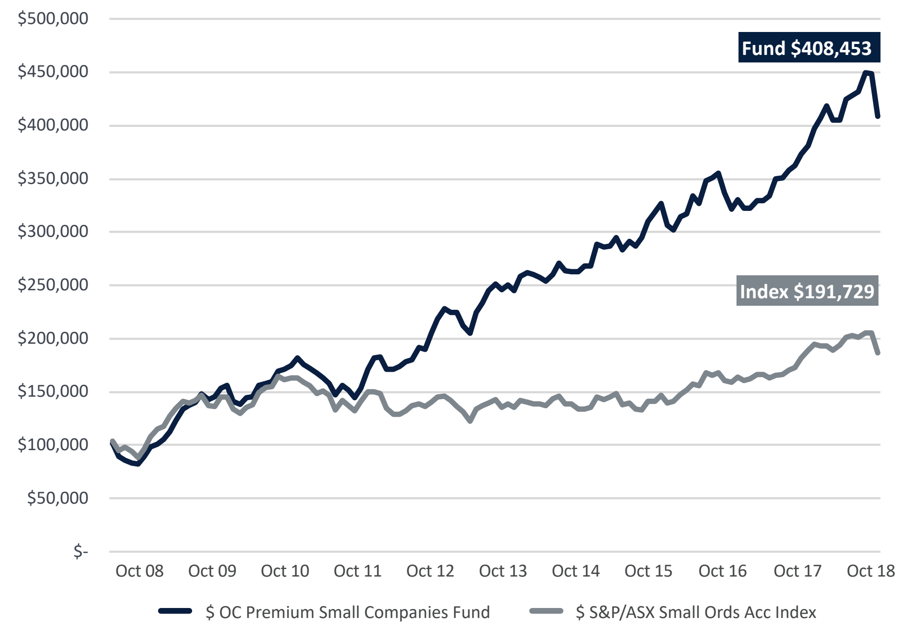
-9.2% Fund down -9.2% for the month

15.1% Returned 15.1% 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 31 October 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 Premium	-9.2	-5.5	9.6	9.8	10.3	14.9	15.1	11.3%
S&P/ASX Small Ords Accum	-9.6	-7.7	2.6	10.5	6.0	4.3	6.7	5.7%
Outperformance	**0.5**	**2.2**	**7.0**	**-0.8**	**4.3**	**10.7**	**8.4**	**5.6%**
S&P/ASX Small Ind Accum	-10.6	-7.1	0.7	7.8	6.7	9.9	9.3	6.1%
Outperformance	**1.5**	**1.6**	**8.9**	**1.9**	**3.6**	**5.1**	**5.9**	**5.2%**

Performance review

Global markets were sold down over the month of October as a series of macro-economic, political and geo-political factors conspired to undermine investor confidence resulting in a sharp equity market sell-off. The month started with investors cautious about rising US interest rates and bond yields and sentiment turned decidedly sour as US-Sino trade tensions further escalated and aggressive political posturing out of Washington invoked concerns of a potential 'cold war' between the US and China.

More broadly, investors were concerned with the growing stand-off between the Italian government and the EU over government spending, ongoing Brexit negotiations and uncertainty about the forthcoming US mid-term elections. Adding to these concerns were underwhelming third quarter earnings results from US industrial bellwethers, 3M and Caterpillar, and tech giants Amazon, Alphabet (Google's parent) and Facebook. All these factors combined to further erode investor confidence as the market went decidedly 'risk-off' as the month drew to a close.

Across the domestic small cap market, the sell-off was broad-based with the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index each posting sharp declines for the month, down 9.6% and 10.6% respectively. The OC Premium Small Companies Fund was not immune to the pull-back and endured a challenging month, declining -9.2%, albeit it finished ahead of the small-cap indices.

Whilst our conservative cash weighting of around 10% provided some buffer, the absence of gold stocks and property REITs from our portfolio (which together comprise +15% of the Small Ordinaries Index) offset the Fund's cash holdings given their relative outperformance.

During the month, several of our core portfolio holdings suffered material share price corrections despite delivering no negative news flow. Some of these names included:

- **Seven Group Holdings (SVW, -21.6%)** gave back some of its recent outperformance during the month but remains +37.1% over the past 12 months. SVW is well exposed to the resurgence in resources sector and the ongoing spend on the east coast infrastructure boom and it remains a key portfolio holding.

- **Bingo Industries (BIN, -23.9%)** retreated in October following the completion of a material acquisition in September and its promotion to the S&P/ASX

200 Index. We took the opportunity to reduce our position in BIN near its all time highs last month and have used the current share price weakness to add to our holding late in the month as we continue to see BIN well positioned in its key markets.

- **AMA Group (AMA, -18.0%)** was lower during the month despite no material negative news being released to the market. In fact, the company announced incrementally positive news in October which included the extension of banking facilities and changes to the executive management team with the highly regarded Andy Hopkins being promoted to the role of Group CEO. There has been growing speculation in the market with respect to a large potential acquisition and an associated equity raising which may have driven performance in AMA during the month. We would see such an acquisition, at a sensible price, as an outright positive for the company and the stock.

- **G.U.D Holdings (GUD, -14.7%)** traded lower in October despite its AGM delivering no incremental news; neither positive nor negative. A de-rating of a relatively high PE stock, such as GUD, is not unexpected in a broader market sell off and we had earlier taken the opportunity to lighten our holding on the back of its strong result in August.

As is often the case at this time of the year, with AGM season upon us, there were numerous negative updates impacting small company stocks during October. Some of the stocks in our index delivering negative earnings updates included household names such as Domain Holdings, Lovisa Holdings, Kogan.com, The Reject Shop, Bellamy's Australia and WPP AUNZ. Fortunately, the Fund did not hold any of these companies, although we did suffer from a material pull-back in the share price of both WorleyParsons (WOR, -24.7%) which announced a major acquisition and an accompanying capital raising and Afterpay Touch (APT, -30.4%), which was impacted by regulatory uncertainty.

Worley Parsons (WOR, -24.7%) finished the month lower as a falling oil price (-8% in October) combined with a large capital raising to water down investors' appetite for the global resources and energy services business. WOR announced the acquisition of the Jacobs Energy, Chemicals & Resources division for a headline price of A$4.6bn. The transaction is highly synergistic and not only delivers earnings per share accretion of +20% but also diversifies the WOR business across geographies and sectors. The combined business will create a pre-eminent global provider of professional, project and asset services in the resources and energy sectors. The market, however, took a cautious view of the size of the transaction and resulting risk with an additional almost $4bn of equity to be issued and the combined debt levels of the group increasing by a further $985m. We held a small position in WOR prior to the transaction and participated in the equity raise as we consider the transaction to be strategically sensible for the business.

Afterpay Touch Group (APT, -30.4%) was sold off heavily during the month. The sell-off was initially seen as part of the pull-back in momentum fuelled growth stocks but was then compounded mid-month when a federal ALP senator proposed a parliamentary inquiry into parts of the finance sector not covered by the Hayne royal commission. The proposed inquiry will cover payday lenders, debt management firms and "buy now, pay later" products. APT is not presently regulated under the National Consumer Credit Protection Act because it doesn't charge interest, however this may change as a result of ASIC's recommendation for law reform in the sector. While any eventual change in the regulatory environment for APT is not presently known, the most negative impact we currently perceive could be around the sign-on process for new users being made more onerous. We met with the company during the month who confirmed they are not concerned about being regulated, have been engaged with regulators over an extended period time and have seen no impact on growth from the introduction of ID checks in the new account sign-up process. We retain our modest position in APT and remain optimistic for the prospects for the company overseas in its newly launched US business and its pending UK launch.

The steep share price falls across our stock universe did allow us to deploy additional capital into some quality names that we believe were oversold during the month, including Reliance Worldwide Corporation, Seven Group Holdings and The A2 Milk Company. We continue to believe these stocks are excellent long-term investments.

McMillan Shakespeare (MMS, -3.3%), a provider of salary packaging, novated leases and fleet-management services was added to the portfolio during the month after the share price fell to a sufficiently attractive level. MMS will benefit from the increasing penetration of salary packaging in addition to ongoing cost efficiencies over the medium term. Over a three year period, the company will invest in technology platforms inside the core Group Remuneration Services (GRS) business in order to increase sales conversion and improve GRS operational productivity. MMS has a stated target of improving margins by 7% and increasing novated leasing conversion by 33%.

Outlook

Investor anxiety reached fever pitch in October as market participants, who have become accustomed to low equity market volatility in recent years, were confronted by a host of macro-economic, political and geo-political factors which led to a swift re-evaluation of risk and a resulting sharp pull-back across global markets. As usual, much of the focus has been on the two global powerhouse economies, namely the US and China.

While the US economy still looks to be in good shape, the Chinese economy has been gradually slowing since 2014, as the central government in Beijing has tried to engineer a soft economic landing. After a long construction-led, debt fuelled period of prosperity, China is now pivoting toward a more consumption-led, services-based economy. In late October, Beijing reported that economic growth had slowed to 6.5%, the slowest reading since the 2009 GFC nadir. Weak Chinese manufacturing data and a stronger US dollar are offsetting the government's efforts to stabilise the economy by injecting more liquidity into the banking system and ongoing trade tensions with the US are exacerbating weak sentiment. The heavily managed Chinese currency is down about 10% versus the US dollar and Chinese equity markets continue to remain under pressure, with the Shanghai Composite Index down more than 20% from its highs.

While the US economy remains strong, with robust economic growth, low unemployment and inflation seemingly in-check, there are increasing concerns that rising interest rates, fading fiscal stimulus and tariff pressures could lead to a material slow-down in growth in 2019. After years of seemingly unquestioned central bank support, stock and bond markets are transitioning away from a world where liquidity injections underpin asset prices and moving toward a greater reliance on economic fundamentals. Whilst the US economy looks robust enough to manage a careful transition away from the Fed's support, it will no doubt result in greater market volatility.

Rising trade hostilities between the US and China is undoubtedly a paramount market concern and seemed to reach an impasse during the month with neither side prepared to cede ground. While the Australian equity market initially took the trade dispute in its stride expecting compromise and a timely resolution, the likelihood of a tariff driven slow down in global growth now seems more real and commodity prices and many industrial growth stocks sold off as a result.

Compounding this, US-Sino political relations took a decided turn for the worse during October with hostilities in the South China Sea and aggressive rhetoric from US Vice President, Mike Pence, causing some commentators to foreshadow the beginning of a new 'cold war' between the modern day super powers.

Political ructions aside, little changed during the month from a domestic perspective with the sharp sell-off largely driven by offshore events. An abrupt change of Liberal party leadership, and the resultant by election loss in the seat of Wentworth, means we now have a hung parliament in Australia, although the independents have promised to allow the normal operation of government until the next election, (which is to be held no later than May 2019). Of note, the unemployment rate dropped to a six year low of 5% in September, a level where several economists expect wages may begin to rise. The housing market slowdown looks to have accelerated with Melbourne and Sydney housing, in particular, under pressure as credit conditions continue to tighten, although, to date, the correction appears orderly.

In volatile markets such as these it is important to remain rational and not get caught up in the hysteria that can follow market corrections. Our investment process focusses on purchasing companies that are trading below their intrinsic value with a margin of safety and in sharp sell-offs, like the one experienced in October, fearful investors will often indiscriminately sell down good quality companies to attractive levels. This can provide a compelling entry point for OC Fund's to take new positions or to top up existing oversold positions. A recent example of this occurred in late 2016 following the election of Trump, when a series of events led to several high quality small cap stocks being excessively sold down thereby providing an attractive entry point for the Fund, and we added positions in the likes of NextDC and topped up our holdings in Webjet and Bapcor. Following the October sell-off, there are some quality stocks which we had previously viewed as being too expensive which are now screening as attractive under our investment process. We are continuing to assess them for portfolio inclusion.

Overall the Fund remains conservatively positioned from a cash weighting perspective and will likely continue to do so until we get further clarity on significant macro events, including the US-Sino trade dispute, the US mid-term elections and the speed at which the US Federal Reserve is likely to raise rates.

Importantly, unlike during the GFC, corporate Australia is in a healthy position, particularly from a balance sheet perspective, and overall the OC Fund's portfolio is conservatively geared. Whilst investors are likely to see continued volatility in the coming weeks until we get some clarity on key issues highlighted above, the valuation equation for domestic small cap equities has become more attractive. We believe that investors who ride out the near-term volatility will be handsomely rewarded over the longer term and we thank you for your ongoing support.

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.

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†The total return performance figures quoted are historical, calculated using soft 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. Soft close unit prices are interim unit prices struck at month end before all transactions for the month have been completed. Performance data available on the OC website, ocfunds.com.au, however, is based on hard close unit prices which are struck after all transactions for the month have been completed.

* 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.