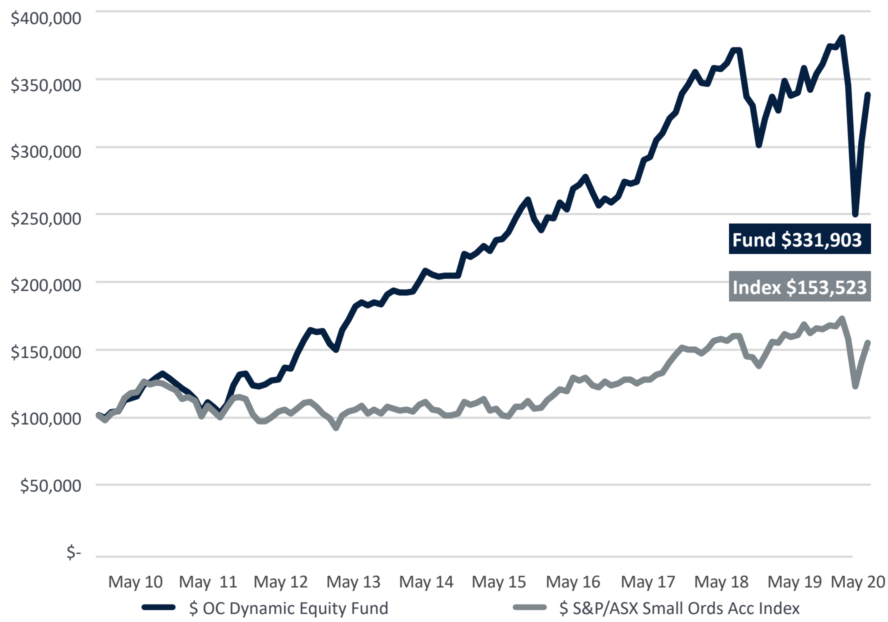
11.5% Fund up 11.5% for the month

8.3% Returned 8.3% 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 31 May 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	11.5	-2.0	0.3	7.3	8.3	11.9	12.8	11.7
S&P/ASX Small Ords Accum	10.6	-1.9	-2.9	7.5	6.6	6.7	4.4	5.8
Outperformance	**0.9**	**-0.1**	**3.2**	**-0.3**	**1.7**	**5.2**	**8.4**	**6.0**
S&P/ASX Small Ind Accum	9.6	-5.2	-4.8	6.9	6.2	7.8	8.2	6.2
Outperformance	**1.8**	**3.2**	**5.1**	**0.4**	**2.2**	**4.1**	**4.6**	**5.5**

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

Equity markets continued to rally throughout May, as markets shrugged off the mounting global death toll from the COVID-19 pandemic and escalating geopolitical tension and instead focused on the huge stimulus from governments and central banks across the globe and the reopening of the economy. The OC Dynamic Equity Fund continued its solid rebound from the mid-March lows when the market was gripped by COVID-19 induced fear finishing May up 11.5%. This was ahead of both the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which were up a robust 10.6% and 9.6% respectively.

New Zealand and Australian based childcare provider **Evolve Education (EVO, +36.4%)** bounced off its lows as investors became more comfortable with how the business was positioned in the ongoing COVID-19 environment following a market update in late May. In the update, management upgraded prior EBITDA guidance (which had been subsequently withdrawn due to economic uncertainty) from $6.2m (mid-point) to $8.0m. Despite the challenging operating environment, this improved performance was achieved as several corporate initiatives begin to bear fruit. The company has gone through a board renewal process which has cascaded into a restructure of the management team (including a reduction in executive salaries) and a stringent rationalisation of head office costs. The management team, led by well-regarded Australian childcare operators, is now laser focused on operating costs at the centre level and restoring occupancy rates to industry standard levels. Post the COVID-19 period, EVO will be well placed to deliver much improved operating metrics and well positioned to action its Australian centre acquisition strategy which has, until recently, been put on hold.

Having worn some considerable pain in the wealth management space in March quarter sell-off, when wealth managers leveraged to global markets were aggressively sold-down, it is pleasing to report that both **Janus Henderson Group (JHG, +35.4%)** and **Pendal Group (PDL, +17.4%)** released earnings updates in May that exceeded market expectations. JHG reported earnings that were over 10% above market expectations, driven by higher average assets under management, stable revenue margin and better performance fees. Whilst outflows in Q1 increased to $12.2b, which were worse than recent quarters, management indicated that these have improved significantly in April and the institutional pipeline is the strongest since the merger. The JHG share price trades on a single digit forward PE multiple reflecting a view that business will continue to see strong outflows. Whilst the Intech quantitative strategy remains under pressure, much of the remainder of the business has solid performance and we are seeing positive signs that outflows may moderate, particularly in the higher margin retail space. PDL also delivered a solid beat on market expectations driven by higher average funds under management, better management fee margin and a lower tax rate. PDL remains well positioned, with solid leverage to improving global equity markets and a net cash position to support growth initiatives.

GrainCorp (GNC, +24.9%) has been a recent outperformer for the Fund, particularly since its demerger from **United Malt Group (UMG, +5.2%)**. The long-awaited demerger of the two businesses was finalised in April and investors will now have a much clearer picture of how the two business perform and, indeed, how to separately value them. GNC has an infrastructure network critical in the harvest and marketing of Australia's east coast cereal crops. The company surprised the market with a stronger than expected interim result in May which was underpinned by improved operating conditions, more flexible rail contracts, a significantly better crush margin and better overall performance. The next catalyst for the stock is likely to be the ABARES crop estimates due for release in mid-June and we are hoping that our anecdotal feedback of early season growing conditions being "the best in living memory" are confirmed at that time, with recent rainfall delivering encouraging soil moisture which ought to result in increased acreage being planted. As a company leveraged to crop volumes, it would appear GNC is well positioned for the first time in many years after having endured drought conditions across much of its network in recent years.

The Fund also holds United Malt Group post the GNC demerger, which is a global processor of barley and distributor of malt products, predominantly to the world's largest beer and whisky brewers, but also to the burgeoning craft and micro-brewery industries. During the month, UMG raised capital post its demerger from GNC in order to strengthen its balance sheet on a stand-alone basis and to insulate the business against the effect COVID-19 has had on the consumption of tap beer across the globe. As the world's number four maltster, UMG is now an independent, well capitalised company and the Fund participated in the equity raising. We expect UMG to play a key role in the likely consolidation of the malt industry in the coming years and the business remains well positioned to sustainably grow earnings and market share.

Long-term Fund holding **Baby Bunting (BBN, +19.4)** released a strong trading update during the month vindicating our decision to increase our position in the recent sell-off. BBN is one of the few listed retailers with a predominately 'bricks and mortar' model who we believed would navigate the pandemic without a material earnings hit. The company's May trading update showed a strong acceleration in same store sales growth (+11% in the last 8 weeks) and a material pick up in online sales (22.4% of sales, up 121%, in the past 2 months), albeit at a lower gross margin due to increased cost of fulfilment. The sale of baby goods including cots, prams, nursery furniture and babywear has proven to be quite inelastic from a demand perspective and the online channel, including click and collect, has captured a good portion of the shortfall of in-store sales. It seems that BBN has taken further share from competitors in the COVID-19 lockdown with some remaining competitors (including Target which has announced store closures) suffering financial stress. We believe that BBN is well positioned to become a category killer with a large competitive moat in the baby goods space.

Pleasingly, the Fund had few laggards during the month with **The Citadel Group (CGL, -18.2%)** one of few negative contributors. CGL has bounced strongly off its mid-March lows and took a breather during the month, albeit on no negative news flow. On the contrary, CGL announced a new channel partnership with UK-listed Micro Focus for content management which will be a subscription-based service hosted on CGL's cloud platform 'Citadel-IX'. The CGL business is largely exposed to high quality counterparties such as State and Federal governments, hospitals and health care providers who ought to be resilient in the COVID-19 environment. In February, CGL announced the acquisition of Wellbeing Software group, a UK based provider of radiology and maternity software solutions that manage patient workflows and data. The company remains one of the few listed stocks yet to formally withdraw its FY20 earnings guidance as a result of COVID-19 related business disruptions. Nevertheless, we believe CGL may fall just short of guidance given its moderate exposure to universities which have severe funding issues at present arising largely from the shortfall of international students due to the COVID-19 pandemic. The stock remains attractively priced given its growing recurring software earnings, high margins and defensive exposure to governments and healthcare.

Outlook

Early in the month Treasurer Josh Frydenberg confirmed that Australia has entered its first economic recession in 29 years following the release of official figures showing the economy had contracted 0.3% in the March quarter.

It comes as little surprise given the two large exogenous shocks that caused the economy to fall off a cliff, namely the devastating bushfires which were followed shortly thereafter by the COVID-19 pandemic which necessitated putting the domestic economy into hibernation for the sake of public health. Against this grim economic backdrop, which has played out globally with most major economies also now in recession, it is incongruous to many that the equity market has been rallying sharply. But investors must remember that the stock market is a forward-looking indicator and clearly investors are betting on longer-term hopes for an economic reopening, which is gaining momentum, and corporate earnings recovery.

No doubt there is worse data to come and Australia's June quarter GDP figure will steeply deteriorate as a result of the social distancing measures that forced large parts of the economy to shut down and sent unemployment skyrocketing to levels not seen since the great depression; nearly 600,000 Australians losing their jobs in April alone. Nevertheless, the economic damage incurred by the decision to sacrifice large parts of the economy in order to contain the COVID-19 pandemic is showing signs of being both less severe and of shorter duration than originally feared, due to Australia's remarkable efforts in 'flattening the curve' on the infection rate. Indeed, containment measures have been so successful that we are now liberalising the social distancing measures that shuttered the economy. Additionally, State and Federal government stimulus measures, as well as central bank intervention, have ensured that we have maintained a solid economic pulse throughout the hibernation period.

There remains a host of unknowns and there are too many variables for us to answer the question of what shape the economic recovery will ultimately be. That obviously requires knowing unknowable variables such as whether the infection rates will re-spike as we open up the economy necessitating another lockdown, whether a vaccine will soon be available, whether consumers will spend, whether business will bounce back and a host of variables no one yet knows the answer to. But financial markets have certainly taken the 'glass half full approach' and risk assets such as equities have continued their recovery into early June. We are pleased to have participated in the rally with the Funds outperforming, despite holding elevated cash levels in excess of 10%.

The picture offshore from an economic, health and social perspective is of greater concern, albeit global equity markets are no less buoyant than our own ASX bourse. The United States faces a multitude of headwinds including a rampant COVID-19 crisis which is yet to be contained, a deteriorating economy and dysfunctional leadership which is fanning the flames of social discontent heightened by the terrible killing of George Floyd, a subdued black man, at the hands of the Minneapolis police. The numbers alone in the US are alarming: 100,000+ pandemic deaths, 40 million unemployed and GDP growth in the June quarter could easily contract 25-30%, according to US Federal Reserve Chairman, Jerome Powell. These are catastrophic numbers not seen before in our lifetimes but, unfortunately, they are mirrored in places like Brazil, the UK, Italy and much of continental Europe.

While most leaders seek to unify in times of crisis, President Trump seems intent on fanning the flames of discontent. Rather than try and soothe the fractured population with conciliatory tones, he has gone on the attack against any perceived adversary including political rivals, big technology companies, the World Health Organisation (WHO) and China. The latter comes as little surprise given the upcoming Federal election where both Trump and Democrat candidate Joe Biden seem intent on ratcheting up 'anti-China' rhetoric to prove to constituents who will take a harder line against their major political foe. We ought to prepare for Trump increasingly targeting China in the lead-up to the November election as he seeks to deflect attention from the myriad economic, healthcare and social issues that currently plague the US. The global economy can ill-afford a re-escalation in trade tensions as it struggles to emerge from the COVID-19 induced shutdown, let alone any sort of military confrontation.

Our own relationship with China deteriorated further during the month, with China singling out our barley and beef imports, seemingly in retaliation for Australia's push to get the WHO to investigate the origins of the coronavirus outbreak. Australia has clearly entered a diplomatic 'deep freeze' with Beijing, which is an alarming development given China's position as easily Australia's largest trading partner. Australia faces an increasingly difficult balancing act as it seeks to stand by its most important strategic ally in the US, which unavoidably puts it in direct conflict with its key trade partner, China. Beijing is taking a dim view of countries who publicly criticise or question its approach, including its imperial ambitions in the region and is showing an increasing willingness to flex its considerable economic muscle to punish those whom it perceives as showing disrespect. We will continue to monitor China's relationship with the West closely, as it represents a key risk which could derail the current risk-on rally should things continue to deteriorate.

The OC team continues to work diligently through this period of social isolation, busily engaging with all our companies, as well as speaking with a wide array of analysts and experts and analysing a range of potential investment opportunities. Whilst social distancing measures across the community are being gradually wound back, engagement with our stock universe remains overwhelmingly via online means, with virtual conferences and meetings continuing at a rapid clip. We expect this to continue into the August reporting season with many of our company results one-on-one meetings likely to take place over Zoom, Microsoft Teams or some other virtual medium.

Given the approaching August reporting season and rapidly approaching 'black-out' period, we reach out to all of our portfolio holdings and prospective investments before they enter radio silence with the market ahead of the results period. We have had positive market updates from many of our fund holdings in recent weeks, including Baby Bunting Group, Appen Limited, NRW Holdings and Austal Limited, and remain confident that our companies are well positioned to navigate this challenging economic period and prosper going forward.

Top 5 holdings[#]

Company	ASX code
Appen Limited	APX
Bapcor Limited	BAP
Janus Henderson	JHG
Nextdc Limited	NXT
Steadfast Group Ltd	SDF

[#] 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
Iain Mason	Director, Institutional Business	0412 137 424 | imason@copiapartners.com.au
Mani Papakonstantinos	Distribution Manager	0439 207 869 | epapakonstantinos@copiapartners.com.au
Matthew Roberts	Distribution Manager	0438 297 616 | mroberts@copiapartners.com.au
Jude Fernandez	Distribution Manager	0414 604 772 | jfernandez@copiapartners.com.au
Sam Harris	Distribution Manager	0429 982 159 | sharris@copiapartners.com.au

[†]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.