s plan to lower negative gearing and increase capital gains tax on housing be implemented, it would likely accelerate the housing market correction.

The US Federal Reserve hiked short-term rates once again in late-September moving the benchmark rate to a range between 2.00-2.25%. The move was unsurprising given the strengthening US economy and the central bank officials have signalled that they expect to lift rates again this year and through 2019 to prevent the strong US economy from overheating. Clearly this contrasts with the current stance of the Reserve Bank of Australia (RBA) who, at their September Board meeting, held the cash rate steady once again at 1.5%. Domestic rates have now been unchanged since August 2016 and many economists are predicting rates to remain on hold in Australia until early 2020.

The widening differential between both short and long-term bonds in the US and Australia has put further downward pressure on the Australian dollar which has fallen to around US$0.71 in early October. We expect our portfolio to be a net beneficiary of a lower currency due to its material exposure to offshore earners such as **Reliance Worldwide Corporation**, **Appen Group** and **Pacific Current Group**.

The RBA delivered an upbeat assessment of the Australian economy in its October Statement on Monetary Policy with the latest national accounts confirming that the Australian economy grew strongly over the past year, with GDP increasing by 3.4%. The Bank remains overall upbeat on the outlook for Australia and its forecast for growth remains positive expecting it to "*average a bit above 3 per cent in 2018 and 2019*".

But as we flagged earlier, there are sectors such as housing, construction and those vulnerable to a lower dollar (net importers) which remain under pressure in the current economic environment and, as such, the portfolio remains under-weight these areas. On the flip-side, public infrastructure spend continues to strengthen as does mining construction, while business conditions are positive and non-mining business investment is expected to increase. Consequently, it is these sectors, along with offshore earners, where we are concentrating much of our investment efforts at present.

We would like to once again thank our investors for their continued support of the Fund. We remain committed investors along-side you and we remain confident that we can continue to generate strong risk-adjusted investment returns over the long-term.

Top 5 holdings#

Company	ASX code
Bravura Solution Ltd	BVS
Mineral Resources Limited	MIN
Nextdc Limited	NXT
Reliance Worldwide	RWC
Seven Group Holdings	SVW

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

CONTACT COPIA

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

John Clothier	General Manager, Distribution	0408 488 549 | jclothier@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

* 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.

Past performance is not a reliable indicator of future performance. The total return performance figures quoted are historical, calculated using 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 indices do not incur these costs. This information is provided for general comparative purposes. Positive returns, which the OC Dynamic Equity Fund (the Fund) is designed to provide, are different regarding risk and investment profile to index returns. Total returns are calculated after taking into account performance fees. Where OC Funds Management generates a return on the OC Dynamic Equity Fund over and above the performance hurdle of 15% in any financial year, a performance fee of 20.5% of all profits above this level is charged to the Fund directly. This document is for general information purposes only and does not take into account the specific investment objectives, financial situation or particular needs of any specific reader. As such, before acting on any information contained in this article, readers should consider the appropriateness of the information to their needs. This may involve seeking advice from a qualified financial adviser. Copia Investment Partners Ltd (AFSL 229316, ABN 22 092 872 056) (Copia) is the issuer of the OC Dynamic Equity Fund (ARSN 098 644 681). A current PDS is available from Copia located at Level 25, 360 Collins Street, Melbourne Vic 3000, by visiting ocfunds.copiapartners. com.au or by calling 1800 442 129 (free call). A person should consider the PDS before deciding whether to acquire or continue to hold an interest in the Fund. Any opinions or recommendation contained in this document are subject to change without notice and Copia is under no obligation to update or keep any information contained in this document current.