


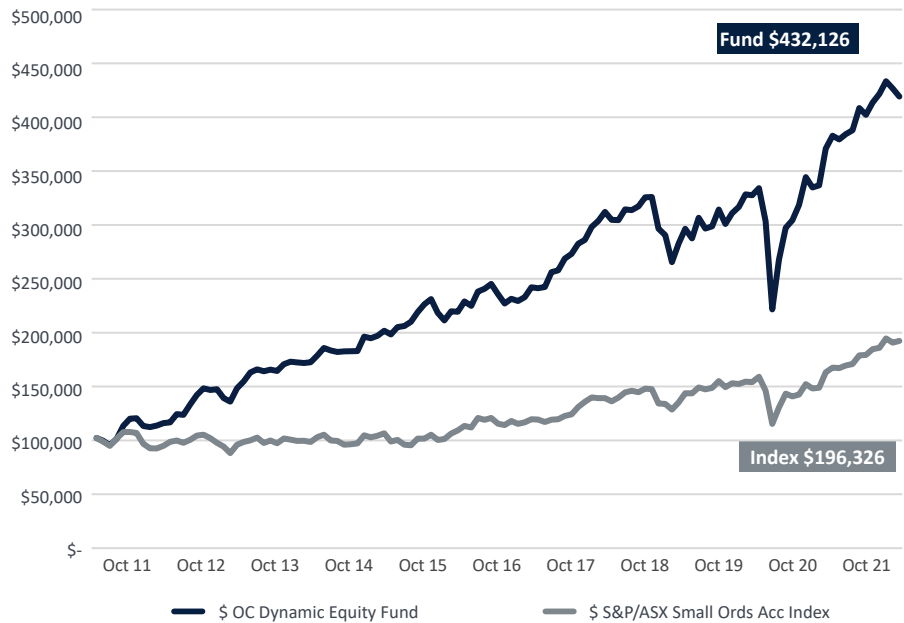
-1.8%
Fund up -1.8% for the month

15.8%
Returned 15.8% 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 October 2021 [†]	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	-1.8	-0.6	25.0	12.5	12.5	13.0	15.8	12.8
S&P/ASX Small Ords Accum	0.9	3.7	31.0	13.5	11.5	10.6	7.0	6.9
Outperformance	-2.7	-4.3	-6.0	-1.0	1.1	2.4	8.8	5.8
S&P/ASX Small Ind Accum	-0.6	4.1	27.5	13.5	10.9	10.2	10.9	7.2
Outperformance	-1.2	-4.7	-2.5	-1.0	1.6	2.8	4.9	5.5

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

October was a disappointing month for the OC Dynamic Equity Fund with the Fund finishing the month down 1.8%. This was behind both the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which returned +0.9% and -0.6% respectively for the month. The Small Resources Index (+6.5%) again materially outperformed Small Industrials Index (-0.6%) during October which provided a significant headwind for the Fund given our general aversion to single commodity/single mine resource stocks due to their risk profiles being incompatible with our investment process.

The relative underperformance of the Fund during the month was due to two separate factors. Firstly, the ongoing strong performance of single commodity stocks such as early-stage lithium company, Liontown Resources (LTR, +31.9%), uranium company Paladin Energy (PDN, +27.5%), lithium miner Pilbara Minerals (PLS, +7.3%) and gold miner Silver Lake Resources (SLR, +26.5%) which were the four largest Index contributors for the month, and which are screened out of our investment universe due to their elevated risk profiles and their more speculative nature. Secondly, some negative outcomes for

a few Fund holdings (discussed below) during the month which weighed on the Fund’s monthly performance.

Whilst we are disappointed when stocks that we own fail to deliver to our expectations, it is nevertheless part of being an investor from time to time. What is important is that we have taken swift action and sold those positions where our investment thesis has changed, so that the drawdown for investors is relatively minor and that the damage to the unit price is confined to the period in which the disappointment occurs. The worst thing we could do is to hang on in the hope that circumstances miraculously remedy themselves in those instances where our investment thesis is no longer valid. Such an approach can lead to the permanent impairment of investors capital down the track when things continue to deteriorate and further disappointment follows. Our strong sell discipline has generally served us well over many years of investing.

Global gift and payment card solution provider, **EML Payments (EML, -24.2%)**, fell sharply early in the month when their Irish subsidiary’s regulator, the Central Bank

of Ireland (CBI), stated that the subsidiary's material growth plan was in excess of what the regulator was comfortable with whilst they are in dialogue regarding regulatory concerns and potential remediation. The regulatory concerns stem from a time prior to EML's ownership of the subsidiary. Nevertheless, the likely resulting disruption to the company's growth plans at a time of significant industry growth and recovery post emerging from COVID-related restrictions has led us to reassess our forecasts and, as a result, our investment in the company. We had purchased our position in EML after the stock was sold down aggressively in May following the initial announcement of regulatory concerns by the CBI. At the time, we considered the share price sell-off was far in excess of the entire contribution from the recently acquired Irish subsidiary and that the impact from such a review was likely to be limited in both financial and operating impact given the positive relationships EML enjoyed with regulators elsewhere. In the meantime, our investment thesis had become more widely adopted by the market, affording us the opportunity to trim our position into share price strength. With this additional information however, we have taken a more pessimistic view which has led us to exit the remaining position at a price only slightly below where we initially purchased it despite the steep fall in share price during the month.

Australian and North American corporate bookmaker and iGaming company **PointsBet Holdings Limited (PBH, -19.1%)** was sold from the portfolio during the month following a disappointing Q1 FY22 investor update which highlighted the very competitive nature of the US sports betting market where heavy promotional activity by several key players has led to market share slippage by PBH in key markets during the quarter. PBH is pursuing a very large opportunity in the sports betting market in North America with the market still very much in its infancy. Until recently, sports betting was prohibited in the US and Canada and states/provinces across both countries are only now – or recently – introducing legislation which allows a limited number of licensed operators to provide sports betting. PBH is aiming to be one of the leading providers of online sports wagering in at least 18 states across the US and one province in Canada over the next two years. The size of the sports wagering market in the US alone is estimated to be greater than US\$20b in 2025.

Our key concern for PBH relates to market share losses in the US across its six established states during the quarter, with declines in market share across the board as competition heats up and promotional activity increases. There seems to be an 'arms race' in the US online sports betting industry with heavy marketing and promotional activity to win market share and PBH is facing intense competition from larger and better capitalised competitors which we believe will likely continue to

impact market share near-term. Of particular concern was the drop in market share in the key New Jersey market from 7.8% to 3.9% during the quarter. Market share losses overshadowed other positive news from PBH during the quarter including a rise in the win rate in the US with net win margin improving to 3.6% from 2.3% in FY21, and the company's ongoing strong performance in the Australian sports betting market with online wagering hitting new records and PBH growing market share. We have chosen to exit the stock near term, as PBH looks likely to continue to burn cash in the medium term without the offsetting prospect of material market share gains. We do not think that the real prospect of further licence wins to enter new states (including New York and Ontario in Canada) in the near-term are sufficient to offset these headwinds. We continue to rate the PBH management highly and will continue to track the progress of the company for a suitable re-entry point should the economics of the business improve given that the opportunity in the North American online sports betting and iGaming markets remain significant.

Public transport operator **Sealink Travel Group (SLK, -17.5%)**, a long-term positive contributor to the Fund, saw its share price fall during the month after the company was unsuccessful in its bid for additional bus routes in Melbourne. Following a long run of tender success and acquisitions, the market had grown accustomed to SLK demonstrating a 'Midas touch' and, as such, missing the Melbourne contract was met with disappointment by the market and a share price sell-off ensued. Whilst SLK was not the incumbent operator on either of the recently missed contracts in Melbourne or Sydney, SLK was certainly a warm favourite to win in Melbourne with incumbent operators Transdev known as a poor performer over the duration of the prior contract. Market attention has now shifted to the upcoming Region 9 tender in Sydney which is expected to be awarded imminently. The proximity of SLK's Region 6 contract and resulting operational synergies and solid operating history in the Sydney market holds it in reasonable stead to be successful, although recent contract misses highlight the unpredictable nature of forecasting outcomes. We remain comfortable with our position in SLK, having trimmed our holding at higher levels in May due to the narrowing of the gap to our valuation at that time. We remain confident that SLK is a quality operator and will continue to deliver reliable earnings from existing contracts and win its share of tenders in the future. Furthermore, the reopening of state and international borders ought to be a positive for the company's ferries businesses into CY22 including Captain Cook Cruises on Sydney harbour.

Recent Fund addition, investment platform provider **Praemium Limited (PPS, +11.2%)**, rallied strongly after delivering a September quarter update to investors which demonstrated excellent inflows on both the

domestic and international platforms. The September net platform inflows of \$1.66b was 37% higher than the previous quarter record and 126% higher than the September 2020 quarter. The PPS business is beginning to scale rapidly with total funds under administration of \$45.6b. Management also confirmed that the proposed divestment process of PPS's international businesses was travelling 'to plan' with interested parties short listed.

Significantly, PPS came into the crosshairs of ASX listed competitor Netwealth (NWL) at the start of October with NWL lobbying a non-binding merger proposal for the PPS business. The current merger ratio and cash adjustment for the PPS international division being sold for \$60m implies a value for PPS of \$1.45 per share (NWL at \$17.05). Whilst there seems to be compelling strategic and financial rationale for the deal for NWL given the material revenue and cost synergies, we agree with the PPS board who rejected the offer as being inadequate to recommend to shareholders. Following the announcement, PPS has rallied to trade at a material premium to the implied NWL offer which implies that the market expects either NWL to return with a more attractive offer or that other parties could put forward more attractive proposals. PPS is now on a strong trajectory of growth, and we have retained our holding in the Fund and await the next move from NWL, or other potential suitors.

Life360 Inc (360, +22.4%) shares traded better all month with the stock finishing October at a record high, up +189.2% for the 2021 calendar year to 31 October. The share price strength was justified by the strong quarterly update delivered in the final week of October which confirmed the underlying investment thesis that 360 would be a beneficiary of the 'unlock trade' in its key US market. With the quarterly, 360 delivered its fourth revenue upgrade in as many months which was driven by record new subscribers, indirect revenue growth and monthly active user growth. The market rightly applauded the quarterly, but also embraced confirmation from the 360 management team that plans for further US based deals, that may involve a merger or a dual listing (Nasdaq) for the company, remain on track. We believe 360 is well positioned to capitalise on its market leading position in North America and, with an expanded product offering, potential M&A and new geographies to move into, we see excellent growth and cash flow generation potential for the 360 business as it matures.

Outlook

Conjecture about the direction of inflation and interest rates continues to dominate discussions about financial markets and the chasm between the expectation of our central bankers and those of economists and most

financial market participants continues to be stark. The past week has seen both the Reserve Bank of Australia (RBA) and the US Federal Reserve (the Fed) admit what now seems obvious; namely that inflationary pressures appear to be stubborn and will persist for longer than they originally anticipated. But neither of them is yet prepared to change their dovish stance and entertain the prospect that inflation may be more than a transitory phenomenon, despite both softening their rhetoric on inflation and the tapering of asset purchases in the past week.

At its November board meeting the RBA did give in to market pressures and formally drop its yield curve control policy and conceded that rates could rise as soon as 2023. Governor Philip Lowe acknowledged last week that annual underlying inflation at 2.1% had accelerated quicker than the RBA's expectations and would be likely to remain inside its 2% to 3% target band over the next few years. But the RBA dismissed views of a surge in inflation over coming months, singling out Australia's unique circumstances and noting that the "starting point for inflation and wages growth are lower in Australian than they are in many other countries", several of whom have moved rates higher in the past month.

Earlier in the month the Fed Chairman Jerome Powell too remained resolute in his view that the current high inflation was expected to be transitory, though he conceded there were upside risks to his central scenario. The core PCE price index, which is the Fed's preferred inflation gauge, increased 3.6% for the 12 months, the same as in August but nevertheless the fastest pace in three decades. Still, the US central bank has not backed away from its stance that inflation is likely transitory and expected to cool next year. Speaking to reporters after the Fed's two-day, policy-setting meeting, Powell blamed the highest inflation in 30 years on supply chain bottlenecks, pandemic-induced shortages and pent-up consumer demand and pushed back on the idea that wage pressure from an incredibly tight labour market is what's driving inflation. "Our baseline expectation is that supply bottlenecks and shortages will persist well into next year and elevated inflation as well," Powell told reporters. "And that, as the pandemic subsides, supply chain bottlenecks will abate and job growth will move back up. And as that happens, inflation will decline from today's elevated levels." As it concluded a two-day policy meeting, the Fed said it would cut asset purchases by \$US15 billion this month, as expected, delivering a long-awaited taper.

Despite the resolve of the RBA and the Fed around the relatively benign longer-term outlook for inflation and rates, financial markets have no such conviction, and the consensus view is now that it's a matter of when, not if, the Fed and the RBA will capitulate. Indeed, money markets (Interbank futures curve) are

now pricing in the first interest rate hike in Australia May 2022, a stance which Dr Lowe has dismissed as “a complete overreaction”. The consensus of 28 economists undertaken by The Australian Financial Review is slightly more dovish than this and showed that the expectation for the first rate hike had been pulled forward to February 2023, which is still materially ahead of RBAs publicly stated expectations.

Anecdotally, we have been hearing of companies not only receiving price rises from their suppliers who are blaming supply disruptions and labour shortages, but more recently some companies are starting to pass on these price rises to their customers or are planning to do so. The prospect of rising inflation has refocused our attention on identifying companies with strong market positions and pricing power who will not face a margin crunch from an inability to pass on price rises. The current AGM season has already thrown up several examples of companies that are struggling to pass on price rises to the detriment of their near-term outlook including chicken products company Inghams Group and Domino’s Pizza Enterprises, neither of which are currently held in the Fund. Dominos called out rising energy prices, including electricity and gas in 2022, as well as expectations that global food prices will likely rise. Inghams, on the other hand, is facing higher input prices in the form of higher feed grain costs which are being exacerbated by increasing international shipping costs. Inghams has relatively poor near-term pricing power with its major supermarket chain client who will not permit the immediate pass through of higher costs and this will put pressure on margins until contracts are reset.

The Fund has increased its exposure to companies that ought to be able to weather a sustained increase in global inflation over the past months. Despite repeatedly being told by central bankers that inflation would be a transitory phenomenon, investors now face the proposition that consumer and producer prices will remain elevated for some time. Fund holdings that are well positioned to pass on cost pressures to their customers include Elders Limited, Seven Group Holdings, and Bapcor Limited.

Inflationary concerns aside, the domestic economic recovery remains largely on track with the recovery from the COVID-19 Delta outbreak continuing with the NSW and Victorian economies no longer shackled by onerous COVID-19 restrictions. The jobs market remains vibrant and the RBA, in its quarterly statement on monetary policy released last week, expects the jobless rate to be a little below 5% at the end of 2021, before declining steadily to 4% by the end of 2023. Consumer spending seems to be solid into the important Christmas period and housing and business investment are both expected to be supportive of the economic recovery, as they had been prior to the COVID-19 Delta outbreak. Overall, the

Australian economy seems to be tracking solidly from a demand perspective, with the key issues (discussed in recent monthly reviews) firmly on the supply side.

The months of October and November is the time most Australian listed companies host their Annual General Meetings (AGMs) and this typically involves management providing an operational update, either in the form of specific earnings guidance or commentary on trading conditions, including the outlook for the business. Commentary from companies to date has been relatively muted, although there has been more positive than negative surprises according to Macquarie Equities Research. Positive commentary has focused on reopening momentum and a robust consumer environment, although supply chain issues and inflationary pressures have provided a negative offset, particularly in the goods economy. We look forward to providing a more comprehensive wrap to investors at the end of November with most AGMs yet to be held.

We would like to thank our investors for their ongoing support of our Funds and wish you all good health as we enter the summer months with a positive outlook to the future.

Top 5 holdings[#]

Company	ASX code
Eagers Automotive	APE
IDP Education Ltd	IEL
Mineral Resources.	MIN
Seven Group Holdings	SVW
Uniti Group Ltd	UWL

[#]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.

Past performance is not a reliable indicator of future performance. 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.