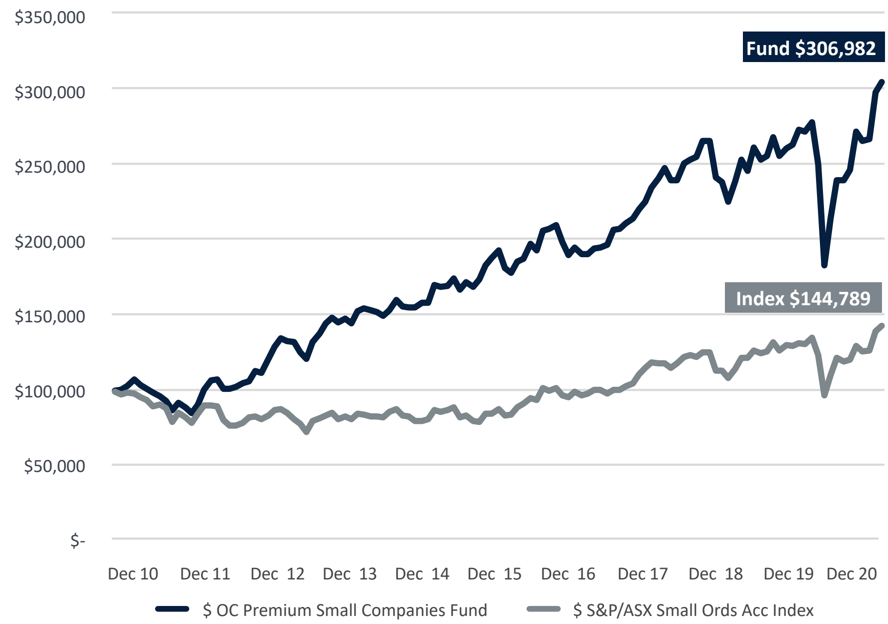
14.8% Fund up 14.8% for the quarter

11.9% Returned 11.9% 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 31 December 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 Premium	2.3	14.8	12.2	9.2	9.6	11.0	11.9	11.3
S&P/ASX Small Ords Accum	2.8	13.8	9.2	6.6	10.5	8.3	3.8	6.3
Outperformance	**-0.4**	**1.0**	**3.0**	**2.6**	**-0.8**	**2.7**	**8.1**	**5.0**
S&P/ASX Small Ind Accum	1.2	12.2	5.9	7.2	8.7	8.7	8.6	6.7
Outperformance	**1.1**	**2.6**	**6.3**	**1.9**	**1.0**	**2.3**	**3.3**	**4.6**

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

The OC Premium Small Companies Fund continued its recent momentum in the December quarter with the Fund finishing the period up +14.8%. This was ahead of both the Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which were up 13.8% and 12.2% respectively for the quarter. It capped what has been a remarkable calendar year, in many respects, for equity market participants. We started the year with the panic selling of February and March as the gravity of the COVID-19 crisis dawned on the market with the ASX moving into bear market territory (a retreat of more than 20% from its high), at its fastest rate ever. But this quickly gave way to a sharp and sustained recovery in markets as central banks and governments took extraordinary measures to shore up their economies and banking systems, while several credible vaccine candidates emerged offering optimism that COVID-19 may soon be in our rear-view mirror.

The Fund itself had been poorly positioned for the onset of a global pandemic having significant exposure to the travel, technology, financial and mining services sectors which were in the front line of investor de-risking. However, we rapidly repositioned the Fund adding companies we thought would be resilient and innovative structural winners, who could control their own destiny and who could continue exploiting their competitive advantage, taking share from lower-tech incumbents, and grow independently of the economic cycle.

Over the balance of CY20, the OC Premium Small Companies Fund quickly recovered its early drawdown and finished the year up +12.2%. 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 9.2% and 5.9% respectively for the calendar year.

Mineral Resources (MIN, +50.3%) continued to rally throughout the quarter and finished the calendar year at a record high. MIN remains one of the Fund's largest holdings and has multiple macro-economic tailwinds at present, as well as some material growth catalysts which could increase the earnings of the business by a significant quantum over the coming two to three years. On the macro front, the iron ore price has continued to rally over the quarter, with Dalian iron ore futures currently near US$170.00 per tonne making MIN's Koolyanobbing and Iron Valley operations highly profitable. Lithium stocks too have come back into vogue in financial markets after a steep sell-off and are once again running hot with lithium prices in China increasing from 2020 lows and global electric vehicle sales reaching record highs in recent months. As a reminder, MIN has a stake in two world class lithium projects namely a 40% share of the Wodgina Spodumene project and 50% of the Mt Marion Spodumene project with two experienced JV partners (Albemarle and Ganfeng respectively) specialising in downstream chemical processing, as well as a 40% shareholding in the Kemerton Lithium Hydroxide plant with Albemarle.

Under its growth strategy, outlined at the November AGM, MIN will develop two iron ore hubs in the West Pilbara and at South West Creek in Port Hedland (along with associated infrastructure) and will also develop two new iron ore berth facilities at Ashburton (25Mtpa) and South West Creek (40Mtpa). These new projects have the potential to more than treble MIN's current iron ore operations to approximately 90Mtpa in the next 3-5 years and would place MIN as the fourth largest iron ore producer in Australia next to Fortescue Metals Group. Whilst there is some way to go for these projects in terms of approvals, financing and construction, they will leverage MIN's existing "pit to port" capabilities and will also increase the growth rate of MIN's underlying mining services business. We believe the MIN management team, led by first-rate mining entrepreneur Chris Ellison, has a strong track record of creating shareholder value from greenfield projects and continue to believe the outlook for the company warrants its position as a top five holding in the Fund.

Eagers Automotive (APE, +45.3%) announced a strong trading update in mid-December, following a buoyant investor update in October, which included earnings guidance for the twelve months ending 31 December 2020 well above market expectations. APE expects to deliver an Underlying Operating Profit Before Tax (from continuing operations) in the range of $195 to $205 million for 2020, compared to $100.4 million for the prior corresponding period. The guidance reflects the first full year of trading for the enlarged company following the transformative merger with Automotive Holdings Group (AHG). Vehicle sales have rebounded strongly from the historical lows experienced during April and May 2020 when nation-wide COVID-19 restrictions were in place and customer orders have continued their strong trajectory. Supply constraints caused by global auto manufacturer factory closures during the June quarter have started to ease as demonstrated by the 12.4% and 13.5% uptick in national vehicle deliveries recorded during November and December respectively by VFACTS industry data, although gross profit margins on new car sales remain elevated due to ongoing inventory shortages. Whilst margins on new car sales will likely moderate into the new year as supply levels normalise, APE looks well placed to continue to outperform given a material cost out program ($100m per annum within 3 to 5 years) and a cyclical recovery which looks increasingly likely to play out after a protracted downturn. We also remain upbeat on the company's used car and property strategy, both of which ought to drive earnings growth in the coming years.

City Chic Collective (CCX, +40.2%) rallied strongly during the quarter following the announcement of the acquisition of Evans, a leading UK based retailer of women's plus-sized clothing. The acquisition included the Evans brand, and eCommerce and wholesale businesses for £23.1 million (A$41.0 million) in cash. The acquisition is consistent with the management's strategic objective of developing a global footprint with a portfolio of brands specifically in the plus-sized market and will accelerate its entry into the UK/European plus-sized women's clothing market. The business was again acquired out of a bankruptcy process, similar to the successful 2019 acquisition of the ecommerce assets of US retailer, Avenue. On our estimates the acquisition price implies a 6.0x FY22 EBITDA multiple, which appear to be broadly in-line with price offered for the failed acquisition of Catherines in the US back in September 2020. Clearly Evans offers the strategic benefit of entry into a new growth market for CCX. We remain attracted to CCX's clearly articulated growth strategy with its niche focus on the neglected plus-size market across multiple geographies.

Recent listing **Nuix (NXL, +55.4%)**, was a solid contributor during the quarter, albeit it was a relatively small position in the Fund due to the difficulty of securing a reasonable size IPO allocation. NXL is a provider of investigative software which enables indexing, searching, analysing, and extracting knowledge from unstructured data sets and documents. It has applications that include digital investigation, cybersecurity, e-discovery, information governance, and email migration and privacy. NXL helps customers in the advisory, government, corporate and legal sectors globally, with the Asia Pacific region contributing a relatively small 20% of revenue. The technology has been developed over the last 15 years since the original core algorithm was developed by Australian National University (ANU) for a government department. NXL has since assisted customers to solve complex document and data challenges such as investigations related to the Panama Papers and the Hayne Royal Commission. We believe NXL has multiple avenues of potential business growth with both new and existing customers, including the development of new use cases, as well as opportunities for partnerships and acquisition opportunities in adjacent areas. As such, we remain shareholders despite the strong share price performance.

In December the Fund also participated in the IPO of **Liberty Financial Group (LFG, +30.5%),** a non-bank full-service lender which predominantly offers residential mortgages in addition to SMSF and SME loans and auto loans. The Fund received a relatively small IPO allocation, and we subsequently purchased more stock on day one of trading at a ~13% premium to the IPO price. LFG was founded over 20 years ago and has grown to become a top 10 lender in Australia with a loan book of over A$13b. Having survived the global financial crisis, LFG is highly focussed on risk assessment and applies risk-based pricing, whilst providing customers with a choice of products and quick turn-around times. LFG uses both bank warehouse facilities and residential mortgage-backed securities to fund mortgage originations, which are typically sourced via mortgage brokers. We believe LFG is well positioned to exceed its prospectus forecasts given the conservatism in originations and arrears assumed in the prospectus which was cut in the eye of the COVID-19 pandemic. Furthermore, LFG's funding costs are linked to the bank bill swap rate which is at all-time lows due to RBA funding support for banks, which should generate strong net interest margins ahead of forecasts over the short term.

The Fund exited long-term holding **Appen (APX, -27.6%)** during the quarter due to concerns over the company's ability to meet its calendar year 2020 earnings guidance due to a Covid-19 induced slow-down in critical work programs from some of APX's key tech clients. Additionally, the weakness in the US dollar had created a further earnings headwind for the company given it frames its guidance based on set USD:AUD assumptions. Our timing proved to be a fortuitous given the subsequent earnings downgrade which sent the stock price sharply lower. We continue to believe that APX has a solid longer-term outlook given that it remains a market leader in the provision of training data for artificial intelligence and machine learning algorithms which are clearly secular growth markets which continue to evolve. We will reassess APX as an investment proposition once we get more clarity on the outlook for earnings, which will likely be around the time of the full-year result in February.

During the quarter, the Fund exited **The Citadel Group (CGL, +2.2%)**, a long-term holding operating in the enterprise software and services space which was acquired by private equity firm Pacific Equity Partners, as well as network broadband connectivity provider **Opticomm (OPC, +11.3%)** which was acquired by existing fund holding **Uniti Group (UWL, +19.6%)**.

We also sold travel exposure **Flight Centre (FLT, +15.1%)** which has been a strong contributor to the Fund as a recapitalisation and COVID-19 recovery trade. FLT faces significant uncertainty in the near-term as COVID-19 keeps borders shuttered and with the structure of the travel industry likely to change materially in the coming years we used the share price strength during the quarter as an opportunity to exit our position.

Outlook

The year 2020 will be remembered in the decades to come. The COVID-19 pandemic precipitated a global health crisis that was the catalyst for lockdowns which triggered the strongest economic contraction in modern history. Equity markets went into a tailspin only to bounce sharply and we ended 2020 with most equity bourses globally near record highs. Global policy makers swiftly launched a combination of huge fiscal stimulus, ultra-accommodative monetary policy and debt payment holidays, which averted an economic catastrophe not seen in most of our lifetimes. We now enter 2021 with a degree of optimism despite COVID-19 still casting a dark shadow over much of the globe, thanks largely to the efficacy of the policy response globally and, more recently, positivity with respect to near-term vaccine rollouts which ought to see many of our most vulnerable citizens vaccinated in the coming six months.

Recent COVID outbreaks in Melbourne and Sydney and the emergence of new COVID-19 variants that spread more rapidly are a reminder for Australians that the pandemic remains very real and that the road to vaccine-induced immunity will likely be a bumpy one. It seems that the current outbreak is being managed without the need to revert to hard Victorian style lock downs which could jeopardise the strengthening national recovery. The key obviously is the curtailment of community transmission which seems to be under control following the reintroduction of activity limits and renewed mask requirements, as well as more vigilant contact tracing. Fortunately, January is a seasonally quiet time for businesses and the warmth of summer ought to make social distancing easier to manage. If the current outbreak can be promptly suppressed, we remain optimistic that the domestic economy will recover the economic output it lost during 2020 by some time in the second half of 2021.

Australia's unemployment rate fell to 6.8% in November after Victoria's COVID-19 restrictions were lifted with more than 740,000 jobs being added to the economy is the past six months. Consumer and business confidence levels (figures announced prior to the recent COVID-19 scare) have rebounded to levels above pre-COVID-19 levels, retail sales are strong, around 75% of jobs that had been lost have now been reinstated and consensus economic growth for the 12 months to the end of June 2021 is expected to be about 7.5% on consensus economist estimates. The RBA's more conservative forecast is a more modest GDP growth rate of 6% for June 2021, dipping to a still healthy 5% over the calendar year.

No doubt the road to vaccine induced immunity will have its twists and turns and the ability of the virus to mutate into strains that spread more rapidly or are resistant to the approved vaccines are front of mind for us. In recent positive news, the Prime Minister, Scott Morrison has confirmed that Australians will have a COVID-19 vaccine earlier than first thought with the roll-out to our most vulnerable citizens now scheduled to commence as early as mid-February.

The US economy, for its part, has stayed resilient through the pandemic. Consumer spending has nearly returned to pre-COVID-19 levels, while average personal incomes of US households surpassed pre-pandemic levels in September, even after the first round of fiscal support expired. These and other factors suggest a sustainable US recovery (even amid a difficult winter with COVID-19 still rife) with projected GDP growth of around 6.0% in 2021.

Whilst President-elect Joe Biden is now on his way to the White House, all eyes globally have been on the Georgia run-off elections which will determine control of the US Senate. Whilst the result has not been formally declared, the Democrats look to be on the cusp of winning by the narrowest possible margin. If the result is validated, the US Senate will be split 50-50 between the Republicans and the Democratic caucus and the incoming Vice-President Kamala Harris will be able to cast tie-breaking votes. This will make a tremendous difference to the US legislative agenda given the Democrats will control the Senate's schedule, essentially determining what policies can be put forward for a vote by the chamber. With the exception of fiscal related measures, which can pass with a simple majority using the budget process, other legislation will still require co-operation from Republicans because they require 60 votes in the Senate. Where Senate control can make a real difference is in the area of stimulus relief. The Republican controlled Senate had refused to boost stimulus cheques from $600 to $2000 last month, and that is now much more likely to go ahead.

From a market perspective, bond yields have rallied on a likely Democrat victory in the Senate, with the yield on 10-year US Treasuries now breaching 1.00%, its highest level since March, as inflation comes back into focus given the increased likelihood additional stimulus spending and larger government borrowing. A Democrat controlled Congress is also likely to push through further fiscal stimulus and infrastructure spending which will ought to be positive for equity markets. Long duration growth assets such as technology stocks and healthcare have pulled back on the prospect of higher bond yields. The Fund has reduced its exposure to tech stocks in recent months, although we remain upbeat on the prospects for several online retail businesses including Redbubble Limited and Kogan Limited given the continuing structural shift towards online shopping which we expect to continue, albeit at a more moderate pace, once the pandemic has passed and social distancing restrictions normalise.

Overall, the global economy looks set for an ongoing macroeconomic recovery as we enter 2021 underpinned by a combination of large fiscal and monetary stimulus and a low interest rate environment which is likely to persist into the medium term. With the US Federal Reserve and our own RBA promising to keep interest rates low even if inflation trends back above its 2% target, and with the roll-out of several vaccines over the coming months the global economy ought to continue to recover. Inflation is obviously a key risk we are watching for vigilantly, but the prevailing environment ought to be supportive of equity markets in the foreseeable future.

We remain upbeat on the prospects for the OC Funds portfolio heading into the new calendar year and remain confident in our ability to achieve consistent strong long-term returns for our investors. Many people have had a challenging time in calendar year 2020 and we wish our readers all the best for a safe, prosperous, and healthy year ahead.

Top 5 holdings[#]

Company	ASX code
Bapcor Limited	BAP
Eagers Automotive	APE
Mineral Resources Limited	MIN
Redbubble Limited	RBL
Steadfast Group Limited	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 cum-distribution end-of-month soft-close 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.