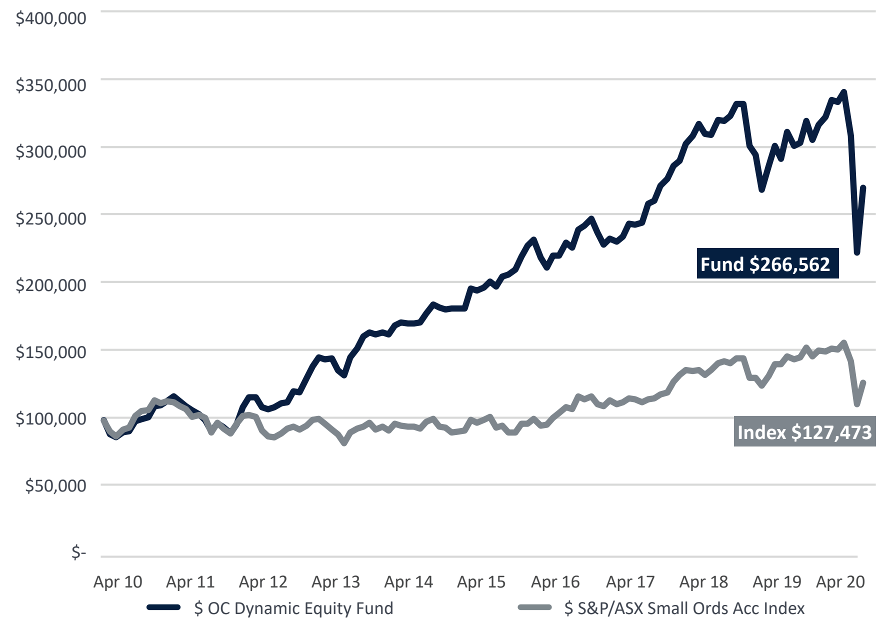
21.1% Fund up 21.1% for the month

6.5% Returned 6.5% p.a. for the past 5 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 April 2020†	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	21.1	-20.6	-13.3	3.5	6.5	9.2	10.3	11.1
S&P/ASX Small Ords Accum	14.3	-19.0	-13.3	3.2	4.9	4.6	2.5	5.2
Outperformance	**6.8**	**-1.6**	**0.1**	**0.3**	**1.5**	**4.6**	**7.9**	**5.9**
S&P/ASX Small Ind Accum	12.8	-20.8	-14.3	2.7	4.8	5.8	6.3	5.7
Outperformance	**8.3**	**0.3**	**1.1**	**0.8**	**1.7**	**3.4**	**4.1**	**5.4**

The total return performance figures quoted are historical, calculated using end-of-month soft-close mid-prices and do not allow for the effects of income tax or inflation.

Performance review

Following a tough March quarter the Fund rebounded strongly in April with the market ignoring the deteriorating economic environment, including the rapidly rising unemployment rate, and instead focusing on the positives, namely the raft of government and central bank stimulus programs and the apparent 'flattening' of the COVID-19 infection curve in Australian and the slowing infection rate in Europe and the US. The Fund was up +16.9% for the month, driven largely by a rebound in companies that were sold down heavily in the March quarter by investors who were panicked with the onset on the COVID-19 crisis. The Fund was also boosted by the strong performance of several new additions to the portfolio, which included stocks acquired through various capital raisings that we participated in during the month.

One of the largest opportunities during the past six weeks has been in the steady stream of discounted capital raisings that have come across our desk. Most of these opportunities have been attractively priced, reflecting the opaque economic outlook and have typically fallen into one of three categories:

1) Companies facing existential threats to their existence due to COVID-19 and needing capital to survive.

In some sectors such as travel, hospitality and entertainment, we have seen a near total collapse in demand as government enforced shutdowns and border closures are forcing entire industries (that were until very recently well capitalised vibrant and thriving) into shutting their doors to customers and entering a sudden battle for survival. Companies in these sectors were amongst the first to raise capital and the discounts on offer have often been compelling.

We participated in the capital raising for Fund holding **Webjet (WEB, +12.1%)** which finished the month up strongly from the $1.70 level at which it raised capital earlier in April.

The Fund also participated in a number of raisings for several other quality businesses that faced a similar predicament due to the Covid-19 pandemic. **oOh!media (OML, +61.7%)**, an out-of-home media business with significant exposure to shopping malls and major traffic thoroughfares including airport terminals, pubs and major freeways, where eyeballs and therefore advertising revenue has fallen dramatically; also **Flight Centre (FLT, +23.2%)**, an iconic global travel business that suffered a liquidity crisis due to measures taken by governments to slow the spread of COVID-19.

2) Companies who have suffered a material near-term drop in revenue due to COVID-19, who have raised additional capital to strengthen their balance sheet and leave them well positioned to pursue acquisition opportunities.

There are a raft of companies that have suffered a reduction in business activity brought about by COVID-19 that despite having sufficient liquidity to survive several months of curtailed business activity have proactively decided to raise capital to shore up their balance sheets. This leaves them well positioned to survive an extended lockdown but also able to proactively pursue attractive acquisition opportunities from competitors who do not have access to capital and may well become distressed sellers.

Fund holding **Bapcor (BAP, +20.8%)** which operates in the automotive aftermarket parts, accessories and equipment sector, raised capital during the month and removed any lingering concerns about its balance sheet whilst also positioning itself well to further pursue opportunistic acquisitions.

The Fund also participated in the **Kathmandu Holdings (KMD, +3.1%)** capital raising, a leading retailer of well-known surfwear brand Rip Curl and outdoor adventure brands. Kathmandu which was forced to close the bulk of its bricks and mortar retail stores in Australia and NZ to comply with government directed social distancing measures and to ensure the health and safety of staff and customers. KMD conducted a heavily discounted capital raising to which the Fund subscribed which we subsequently exited later in the month at a handsome profit.

3) Companies that are well positioned to survive COVID-19, but have opportunistically raised to accelerate either an organic growth strategy or pursue acquisitions.

Out of crisis comes opportunity, or so the saying goes and there are numerous listed businesses who are using the current environment to strengthen their balance sheets by raising capital to accelerate either organic growth expansion plans and/or to pursue acquisitions at attractive prices, including distressed unlisted competitors who lack access to capital.

The Fund participated in the recent capital raising of core holding **NEXTDC (NXT, -0.6%)** which has seen a pull-forward in demand from hyperscaler clients. Industry behemoths such as Amazon Web Services (AWS) and Google are reporting a large spike in demand for their cloud-based services driven by the acceleration in the structural shift towards online services and cloud computing and NXT has signed two major hyperscaler deals at their Melbourne M2 data centre over the past month, strongly rumoured to be with AWS and Google.

We expect that capital raisings will be continue to be a prevalent feature of our market for some time and we have been working diligently on each of these deals, including virtual meetings with the management of these companies, to assess the merits of all the opportunities that come across our desk.

There were few stocks in the portfolio that posted negative returns during the month, although two of the star performers from the March quarter, namely **Fisher & Paykel Healthcare (FPH, -12.3%)** and **NEXTDC (NXT, -0.6%)** finished the month on the negative side of the ledger. Both companies have been beneficiaries of the COVID-19 environment from an operational perspective and the underperformance of their share price speaks more to the April 'risk-on' environment of the overall market rather than anything that has fundamentally changed about these companies specifically or our investment thesis.

We remain upbeat on the outlook for both stocks. NXT has two critical long-term demand drivers which are being accelerated in a COVID-19 environment: a) the volume of data being produced and consumed is growing exponentially; and b) storage of data is shifting from on-premise to dedicated data centre environments. FPH is a world-class healthcare provider that has benefited from the increased demand for hospital respiratory hardware used in ICUs, COVID-19 specialty units and, increasingly, hospital wards the world over. Whilst demand for respiratory hardware and consumables will eventually slow, we remain optimistic about FPH's long-term prospects given the company's strong research and development pipeline and management's enviable track record of long-term success in commercialising new and innovative product lines.

Fund holding **Viva Leisure (VVA, +108.5%)** had to close all 75 gyms from mid-March as per the Federal Government directive. We added some stock late in March at 70c given we believe that VVA has sufficient funding and ability to weather this mandated closure period. Over the month of April VVA announced additional support from its financiers. This included a further A$6m overdraft facility, deferral of repayments for six months on its A$10m loan facility and deferred payments from equipment finance suppliers. Additional benefits from the Jobkeeper wage subsidy and rental relief should also assist cash burn. Whilst no date has been set for re-opening yet, and the economic environment that VVA will face upon re-opening will be challenging, we believe this is adequately priced in the current valuation and that VVA will also be in a position to capitalise upon a weaker competitive environment.

Outlook

The COVID-19 pandemic is unlike any economic crisis that we have seen in our lifetime in that is first and foremost a health crisis which necessitates sacrificing large parts of the economy for the sake of public health. The options for policy makers are equally vexed: save the economy at the expense of lives or put the economy into hibernation and cause extensive economic damage. The extreme volatility in equity markets over the past six weeks reflects the swathe of unknowns that have been thrown up by COVID-19. Some of these unknowns include: what will the health cost be, how long will the lockdown last, when will a vaccination be found, how great will the economic and social cost be, what does it mean for globalisation, and how will the world change as a result; the list of unknowns goes on.

Pleasingly, the mood in financial markets was significantly more optimistic in April as a wave of policy stimulus from Central banks and governments across the world emboldened investors to wade back into markets. But the real game changer was the unprecedented move by the US Federal Reserve ('the Fed') to inject trillions of dollars of liquidity into bond markets, with its vow to buy corporate debt as needed. This will likely go down as the defining moment of the financial side of the COVID-19 crisis. The Fed has given the market confidence that it will do whatever it takes to get the US economy back on track and many respected commentators believe that this decisive action by the Fed staved off a total collapse in financial markets.

With credit once again coursing through the veins of the financial system, equities responded in April with investors prepared to look through a mounting global death toll and a rapid deterioration in many economic indicators. By the end of April, most equity bourses across the globe had chalked up solid double-digit gains and our own S&P/ASX Small Ordinaries Accumulation Index was up a stunning +14.3%.

But real challenges lie ahead and the pathway to eventual recovery is still uncertain. Much of Europe remains in the grips of the health crisis, the death-toll is still rising on the continent and in the UK and economic growth has fallen off a cliff. In the US, fatalities have already topped 65,000 and in a six-week period some 30 million Americans have signed up for unemployment benefits. Social unrest is on the rise and there is a mounting divergence from various US States and their governors on the best path toward economic normalisation and the pace at which lockdowns should come to an end. That the US is in an election year is complicating matters further with Trump under increasing fire for badly mishandling the COVID-19 crisis, being ill-prepared, botching his policy response and making increasingly bizarre statements at press conferences.

There is a sense of optimism coming out of China which is, ironically, best placed of any major nation to bounce back from the COVID-19 pandemic. The infection rate in China is now very low, the economy is springing back to life and the Central government is on a charm offensive to win back the goodwill of the global community with bundles of aid and medical supplies being provided to help others fight the pandemic. China responded quickly to the crisis to support its economy once it was shuttered, with liquidity injections, policy rate cuts and fiscal support to the tune of +1.4% of GDP. A significant infrastructure spending package from China is also rumoured to be in the wings, which would be supportive of Australia's bulk commodity exports.

All of this is clearly good news for the global economy and Australia, in particular, given that China is our easily our biggest trading partner. We are, however, more than a little concerned about escalating hostilities between Canberra and Beijing. The Morrison government has been publicly quite outspoken of late about China's response to COVID-19, in terms of the Chinese central government's lack of transparency on the virus' origins and has called for an independent inquiry into Beijing's culpability for the outbreak. This deliberate opaqueness left Australia and the rest of the world underprepared for the spread of the virus and China's refusal to be accountable for the mounting damage caused by COVID-19 has left bilateral tensions simmering. Beijing has responded with thinly veiled threats about the disrespect coming out of Canberra and what a continuance of this approach could mean for our critical trade relationship in terms of economic retaliation.

Of greater concern to the global economy and world peace is the re-escalation of hostilities between the US and China. This scenario introduces a real risk of destablising the global economy at a time when we can least afford it. Trump has been drawing fire from his political rival and presumptive Democratic presidential candidate Joe Biden who has released a TV ad that paints Trump as being weak on Beijing. Coupled with the mounting disquiet from the public around his handling of the pandemic, it would not surprise us to see Trump rachet up the rhetoric against China considerably in the coming months and we are already seeing threats of Trump 'punishing China' for the pandemic, potentially through the imposition of tariffs. This is a slippery slope that we are monitoring carefully as an escalation in Sino-US trade tensions could make the coming global recession significantly more painful.

Australia itself has done a fantastic job in terms of limiting the number of COVID-19 deaths and we are the envy of much of the world in this regard. The social distancing and other confinement measures introduced by the Federal and State governments have been extremely successful in 'flattening the [infection] curve', so much so that these restrictions are being wound back in several states and the Federal government is expected to formalise a path toward social and economic normalisation (to the extent that it can) in the near future.

But the tremendous economic costs of shuttering much of the economy is still being counted and despite the unprecedented fiscal and monetary stimulus announced domestically over the past six weeks, there is much uncertainty about the depth and duration of the economic downturn that we are entering. The long-term economic consequences of COVID-19 will depend on a number of factors including the direct effects of the confinement measures to limit its spread, the duration of these measures, the impact of the fiscal and monetary responses from the government and the impact on the global economy and international trade, all of which remain uncertain.

Whether the recent March 23 market low will be retested in the coming weeks (or months), as the global economic slowdown drags on, remains to be seen. Rarely has near-term forecasting been more difficult than it is right now and we are well aware of our limitations (and anyone else's) in forecasting the near-term direction of the market, so we prefer not to offer a view: the reality is that nobody really knows.

What we can say with confidence is that we have structured our portfolio with stocks that are either thriving within a COVID-19 environment, stocks that we see as oversold or stocks that we believe will come out the other side of the crisis in sound shape and once again prosper. Some of the key areas where we are seeing such opportunities in this market include:

- Stocks growing earnings in a COVID-19 environment, e.g. Fisher & Paykel Healthcare and Kogan Limited;
- Stocks exposed to the growing use and value of data (which has seen a boon during the working/learning from home environment), e.g. NextDC Limited and Appen Limited;
- Recapitalised industry leaders who will exit the crisis in a strong competitive position

We have been heartened by the speed at which the finance industry has adapted to the social distancing requirements brought about by COVID-19. Our company contact has, in fact, increased markedly over the past six weeks with virtual mediums such as Zoom, Microsoft Teams and Facetime replacing face-to-face meetings. Almost every day there are a raft of virtual broker conferences with listed small cap-stocks and their competitors, analyst and strategist calls, and calls with global health (and other) experts; so the flow of information we are receiving is both prolific and timely.

We appreciate that it is a difficult time for many with economic hardship on the rise and people separated from their wider families due to the necessary measures that are being taken to contain the spread of the virus. We wish everyone the best of health and thank you all for your support through the recent market volatility.

Top 5 holdings#

Company	ASX code
Appen Limited	APX
Bravura Solution Ltd	BVS
Nextdc Limited	NXT
Seven Group Holdings	SVW
Steadfast Group Ltd	SDF

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 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.