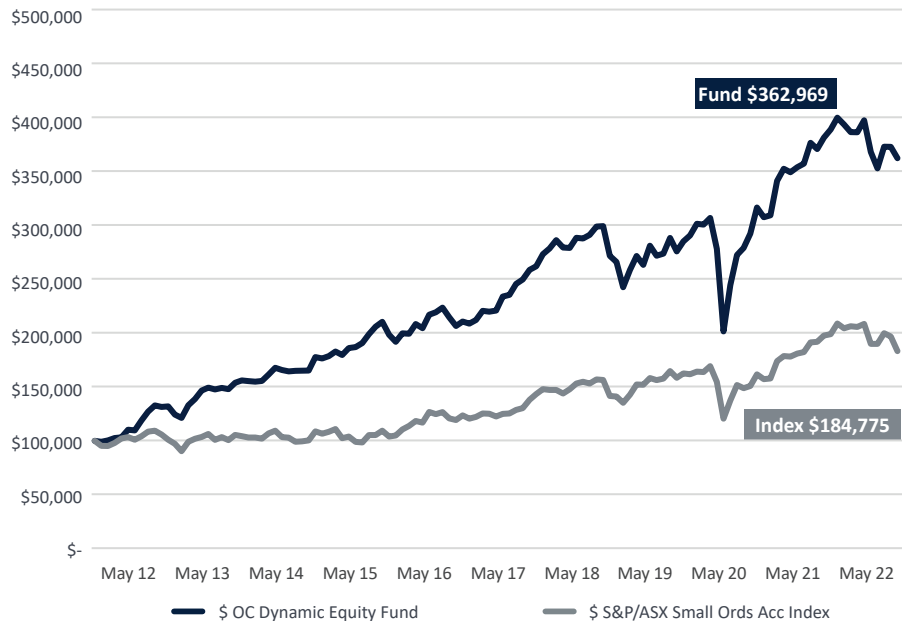


-2.8%
Fund down -2.8% for the month

13.8%
Returned 13.8% 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 May 2022*	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	10 yrs % p.a.	Incep. % p.a. (Dec 2000)
OC Dynamic	-2.8	2.7	-2.3	10.1	10.4	13.8	12.0
S&P/ASX Small Ords Accum	-7.0	-3.6	-4.6	5.5	8.5	6.3	6.1
Outperformance	4.2	6.3	2.3	4.6	1.9	7.5	5.9
S&P/ASX Small Ind Accum	-7.4	-6.7	-12.2	1.5	6.0	8.3	6.0
Outperformance	4.5	9.4	9.9	8.6	4.4	5.5	6.0

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.

Performance review

Global markets sold off aggressively early in May as concerns mounted that economic growth will slow as central banks hike rates to target inflation, with the war in Ukraine and China's lockdowns adding to investor apprehension. The key US S&P 500 Index briefly entered bear market territory (generally considered a 20% fall from peak) before bouncing back later in the month as investor fears around rampant inflation were tempered by a more moderate US April CPI print. The April inflation data showed that price rises slowed during the month leading to speculation that 'peak' inflation in the US may have already passed and that the US Federal Reserve (the Fed) interest rate trajectory may therefore be less aggressive than had been previously assumed.

Whilst the S&P/ASX 100 Accumulation Index and broader S&P/ASX All Ordinaries Accumulation Index both held up relatively well, underpinned by the solid relative performance of the big four banks and large-cap resource companies, the small and micro-cap end of the market was punished in May. The S&P/ASX Small Ordinaries

Accumulation Index fell some 7.0% for the month and the S&P/ASX Small Industrials Accumulation Index fared even worse, down 7.4%. The OC Dynamic Equity Fund held up relatively well and closed May down 2.8%. Our decision to reduce our exposure to long duration growth stocks and companies with material exposure to Europe and the US over the past six months or so has proven to be a prudent one and provided the Fund some buffer against the significant falls across the broader small-cap space.

GQG Partners Inc (GQG, +16.3%) was a standout performer in May and bucked the trend of falling equity markets as the investment manager's flagship strategies continued to outperform their peers and generate significant alpha for clients over most time horizons. GQG, an October 2021 IPO, is a boutique global asset management company, managing around US\$94bn in funds across four primary equity strategies. CIO and Co-founder Rajiv Jain has an impressive +20-year investment track record and, together with his high quality investment team, has proven adept at

navigating the challenging macro-economic backdrop. The GQG strategies have been underweight high growth names and COVID 'winners' for some time and have been overweight the energy and materials sectors which has proven to be shrewd and has led to material outperformance, particularly in May when all the key strategies achieved a positive absolute return. The strong investment performance in challenging market conditions will fortify GQG's already strong performance track record and ought to help it to continue to attract solid fund inflows (currently averaging around US\$1b per month) through its institutional, sub-advisory and wholesale channels. GQG trades on an undemanding multiple of 12.6x CY22 earnings with a 7.6% unfranked dividend yield and the company is tracking ahead of the funds under management trajectory necessary to hit its prospectus forecasts, despite the recent global equity market sell-off. We remain comfortable holders of GQG, and we expect that the share price will continue to re-rate once the market better understands the quality of the business and the strength of its investment team and the investment process.

During the month, South Australian metal detection and radio communication technology business **Codan (CDA, +10.8%)** held an investor day at its Mawson Lakes campus. The event, attended by OC Funds and other market participants, was accompanied by a trading update where the company guided to a solid second half result which is expected to match the record result it achieved in H1. The company has negotiated the supply chain challenges to date without significant disruption as a result of its product re-engineering (to utilise a broader range of available parts) and prudent inventory positioning. In addition, the market's fear of the impact of ceasing Russian sales and further disruption in some African gold markets seems to have been largely misplaced with only minor revisions to most analysts' estimates. The investor day highlighted the strong demand in the company's Countermine land mine detection equipment as well as the long-term demand potential for its encrypted Tactical Communications products (in military and civilian applications) and the opportunity in the Zetron critical communications business under the 'Next Generation 911' in the US. We remain comfortable holders of the stock, which had been drifting lower over the past couple of months and were pleased to see the renewed confidence in the name from the market.

Eagers Automotive (APE, -18.5%) was a poor performer during the month, with the share price pullback a combination of negative sentiment toward consumer discretionary stocks which were sold off heavily in May, as well as an AGM update from the company which highlighted a challenging supply environment with OEMs

struggling to ship enough vehicles to fulfill customer orders. The supply of new vehicles has been impacted by several global events, including the ongoing effects of semi-conductor shortages in the industry, and has more recently been compounded by both the Ukraine conflict and China's COVID lockdowns. APE continues to book new sales well in excess of current deliveries which bodes well for its gross margin remaining elevated (meaning there is no need for any discounting or price negotiation by APE) and future profitability once the supply chain issues begin to moderate and deliveries arrive in the country. Whilst some sell-side analysts have tempered their full year earnings forecasts due to concerns that new car orders will remain unfulfilled in CY22, it is important to note that profitability is not lost, it is merely deferred into future periods, unless, of course, the customer cancels the order which has not been happening to date. We expect that demand for new vehicles could moderate somewhat into CY23 if the Australian economy slows down and the housing market falls, and the consumer environment softens. But APE remains well positioned with an order book which is likely to spill-over well into CY23, a strong balance sheet and best-in-class management. We view the recent share price pull-back as excessive.

Building products stalwart **CSR (CSR, -21.0%)** sold off over the month on the back of macro concerns around its housing construction exposure in a higher interest rate, high inflation environment. The company reported a strong annual result during May, slightly ahead of consensus estimates, however this was not enough to temper the market's caution around the sector. Our view, however, is that the constraints around construction in the present environment are extending the demand profile to a more elongated construction cycle with many approved plans not reflected in housing starts due to the lack of availability of labour and supply issues for imported products and lumber. CSR by contrast, produces their products locally and while cost inflation domestically is an issue, the supply chain issues and high costs of imported alternatives, plus the industry wide nature of inflation pressure, leads us to expect any cost inflation to be passed on to consumers by way of higher prices. Products like insulation, plasterboard and pre-fabricated concrete panels are inherently import unfriendly, especially in a high shipping cost environment, leaving CSR well positioned to at least maintain their operating margins. We remain satisfied with CSR's overall business positioning and expect another strong year ahead for the company.

During the month, the Fund established a position in **Maas Group (MGH, +1.5% since acquisition)**, a diversified construction materials, civil engineering, equipment manufacturing and real estate group. It was founded in 2002 by Wes Maas, who has grown the business by 30% per annum over the last 20 years through a combination

of organic growth and acquisitions. Wes is highly aligned with shareholders as the largest shareholder of MGH with 54% ownership of the company. We first met Wes (and the broader MGH team) in advance of the MGH IPO in December 2020 at which time we found Wes to be highly impressive, possessing a detailed knowledge across all aspects of the business, and he has since continued to deliver on our expectations of him and of the business. The business is headquartered in Dubbo, NSW, and is largely focused on regional NSW and QLD, where demand is underpinned by the vast amount of infrastructure spending within the region such as the \$15b Inland Rail Project, the \$4.5bn Great Western Highway upgrade and the \$1.6b Newell Highway upgrade.

MGH operates a vertically integrated model which we see as underappreciated by the market. The company's real estate business provides pullthrough demand for products and services provided by the Construction Materials and Civil Construction and Hire segments. MGH is able to capture the full vertical margin in its land development process and this also helps reduce the cyclical nature in MGH's demand pipeline for its other divisions. We are also excited about the prospects for MGH's real estate segment in its own right. MGH has a land bank of 8,000 residential lots and a growing commercial property portfolio, and we expect this to be the biggest driver of earnings over the medium to longer term. The embedded value in the land bank, which is carried on the MGH balance sheet at historical cost, provides a level of insulation to a slowing national housing market and the vertically integrated business model allows MGH to better control costs in an inflationary environment and when labour supply is tight. Despite COVID-19 related shutdowns and weather impacts, we still expect a solid result for MGH at its upcoming FY22 result. The company has recently reiterated its guidance for EBITDA of between \$115m to \$125m and we expect the real estate division to underpin strong growth for the business into FY23.

Outlook

Equity markets whipsawed throughout the month of May as investors weighed up hawkish central banks, falling growth projections, ongoing war in Ukraine and some bearish forecasts from bellwether US retailers, against signs US inflation may have peaked, generally robust economic data in Australia and the US and heavily sold off equity valuations. There is much for investors to digest in the current climate and the often contradictory signals are leading to heightened volatility which is likely to remain for some time.

Criticism of the Fed mounted during the month with former Federal Reserve presidents Ben Bernanke and

Janet Yellen joining a chorus of former central bank colleagues in chastening the central bank for failing to address inflationary pressures sooner. More recently, Fed Chairman Jerome Powell has been unequivocal in stating that the Fed will keep raising interest rates until there is "clear and convincing" evidence that inflation is in retreat. Core inflation (which excludes volatile food and energy items) rose 6.3% over the 12 months, down from 6.6% in March which was the highest annual pace since August 1982. Recent market updates from consumer bellwethers Target and Walmart suggest the US economy may already be slowing, although April macroeconomic data remains robust including April retail sales numbers, the May jobs report (unemployment steady at 3.6%) and the Institute for Supply Management's Manufacturing PMI for May, a closely followed index of US-based manufacturing activity which showed US manufacturing has improved even though global supply chains have dampened activity. Despite the macro data continuing to point to a solid US economic environment, it is still likely to be a difficult task for the Fed to orchestrate a soft landing for the US economy against a backdrop of elevated inflation. As a result, the OC Fund's portfolio has limited exposure to the US economy at this juncture.

Closer to home, Australia still looks better positioned than many of its global peers to achieve a soft economic landing and avoid recession. Inflation in April reached an uncomfortably high 5.1%, the highest level in over 20 years, and RBA Governor Philip Lowe has indicated that rates are swiftly heading towards a neutral rate of 2.5% with 40-50 basis point increases widely expected at the June and July RBA board meetings. Housing prices have started moderating, particularly in Sydney and Melbourne, after rising strongly over the past 12 months and are widely expected to fall 10-15% as interest rate increases and tighter lending standards cool demand. But a low unemployment rate of 3.9%, a historically high household savings rate, as well as recently announced budget handouts to low and middle income earners, leaves domestic consumers reasonably well placed to continue to spend even allowing for near-term inflationary pressures, rising interest rate rises and a falling housing market. The ongoing conflict in the Ukraine has contributed to very high commodity prices and the strength in coal, iron ore and wheat will be a boon to our national accounts and ought to leave the government with the fiscal firepower necessary to keep the economy in good health at a time when key industries such as education, tourism and our large services sector ought to be emerging from the COVID-19 induced hibernation.

Anthony Albanese of the Australian Labor Party (ALP) has been sworn in as Australia's 31st prime minister following a resounding victory in the recent federal election. The election showed a broad swing away from the incumbent

Liberal Party, with a handful of Greens swept into the lower house and the senate, as well as some high-profile Liberal MPs losing their blue-ribbon seats to climate focussed “teal” independents. In terms of the impact of the change in government on the economy, we expect little by way of near-term material impacts. Unlike in the prior two elections, the ALP did not campaign with a significantly different policy platform to the incumbent government, nor did it seek a mandate for major change. Therefore, we expect few immediate changes to the portfolio as a result of the change in government.

Key election promises from the ALP include award wages increases for minimum wages earners in-line with headline inflation (5.1%) which will have implications for labour intensive businesses without pricing power. We also expect to see greater support for affordable housing, energy transmission (emissions reduction targets of 43% and boosting renewables to 82% of electricity supply by 2030), the National Broadband Network (NBN) and the National Disability Insurance Scheme (NDIS), as well as a clear commitment on education, aged care and childcare.

As flagged in the April monthly, we do not expect that any of the stocks in the portfolio will be adversely impacted in a material way by a change in government, although aged care provider Estia Health and disability employment services company APM Human Services International may ultimately end up being beneficiaries of more favourable funding outcomes under an ALP government. Ventia Services Group (Ventia) may also benefit in its telecommunications division from the incoming government’s commitment to secure more Australian families and businesses quality, high speed internet by expanding full-fibre NBN access to 1.5 million premises, as well as keeping the NBN in public hands, given that Ventia is Australia’s largest telecommunications network construction, deployment and maintenance provider.

The potent cocktail of rising inflation, hawkish central banks, the war in Ukraine and further supply chain disruptions has seen the Australian small-cap index aggressively sold off (14.0%+) since the start of the calendar year. High growth stocks with longer duration cash-flows are particularly sensitive to rising bond yields in an inflationary environment and have worn the brunt of the market sell-off. This includes some quality names in small-cap investment universe which have sold off heavily during the calendar year to date including Temple and Webster (-60.0%), Domain Group Holdings (DHG, -44.2%), Netwealth Limited (-30.9%) and Breville Group (-30.0%). The Fund is underweight technology and other high growth names having exited positions in companies such as Pointsbet, IDP Education, EML Payments, Lovisa and Corporate Travel Management over the past six months. If the economy slows, as expected, as interest rate rises

put the brakes on demand, then a time will come to rotate away from cyclical names into growth companies that can continue to increase their earnings against the backdrop of slowing economy. We do not yet think we are at that point. But the Fund is cashed up (+10% cash) and well positioned to capitalise on the opportunity to purchase quality small-cap names at compelling prices in the coming months.

Top 5 holdings[#]

Company	ASX code
APM Human Services International	APM
GQG Partners Inc	GQG
Mineral Resources Limited	MIN
Seven Group Holdings	SVW
Uniti Group Limited	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 soft-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.