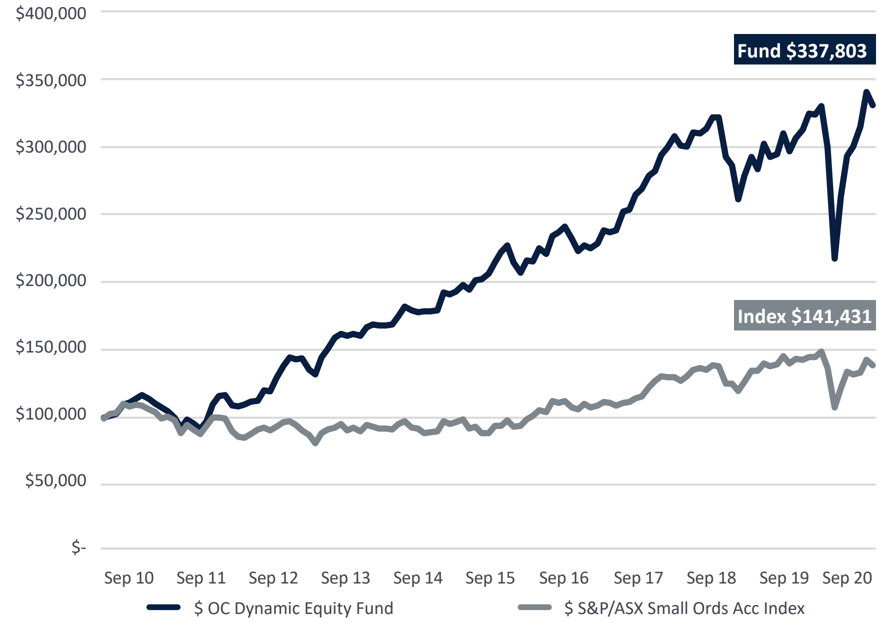
10.3% Fund up 10.3% for the quarter

13.0% Returned 13.0% p.a. for the past 10 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 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	-2.8	10.3	7.9	7.2	10.1	11.2	13.0	12.2
S&P/ASX Small Ords Accum	-2.8	5.7	-3.3	6.5	10.0	6.2	3.5	5.8
Outperformance	**0.0**	**4.6**	**11.2**	**0.7**	**0.1**	**4.9**	**9.5**	**6.3**
S&P/ASX Small Ind Accum	-2.3	6.9	-4.7	6.7	8.6	7.2	7.9	6.3
Outperformance	**-0.6**	**3.3**	**12.6**	**0.5**	**1.4**	**4.0**	**5.1**	**5.9**

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

Performance review

The OC Dynamic Equity Fund finished the September quarter up +10.3% following a strong full year results period. This was well ahead of both the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which were up +5.7% and +6.9% respectively for the quarter.

Despite a modest pull-back in the Fund performance in the month of September, our key holdings continue to track well from an operating perspective in an environment where the myriad unknowns, largely brought about by the COVID-19 pandemic, provide a challenging backdrop for stock-picking. The OC Fund's team is drawing on a collective +60 years funds management experience to help us navigate the markets as we continue to focus on generating strong risk adjusted returns for our investors.

Life360, Inc. (360, +101.0%) rallied off its lows during the quarter as the market applauded its half yearly update (delivered in August) which drew a new pool of investors in to take another look at this under-appreciated tech stock. OC has been invested in 360 since its ASX listing in mid-2019 and our investment experience prior to the current September quarter had been largely disappointing with the stock languishing below its IPO issue price. San Francisco based, Life360 operates a smart phone accessible platform which aims to bring families together by offering features such as driver safety and group member tracking and has almost 30 million monthly active users. The highlight of the August report included confirmation of the company's maiden period of positive cashflow which was driven by tight cost control and relatively resilient subscription levels demonstrated through the recent period of COVID-19 lockdowns. A further positive for 360 was the ongoing improvement in unit economics which in turn drove the management team to deliver an upbeat outlook for the balance of CY20 and beyond. We believe 360 is well positioned to capitalise on its market leading position in North America, and with an expanded product offering and new geographies to move into, we see excellent growth and cash flow generation potential for the 360 business as it matures.

The Citadel Group (CGL, +77.9%), a long term Fund holding since its IPO back in November 2014, received a takeover proposal from private equity firm Pacific Equity Partners (PEP) to acquire 100% of its issued capital at $5.70 per share in cash, less any potential special dividend (currently proposed 15cps, fully franked). The proposal represented a 43% premium to its last close and a 51% premium to the 3-month VWAP. CGL is an enterprise software and services company specialising in improving patient outcomes, securing systems critical data and supporting enterprise clients to deliver critical IT projects and services. The company had recently undertaken a transformational acquisition in the UK of Wellbeing Software Group which is a provider of radiology and maternity software solutions to manage patient workflow and data. Whilst we are attracted to the company's growth profile and growing SaaS revenues, the price offered by PEP will be accepted by the Fund in the absence of a higher offer.

Bravura Solutions (BVS, -23.2%) fell sharply after announcing lower than expected FY21 guidance at its full year result which was delivered in late August. The company, which met its pre COVID-19 guidance for the FY20 result, noted greater uncertainty in the timing of new deal signings in the coming fiscal year and guided that it was "therefore possible" that it could experience no earnings growth this year. As a result, the stock was sold down heavily on the day of the result. Although we initially reduced our holding in BVS, we have retained a position after the stock continued to fall well below our revised valuation for the company. Despite being COVID-19 impacted, BVS continues to have a strong long-term sales pipeline which ought to eventually convert once the pandemic subsides. The company has a high quality client base and a strong net cash balance sheet and ought to return to growth in FY22 and beyond.

Following a stronger than expected results period and with equity markets buoyant, the window of opportunity has opened for companies planning an ASX listing. The pipeline of IPOs is as strong as we can recall at any stage in the past decade and the OC investment team has been undertaking due diligence on a large number of prospective listings. One company that has piqued our interest is **Adore Beauty**, Australia and New Zealand's largest pure-play online retailer of beauty and personal care products. The COVID-19 pandemic has driven a step change in online retail adoption and Adore Beauty is rapidly growing its business through strong active customer growth on its user-friendly online platform underpinned by scalable infrastructure, strong distribution capabilities and high levels of customer satisfaction. That Fund has become a cornerstone investor in the upcoming IPO of Adore Beauty following several meetings with management and detailed industry due diligence. We look forward to discussing more about the Adore Beauty business following its listing on the ASX later in October.

Outlook

The market continued to rally over much of the September quarter with investors taking a 'glass half full' approach in casting aside another hard lockdown in Victoria and clusters of COVID-19 cases in both NSW and Queensland, as well as mounting second wave COVID-19 spikes and poor economic data across the globe, to instead focus on company results that exceeded our low expectations and growing optimism around a vaccine. From an economic perspective, central bank and government stimulus has thus far provided insulation from the dire scenarios that seemed likely back in March, albeit most global economies are now in a deep recession with China, somewhat ironically, the key exception.

On a global front, the elephant in the room has been US President Trump's recent COVID-19 diagnosis which has come with campaigning for the US Federal election, to be held on November 3rd, entering a critical juncture. Since Mr Trump confirmed that he had tested positive for COVID-19 late last week and was admitted to a military hospital, betting on the election has been suspended as confusion reigns over the status of his health and his ability to continue to campaign for office. President Trump's physician Dr Sean Conley has given a series of somewhat cryptic briefings, one of which was directly contradicted by an off-the-record briefing by a senior White House official, and the president himself has posted successive upbeat comments about his health. Although Mr Trump has now been discharged from hospital, there is still significant uncertainty about his recovery or his ability to re-join the campaign trail with the election nearing. After an initial sharp sell-off, the market again cast aside bad news about Mr Trump's health and resumed its upward trajectory.

The outcome of the US election, assuming Mr Trump is fit to run for office, remains uncertain with neither candidate showing a decisive lead (although Biden leads in most polls) and recent elections worldwide showing the fallibility of pre-election polls in any event. The first presidential debate was shambolic with lots of heckling and interrupting from both Trump and Democrat candidate Biden marring any sensible discussion of key issues.

In terms of stock markets, it is hard to say anything concrete about the likely impact of the election. Markets have tended to react more positively in the immediate aftermath of the election of a Republican president, as the party's policies are broadly thought of as more market friendly. Biden is planning on rolling back company tax cuts which is clearly not Wall Street friendly, but much will also depend on which party carries the Senate and, again, the likely outcome here is not yet clear. We expect heightened market volatility around the election date, especially if the outcome is uncertain or if the result is contested in the courts.

Domestically, there has been much noise from the Reserve Bank of Australia (RBA) about providing further support to the domestic economy. While the RBA left rates unchanged on Tuesday (budget day), it has certainly telegraphed its willingness to use its remaining monetary policy arsenal to help the economy grind its way out of the steepest fall in economic activity since the Great Depression. The RBA prudently paused on a rates call ahead of the federal budget on Tuesday, most likely in order to assess the stimulatory measures introduced by the government before deciding on how to best provide the well flagged further monetary policy support in the coming months.

The Federal Budget itself was an event of real consequence to markets this year as a result of a sharp retraction in economic activity brought about by COVID-19. The pandemic has caused serious financial hardship across the nation with unemployment skyrocketing and many businesses and sole traders on the edge of a financial abyss (largely brought about by social distancing measures) with many only propped up by short-term fiscal relief, sporadic rental abatement and debt repayment holidays. This necessitated a budgetary response from the government the quantum of which has not been seen since the Second World War and that is exactly what Treasurer Josh Frydenberg delivered on Tuesday evening with a business friendly budget that revealed a swathe of measures aimed at restoring the country's economic prosperity.

Key market sensitive measures announced in the 2020/21 budget included:

- Tax Cuts - Stage two personal income tax cuts will be backdated to 1 July 2020. The 19% tax bracket upper threshold will rise from $37,000 to $45,000, the 32.5% bracket will rise from $90,000 to $120,000, and the 45% bracket will rise from $180,000 to $200,000.
- State Infrastructure - $10b in 'use-it-or-lose-it' payments will be allocated to the states to stimulate infrastructure activity.
- Investment - Nearly all businesses (up to a $5b turnover cap) will be able to write off the full value of eligible assets they purchase until June 2022.
- Employment Support - Wages subsidies available for jobs given to new employees (for 16-35 years old) and apprentice wage subsidies made available to create 100,000 new apprenticeships and traineeships.
- Home Buyers - Australian's can buy a newly built home – if it is their first property – with a deposit as small as 5% under an expansion of the government's First Home Loan Deposit Scheme.

The domestic stock market rallied into budget night as key stimulus measures were leaked to the press and the budgetary measures themselves did not disappoint and ought to be supportive of job creation and corporate Australia going forward. Clearly, the governments much coveted fiscal surplus is a thing of the past with the government announcing spending of $257b on direct economic support and rightly so given the economic challenges that lie ahead of us. The debt burden created for future generations will be sizable but seems justifiable as the government seeks to wake the economy from its COVID-induced slumber.

The direct implications of the budget on our portfolio are relatively limited, although increased infrastructure spending (including shovel ready and regional funding) and accelerated depreciation of business investment assets ought to be positive for Seven Group via its WesTrac and Coates Hire subsidiaries and the tax cuts and other consumer friendly measures ought to be supportive for consumer discretionary names including Eagers Automotive, Baby Bunting and Kogan Limited.

Given the volatility and uncertainty of the current markets we have endeavoured to provide our investors with greater clarity on our investment thoughts via more detailed monthly and quarterly reviews of late, as well as regular investor webinars. The OC team prides itself on its transparency and will continue to keep our investors updated in the coming months as the investment environment evolves and as we reshape our portfolio.

Top 5 holdings#

Company	ASX code
Appen Limited	APX
Bapcor Limited	BAP
Mineral Resources	MIN
Nextdc Limited	NXT
Redbubble Limited	RBL

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 hard-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.
[*] 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.