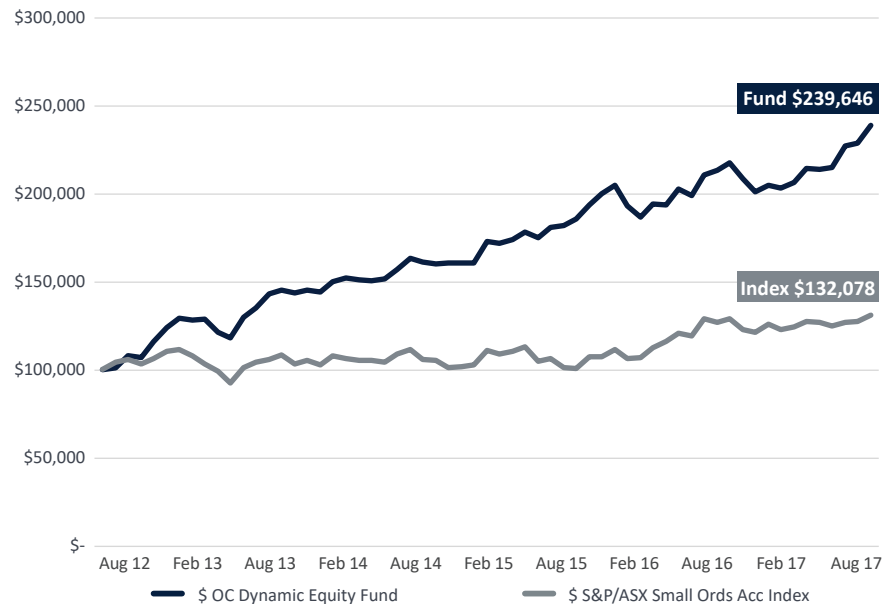


4.3%
Fund up 4.3% for the month of August

19.2%
Returned 19.2% p.a. for the past five years

We remain confident the Fund will continue to deliver attractive long-term returns

Performance comparison of \$100,000 over 5 years*



Total returns

At 31 August 2017	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	4.3	11.2	12.0	13.6	19.2	16.5	5.9	13.1
S&P/ASX Small Ords Accum	2.7	5.1	3.2	5.7	5.7	3.4	-1.1	5.7
Outperformance	1.6	6.1	8.8	7.9	13.5	13.2	7.0	7.4
S&P/ASX Small Ind Accum	1.7	3.9	1.6	7.0	10.7	9.2	1.2	6.2
Outperformance	2.7	7.3	10.4	6.6	8.5	7.4	4.7	6.9

Performance review

The month of August was dominated by stock-specific news which came as most ASX-listed companies released their annual results and accompanying outlook statements. The OC Dynamic Equity Fund had a strong August returning 4.3% in a month where most of our holdings released results in line with or ahead of market expectations. 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 2.7% and 1.7%, respectively, during the month.

The Fund maintains its strong long-term track record having returned 19.2% p.a. over the past five years. This is well ahead of both the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which are up 5.7% and 10.7% p.a., respectively, over the same time horizon.

Blue Sky Alternative Investments Limited (BLA, +15.8%) reported a strong FY17 result at the top end of the guidance range after profitably exiting several private equity investments, adding to its credibility, particularly in the private equity space. The company has built up an

enviable track record across its key asset classes having delivered returns of 15.9% p.a., net of fees, to investors since its inception in 2006. BLA has what we consider to be the imperatives of a successful asset management business, namely a solid reputation, excellent investment returns, quality investment professionals and a very strong distribution team and network. Fee-earning assets under management (AUM) finished FY17 at \$3.25b and we expect this to continue to accelerate towards management's target of \$5b in AUM by 30 June 2019. Unlike typical ASX-listed fund management businesses that tend to focus heavily on equity investment, BLA has the bulk of its exposure in asset classes that typically have little correlation with the stock market, including real assets (e.g. water and agricultural assets), student accommodation in Australia and the US, retirement assets and US commercial property. The outlook for the business is strong and we are particularly upbeat about the prospects of the US Cove property JV which we believe has some high-quality projects run by outstanding people and could add materially to the earnings of the group in the coming years.

Reliance Worldwide Corporation Limited (RWC, +9.0%) was added to the portfolio mid-month following

share price weakness ahead of its full-year result. RWC is a global plumbing supplies business specialising in reliable and premium branded water flow and control products including the market leading “SharkBite” push-to-connect fittings. We consider RWC to be a high quality global growth business with a structural growth opportunity given the push-to-connect category that RWC derives much of its revenue is a relatively immature and high growth category in the overall plumbing fittings market. The company subsequently released a strong set of FY17 results, with revenue, EBITDA and NPAT all exceeding prospectus and consensus forecasts. After a strong re-rating, the Chairman and major shareholder, Jonathan Munz, reduced his shareholding from 30% to 10% in an underwritten sell-down process which took some of the gloss off the stock’s re-rating. Nevertheless, RWC continues to trade +10% on our entry price and we remain confident the ongoing roll-out of SharkBite to Lowe’s in the US will help underpin strong near-term earnings growth and that the well-established and diversified business will be a long-term investment for the Fund.

Hansen Technologies Limited (HSN, - 16.0%) continued to de-rate following the release of its FY17 result which showed margins had retreated to the lower end of the company’s 25-30% guidance range and organic growth had slowed to 2% on a constant currency basis, below management’s 4-8% target range. It has been a disappointing few months for the company which was under pressure in July following an equity placement at a discount to fund the acquisition of Enoro (see our July 2017 monthly report) and the release of guidance that was below analyst expectations. Notwithstanding these near-term negatives, we continue to view Hansen as a quality business with solid cash flows and a sticky customer base that can grow its earnings irrespective of the underlying economic conditions in the markets in which it operates. We expect organic growth to normalise in FY18 to its long-term average of around 4-8% and we back the high calibre management led by Managing Director, Andrew Hansen, to utilise the strong balance sheet to continue to make value-adding acquisitions as they have consistently done over many years.

Netcomm Wireless Limited (NTC, - 16.8%) was under pressure in August despite releasing a FY17 result that was in line with our expectations and mildly ahead of consensus forecasts. The share price pressure likely stems from the lack of material news around contract wins and some slippage in consensus profit expectations for the FY18 year. NTC is expected to significantly ramp up the deployment of its Fibre-to-the-Distribution point (FTTdp) technology as the NBN Co accelerates its roll-out to one million homes which ought to underpin strong profit growth in FY18. Nevertheless, we have slowed our assumed pace of the NBN fixed wireless take-up near term as the actual results have been slower than

anticipated. Furthermore, the market has tempered its expectations around the FY18 contribution for the AT&T fixed wireless contract given AT&T is widely expected to move at a glacial pace until the Connect America Fund Phase II action for an additional \$2b funding has been decided. Despite not announcing any new material client engagements in recent months, NTC retains a strong pipeline of opportunities across fixed wireless communications and other machine-to-machine solutions, including prospects with multiple tier-one customers and remains a holding in the Fund.

Imdex Limited (IMD; +23.3%) share price moved strongly during the month as it reported its full-year numbers and provided a bullish outlook on its short to medium-term prospects in key markets. IMD is a provider of drilling fluid products, downhole instrumentation and geo-analytic services to exploration, development and resources production companies and so is highly leveraged to any uptick in key commodity prices such as gold and/or base metals. We know and understand the IMD business well, having been a holder of the stock during previous cyclical upswings, and we remained in touch with management throughout the most recent cyclical lows to ensure we were well positioned to identify the early stages of the next cycle. We reinitiated our position in IMD at much lower share price levels over the last six to 12 months as evidence built around the strengthening business outlook. Given key leading indicators (such as IMD’s instruments on hire data) are trending strongly positive and commodity prices continue to firm, we believe IMD is well positioned to continue to outperform over the medium term.

Kogan.com (KGN; +38.8%) was a stand-out performer amid the doom and gloom of the retail space with several highlights from its inaugural full-year result as a listed company. On the back of three earnings upgrades leading into the result, KGN again provided upside surprise for investors delivering EBITDA ahead of guidance, solid EBITDA cash conversion of +80% and positive commentary around current trading conditions. We believe the much-vaunted arrival of Amazon in Australia could be a positive for a retailer such as KGN as it will provide an additional channel into which KGN can sell its private label offering. Furthermore, KGN has recently announced new lines of business including Kogan Internet and Kogan Insurance. These verticals will be high-margin businesses as Kogan will act more like an agent using existing distribution channels for the sale of these products ensuring a large proportion of sales will drop straight through to the bottom line (like in Kogan Mobile, where the gross margin is 100%). We expect further commentary from management in the near-term to confirm the strong market position of KGN and have retained our position despite the recent strong share price performance (+100% since June 2017).

Updater, Inc (UPD; +47.0%), the US technology company improving the moving process for the 17 million US households relocating each year, had another positive month on the back of further announcements confirming its strategy was well on track for monetisation in 2018. In mid-August, UPD announced its market penetration had surpassed its previously stated 15% year-end goal some five months early, with its July estimated market penetration coming in at 15.7%. This surge in penetration was on the back of several leading US realtors joining the platform and UPD now aims to capture 35% market penetration which will solidify its long-term defensible position as the leading US relocation technology business. Later in the month, UPD announced its first “go-to-market” vertical would be in the highly lucrative insurance sector and that it was adopting a dual-channel approach to this market. UPD will not only offer its platform for leading US insurers to attract and retain customers, but will now also move itself up the value chain by creating its own insurance business that will, among other things, distribute property and casualty insurance policies on behalf of many majors US insurance carriers. UPD management consistently under promises and over delivers and we look forward to the continuing evolution of this exciting early-stage business.

Outlook

The August reporting season was relatively benign with few clear trends apparent at the coal face of corporate Australia. The 1.7% rise in the S&P/ASX Small Industrials Accumulation Index belied the fact that consensus FY18 EPS revisions over the month were, on balance, negative. Indeed, of the 130 stocks that saw consensus FY18 EPS revisions within the S&P/ASX Small Industrials Index, just 36 companies saw upgrades with the balance of 94 downgrades.

One consistent comment from company management was that the consumer remains under pressure and discretionary spending remains subdued. Indeed, the recently released national accounts show consumers are certainly not flush with cash following a rise of just 0.6% in real household disposable income over the past year. Rising house prices will have no doubt softened the blow for Sydneysiders and Melburnians, although those markets appear to be cooling now and are unlikely to continue to provide a tailwind via the “wealth effect”. With the outlook for wages growth remaining low and household debt elevated, the outlook for the consumer appears challenging at best. We view this as the biggest challenge for the domestic economy over the next 12 months and will likely mean the cash rate will remain on hold at 1.5% for most of financial year 2018.

Although 2Q GDP growth of 0.8% is an acceleration on the muted Q1 result, it was still marginally below consensus expectations. The current 1.8% annual GDP

growth is the lowest level we have seen since 2009 when we were still dealing with the aftermath of the GFC.

The RBA has maintained its conviction that growth in the Australian economy will gradually pick up over the coming year with the decline in mining investment soon to run its course, non-mining investment continuing to improve, residential construction activity remaining at a high level and retail sales having picked up recently. It is our view that the RBA’s 3% GDP forecast for 2018 looks overly optimistic and we expect it will be revised downwards during the year, with a constrained consumer likely to weigh on the outlook.

Conditions in the global economy continue to remain robust with major global economies, including the US and China, showing ongoing signs of strength. In China, growth is being underpinned by increased spending on infrastructure and property construction which, in turn, is fuelling commodity price rises which is good for both resource companies and Australia’s national accounts. The US outlook remains clouded by political inertia which is stalling the proposed implementation of tax cuts and infrastructure spending which would otherwise support above-trend growth. US growth momentum, nevertheless, remains solid led by a consumer rebound, an uptick in capital spending and a labour market at full employment. The US Federal Reserve continues its path towards monetary policy normalisation, although the latest drop in US Treasury bond yields, which comes amid uncertainty on whether the damage from Hurricanes Harvey and Irma will slow economic growth, suggests we may see a pause in the short term.

Escalating tension on the Korean Peninsula has kept the market on a knife’s edge in recent weeks as ongoing sabre rattling from President Trump and Kim Jong Un continues to create an environment of uncertainty. North Korea followed up a successful test of an intercontinental ballistic missile in early July with its sixth and most powerful nuclear test in early September and the region remains a tinder box that could explode into outright war at any moment. Indeed, UN Secretary General Antonio Guterres has called the ongoing showdown over North Korea’s nuclear and missiles program as the world’s worst crisis “in years”. Our portfolio remains conservatively positioned and we have cash to deploy should an environment of fear create a buying opportunity.

Despite the softness in the domestic consumer environment and global geopolitical uncertainty, we remain comfortable our portfolio will perform well over the coming year. The Australian small-cap index is a highly diversified stock universe that holds ample opportunity for stock pickers like us. Irrespective of the current economic and political conditions, there are still stocks that are performing well operationally and are trading below our internal valuations. We remain confident we

can continue to deliver our investors strong returns over the long term.

Top 5 holdings[#]

Company	ASX code
Bapcor Limited	BAP
Bingo Industries Ltd	BIN
Blue Sky Alternative Investments Ltd	BLA
Super Retail Group Ltd	SUL
Webjet Limited	WEB

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* 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. There is no guarantee these objectives will be met.

The top 5 portfolio holdings are in alphabetical order and may not be representative of current or future investments. The securities listed may not represent all of the portfolio's holdings and may represent only a small percentage of the strategy's portfolio holdings. Future portfolio holdings may not be profitable.

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.