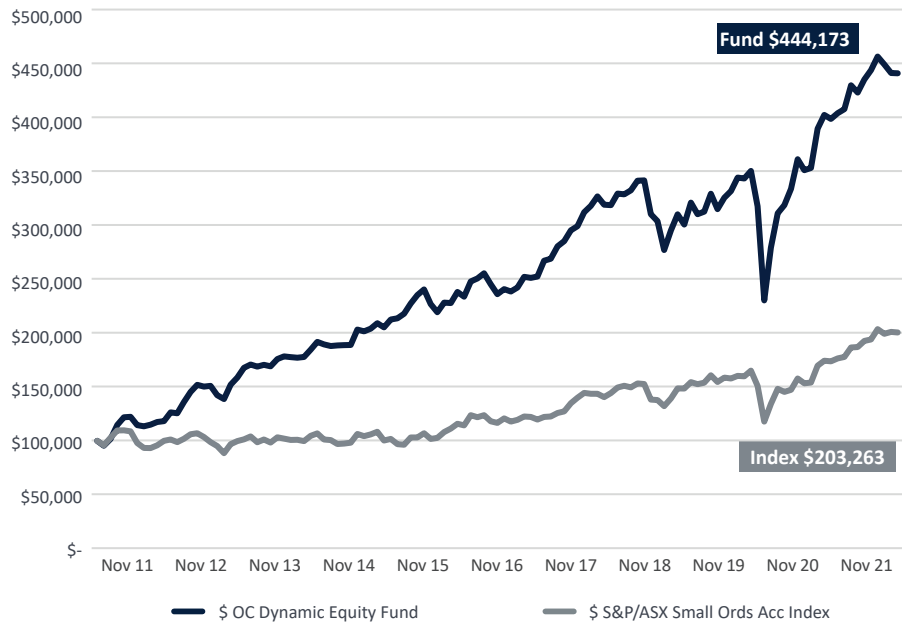


 Fund down -0.1% for the month

 Returned 16.1% 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 November 2021 <sup>†</sup>	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	-0.1	-3.4	13.2	13.3	13.4	13.0	16.1	12.7
S&P/ASX Small Ords Accum	-0.3	-1.5	18.4	13.5	11.7	11.2	7.4	6.9
<b>Outperformance</b>	<b>0.3</b>	<b>-1.9</b>	<b>-5.2</b>	<b>-0.3</b>	<b>1.7</b>	<b>1.8</b>	<b>8.8</b>	<b>5.8</b>
S&P/ASX Small Ind Accum	-1.4	-3.3	14.1	12.6	10.8	10.3	11.1	7.1
<b>Outperformance</b>	<b>1.4</b>	<b>-0.1</b>	<b>-0.9</b>	<b>0.6</b>	<b>2.6</b>	<b>2.7</b>	<b>5.0</b>	<b>5.6</b>

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 emergence of the COVID-19 Omicron variant late in the month triggered a sell-off in global equity markets which plunged the domestic small cap equity market into the red for November. The S&P/ASX Small Ordinaries Accumulation Index finished the month down -0.3%, ahead of the S&P/ASX Small Industrials Accumulation Index which was down -1.4% with resources once again outperforming. The OC Dynamic Equity Fund was marginally ahead of both indices and managed to finish almost flat for the month (-0.1%).

**Mineral Resources (MIN, +17.3%)** was a strong contributor during the month and has partially rebounded following a challenging period brought about by a steep fall in the iron ore price which will impact near term profitability. Regular readers of our monthly will be familiar with our bullish medium-term outlook for the stock which centres around material expansion opportunities which could result in a step-change in earnings for each of the iron ore, lithium and mining services divisions, as well as a significant opportunity to

commercialise a sizable recent natural gas discovery in the Perth basin. At its November AGM, MIN provided long awaited capital expenditure and operating expenditure metrics around its Ashburton iron ore development project, as well a status update on its South West Creek project. When commercialised, we expect Ashburton to be MIN’s largest and most profitable mining services contract, with annual revenues of around \$850m over the life-of-mine. MIN also provided an update on downstream processing opportunities in its lithium operations where we expect it to move up the value chain and eventually convert all of its significant spodumene production into high value lithium hydroxide. We believe MIN’s lithium strategy is vastly under-appreciated by the market and could, by itself, underpin the current share price once the necessary regulatory and environmental approvals are in place and once the market better grasps the finer details of its MARBL JV with global lithium major Albemarle.

Later in the month, MIN announced that it has entered into an agreement with Hancock Prospecting Pty Ltd

and Roy Hill Holdings Pty Limited (together 'Hancock') to jointly develop and operate a new iron ore export facility at the Port Headland's Stanley Point Berth 3 in South West Creek. At its AGM, MIN stated that it intends to develop the South West Creek hub to export 30Mtpa of iron ore. Under the agreement, MIN and Hancock will form a JV to seek to obtain necessary approvals and agreement with the Pilbara Ports Authority and (subject to approval) develop and operate the iron ore export facility at Port Headland's Stanley Point Berth 3. The project would provide a dedicated port access facility at Port Headland and a rail haulage solution for MIN's iron ore operations in the Pilbara region without an upfront capex spend which would potentially save in excess of \$2b capex and provide a cost effective solution for MIN to develop the Marillana iron ore project. We believe MIN remains catalyst rich in the coming months, with strong medium-term upside as the market gains a greater appreciation the company's significant expansion opportunities.

**PEXA Group (PXA, +13.0%)**, Australia's property settlement exchange platform, rallied against the falling market in November. While PXA's business continues to advance toward maturity in Australia, its UK start-up business is also showing encouraging signs with significant interest from local industry participants and positive engagement with local regulators and government bodies. As the UK investment case has become more broadly accepted and understood by the market, with expanded broker coverage and further industry calls with UK experts, PXA stock has seen incremental buying. In addition, PXA's 43% owner, Link Administration Holdings (LNK, +13.8%), received an offer from private equity firm, The Carlyle Group, who is looking to acquire LNK and to distribute the PXA scrip LNK holds to LNK shareholders as part consideration for the acquisition. The resultant increased free-float in PXA should lead to index inclusion for PXA and thereby create a tailwind of buying from index funds and other index aware market participants. This proposal for LNK was given additional credibility when it received a separate bid for its UK credit business, which was previously seen as somewhat of a poisoned chalice. This has buoyed the market's hopes of a sell-down or in-specie distribution of LNK's PXA stake, perhaps as part of a larger transaction for the whole of the group.

PDF productivity and digital signature company, **Nitro Software (NTO, -5.1%)**, was sold off by the market late in the month and further in early December. The sell off was partially due to a rotation out of tech names as part of the recent market sell-off, but was also contributed to by the digestion of a significant capital raising to fund the €70m acquisition of European e-signing business, Connective. The Connective business has market leading e-signing and electronic identification technology with

1000 customers across 12 European countries where stricter regulatory requirements require identity checks to be performed for e-signing. These capabilities will accelerate NTO's expansion into high-trust enterprise grade e-signing applications. As long term investors, we don't let short term price moves spook us and remain comfortable with the growth strategy for NTO over our forecast period.

Public transport operator **Kelsian Group (KLS, -12.3%) (formerly Sealink Group)** found itself on the negative side of the ledger for the second month in a row after the company was unsuccessful in its bid on the Region 9 (Eastern suburbs) contract in Sydney. KLS had been a solid favourite to win the tender given its excellent performance on its metropolitan Sydney routes and the proximity to its Region 6 operations and resulting cost synergy and scale benefits that other operators would be unable to replicate. However, the contract was awarded to the Transdev-John Holland JV with industry sources suggesting it was a price driven outcome with the incoming operator expected to operate on razor thin margins. Clearly this was disappointing news, especially on the heels of the disappointing outcome in the Melbourne metropolitan tender just one month earlier. The stock has sold off aggressively in recent months as the market digests the lower growth outlook for the business and the highly competitive nature of large metropolitan bus markets at present.

Clearly we are disappointed with the outcome of the Region 9 tender, although KLS maintains that bidding at the rumoured price of the Transdev-John Holland JV would have resulted in the company being locked into an onerous nine year contract. The small consolation for KLS is that it will be less constrained in terms of market share caps to bid on further upcoming tendering tranches in Sydney. Following the share price fall, KLS remains attractively priced with a strong pipeline of organic opportunities in CY22 both domestically and internationally, as well as being exposed to the expected ongoing recovery in the leisure business as COVID-19 headwinds inevitably subside and tourism picks up.

**Bank of Queensland (BOQ, -13.2%)** traded lower over the month as some pundits started to talk about increased competition driving down net interest margin (NIM) for mortgage lenders. While this was also called out in the BOQ result in October, the stock drifted over the month as analysts corroborated this commentary with other external sources and the market began to fear that the pressure on the NIM might be greater than guided. The better than expected update, led to some sharp price recovery in recent days, so far putting an end to the price slide. Our investment thesis around BOQ relates to the purchase earlier in the year of ME Bank, which we anticipate will lead to a multi-year growth outlook

as benefits of scale and cost synergies are realised over time. We expect the next update on this process to come with the company's half year report in April, where we anticipate detailed integration planning and initial works could see an increase in targeted synergies.

**Chalice Mining (CHN, +49.5%)** surged higher during the month as the market applauded the announcement of the company's maiden mineral resource at its Julimar Project. The CHN share price has had a remarkable run on the back of its initial drill results at the Julimar Project some 18 months ago and is up some 10x in that period and is 2x higher since the Fund acquired its initial position in the stock in early 2021. The Fund is able to invest a small portion of its capital in more speculative resource projects in an effort to drive excess returns and this particular position has been very successful to date.

The Fund has also invested in the more established Ni-Li-(Au) play **Independence Group (IGO; +9.3%)** over the past 12 months and has benefitted from similar scale returns in this holding too. CHN's Julimar project, just outside Perth in WA, is a world class Nickel, Copper and PGE (platinum group elements) deposit which is the world's largest nickel sulphide discovery since 2000 and is the largest ever PGE discovery in Australia. The maiden resource means the company is highly leveraged to both the global battery revolution (nickel, copper) and the sweeping adoption of hydrogen technology (PGE, nickel) and global resource investors are marking the company higher accordingly. We have realised some gains in CHN (and IGO) over recent months but will continue to watch developments closely with a view to ensuring we maximise returns in these more speculative investments.

## Outlook

The emergence of a new coronavirus variant, Omicron, has unnerved the market heading into the end of the calendar year and led to a sharp risk-off pull-back. Uncertainty about the severity and transmissibility of the Omicron variant has rattled markets having arrived at a time when investors are grappling with the withdrawal of central bank support from the market, the growing threat of inflation and the increasing likelihood of interest rate rises in the new year. The biggest issue near-term is the unknowns: is the Omicron variant more transmissible, will it evade the immunity provided by vaccines or prior infections and will governments react by reimposing lockdowns and social distancing restrictions?

To date the evidence suggests that whilst the variant is extremely contagious, it might also be less deadly which would be consistent with the pattern of virus evolution historically, whereby they often become less virulent over time as a self-preservation mechanism to avoid dying out

(by killing their hosts). Data released by the South African Medical Research Council over the weekend shows most patients admitted to hospital in South Africa, where the new variant is spreading rapidly, were unvaccinated and on average younger than seen in previous waves. It also found a much shorter average length of stay of 2.8 days for positive patients admitted to the COVID-19 wards over the past two weeks compared to an average length of stay of 8.5 days for the past 18 months. Whilst reports such as this are cause for cautious optimism that the perceived threat is overblown, we are awaiting further validation of such data with laboratory work to test the effectiveness of existing vaccines against the Omicron variant expected to be available within days.

The emergence of the Omicron variant has been treated with caution by governments around the world. Many countries have reimposed border restrictions whilst they wait to see whether the variant's large number of mutations make it more dangerous than previous forms of COVID-19. So far, the response by the Federal and State governments domestically has been measured and rational. The good news is that Australia has one of the highest vaccination rates in the world, with 88% of Australians aged 16 and over double vaccinated and more than 93% having had at least one vaccination. Prime Minister Scott Morrison says that at this stage the national plan is to remain open, with foreign migrants, students, and tourists due to begin arriving from December. NSW, Victoria and Queensland all say they are waiting and watching but have not altered their reopening plans, with Queensland even bringing forward the opening of their state border to the southern states by a few days.

Compounding the volatility in the domestic share market is concern about the trajectory of unwind in quantitative easing programs which have underpinned record high asset prices in recent months. Federal Reserve ('Fed') chairman Jerome Powell said it's appropriate to consider finishing the US central bank's tapering of asset purchases a few months earlier than previously expected, with inflation proving more persistent than forecast. In a major pivot, Powell has conceded that high inflation – which Fed officials had previously staunchly defended as being 'transitory' – would last until the middle of next year. US inflation has recently climbed to 6.2%, the highest level in 31 years, over the 12 months to October, as government stimulus payments and post COVID-19 restriction supply bottlenecks increased demand and crimped supply. A more hawkish Fed means interest rates are likely to rise sooner than expected to contain inflation and, against the backdrop of uncertainty created by the Omicron variant, investor risk appetite has fallen sharply.

The Australian economy has remained relatively resilient despite the lockdowns in NSW and Victoria with the

recently released September quarter national accounts showing that GDP fell 1.9% compared with the prior quarter. The result exceeded consensus economist expectations of a 2.5%-3.0% contraction with government spending and a commodity driven trade surplus which reached a record \$23.9bn in the quarter, cushioning the sharp drop in household spending seen during the lockdowns. Households look well placed to resume spending now that lockdowns have ended with a near doubling of the household savings rate to 19.8% during the quarter leaving consumers well placed to loosen the purse strings over the festive season. This should be supportive of a strong economic rebound should the Omicron variant ultimately be seen to have no material impact on the domestic roadmap out of COVID-19.

Our own central bank, the Reserve Bank of Australia (RBA), reiterated its conviction in the strength of the domestic economic recovery at its December board meeting suggesting that the Omicron variant will “not derail” the economic recovery which is happening faster than expected. After abandoning its April 2024 bond yield last month, the RBA has now dropped its previous outlook for underlying inflation to “be no higher than 2.5% at the end of 2023” which has been perceived as a signal to the market that interest rates will likely rise sooner than the RBA had anticipated. The stock market response was muted given that money markets expectations had significantly decoupled from the RBA (and US Fed) and were already pricing in rate rises as soon as July 2022.

The Fund has taken some risk off the table in recent weeks, particularly in long duration growth stocks which tend to fall disproportionately in a rising interest rate environment. Rising rates, in themselves, are not dire for the stock market assuming that they are measured and that inflation can be contained. After a protracted period of near-zero rates, it is indeed healthy to see some reflation occurring in the economy as long as the inflation genie does not get out of the bottle. With the economy re-opening and consumers cashed up, the near-term economic outlook remains solid.

With December upon us, we would like to wish our investor all the very best for a happy, healthy and prosperous festive season. We thank you all for your ongoing support and hope that you can enjoy some downtime in the coming weeks or early in the new year after what has been a challenging year for many.

### Top 5 holdings<sup>#</sup>

Company	ASX code
Eagers Automotive	APE
Mineral Resources.	MIN
Steadfast Group Ltd	SDF
Seven Group Holdings	SVW
Uniti Group Ltd	UWL

<sup>#</sup>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](http://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.