
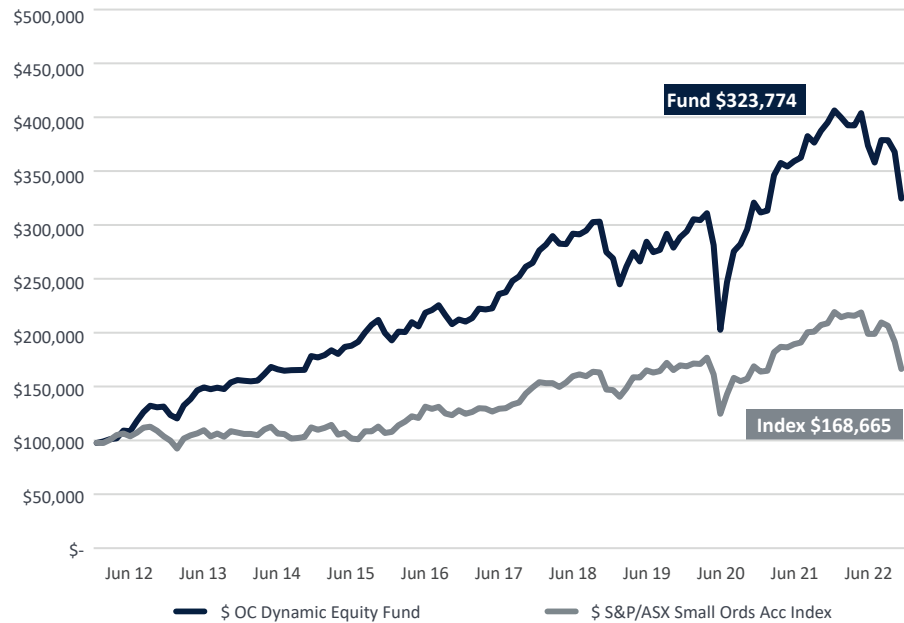
 Fund down -14.2% for the quarter

 Returned 12.5% 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 June 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	-11.6	-14.2	-16.0	5.4	6.5	12.5	11.4
S&P/ASX Small Ords Accum	-13.1	-20.4	-19.5	0.4	5.1	5.4	5.4
Outperformance	1.5	6.2	3.5	5.0	1.4	7.1	5.9
S&P/ASX Small Ind Accum	-10.0	-18.4	-24.0	-2.2	3.3	7.3	5.5
Outperformance	-1.6	4.3	7.9	7.6	3.2	5.2	5.9

The total return performance figures quoted are historical, calculated using cum-distribution end-of-month hard-close mid-prices and do not allow for the effects of income tax or inflation.

Performance review

The potent cocktail of rising inflation, hawkish central banks, war in Ukraine and further supply chain disruptions has seen asset prices sell off dramatically across the globe over the June quarter. Australian small-cap stocks were no exception with the S&P/ASX Small Ordinaries Accumulation Index down a hefty 20.4% for the quarter. The S&P/ASX Small Industrials Accumulation Index fared only slightly better posting a 18.4% decline for the quarter.

Whilst we are never happy reporting negative returns to investors, the OC Dynamic Equity Fund held up relatively well finishing the June quarter down -14.2%. Our decision earlier in the calendar year to further reduce our exposure to long duration growth stocks including technology names and to pare back our exposure to slowing international economies in the US, UK and Euro-zone has provided some level of insulation for investors. Additionally, our overweight exposure to stocks that can grow outside of the economic cycle and a cash buffer of +10% has proven to be prudent.

Financial Year 2022 will be remembered as a tough one for investors globally with several key offshore indices finishing the 12 months to June in bear market territory, (generally defined as a peak to trough fall in excess of 20%). These 'bear market benchmarks' included the Nasdaq 100 (-23.9%), the Hong Kong Hang Seng Index (-24.2%) and the Korean KOSPI Index (-29.2%).

Domestic small-cap stocks endured their toughest year in over a decade with the S&P/ASX Small Ordinaries Accumulation Index finishing FY22 down -19.5%. Resources stocks held up comparatively well over the 12 months on the back of surging commodity prices with the S&P/ASX Small Resources Accumulation Index recording a modest fall of -1.8% and significantly outperforming the S&P/ASX Small Industrials Accumulation Index which plummeted -24.0%. The relative outperformance of the resources sector proved to be a material headwind for the Fund given our aversion to investing in single commodity/single mine resource stocks which can be volatile and risky and are therefore screened out

of our investment process, except as a catalyst driven trade in the Fund. Despite this, the Fund's risk averse approach to investing and our focus on well managed quality businesses which have high levels of financial transparency has again held us in good standing overall, as it has done through most market downturns over the 20 years we have been investing money for clients. The OC Dynamic Equity Fund's FY22 return of -16.0% will likely place us within or near the top quartile of our small-cap peers in industry performance surveys when they are released later in the month.

During the quarter, the outlook for global growth deteriorated sharply as the reality of rapidly rising interest rates to tame runaway inflation hit home. With the global economy slowing and price pressures rising, many companies will face margin and earnings pressure in the coming 12 months. Against this backdrop, the portfolio remains underpinned by a raft of companies that can grow their earnings largely outside of the economic cycle including insurance broker **Steadfast Group (SDF, +5.0%)**, fibre infrastructure owner and takeover recipient **Uniti Wireless (UWL, +4.0%)**, telecommunications provider **TPG Telecom (TPG, -1.3%)**, and asset management and maintenance services business **Ventia Services (VNT +0.8%)**. With the operating margins of many companies expected to come under pressure as the economy slows, we expect that investors will be prepared to pay a premium for high quality businesses that can continue to grow earnings at this point in the economic cycle

GQG Partners Inc (GQG, +6.5%) was alone amongst its Australian listed funds management peers in finishing the June quarter in positive territory. GQG 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, although the manager's strategies did endure a more challenging month in June. GQG, an October 2021 IPO, is a boutique global asset management company, managing around US\$86bn in funds across four primary equity strategies. The GQG strategies have been underweight high growth names and COVID 'winners' for some time and have been overweight the energy and materials sectors. This has proven to be shrewd and has led to material outperformance, particularly in May when all key strategies achieved a positive absolute return in stark contrast to most global peers. 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. At a current share price of \$1.34, GQG trades on an undemanding multiple of 10x CY22 earnings with a 9.5% unfranked dividend yield which represents compelling

value for a world-class funds management business. We appreciate that owning a funds management business in an equity market downturn is somewhat of a contrarian call. Nevertheless, we expect that the GQG share price will perform strongly over the long-term once sentiment toward equity markets improves and once the market better understands the quality of the GQG business and the strength of its investment team and its investment process.

Life360, Inc. (360, -51.9%) traded lower during the quarter as its much anticipated quarterly update in April was overshadowed by ongoing queries regarding its recent hardware acquisitions, higher quarterly cash burn (albeit mostly one offs) and, more generally, waning enthusiasm for tech stocks. At the release of the quarterly update, 360 officially put its Nasdaq dual listing ambitions on hold due to prevailing tech market conditions which have also resulted in a materially weaker 360 share price (-70% since the start of CY22). The Nasdaq listing process had previously prevented management from issuing guidance for CY22 and we believe the expectation outlined by 360 in its quarterly of +50% subscription revenue growth and total revenue of US\$245m to US\$275m would, in isolation, have been well received by the market. However, management also detailed several one-off costs including Tile transaction costs, Tile and Jobit integration costs and seasonal working capital build in the hardware business which together resulted in cash outflow for the March quarter of US\$38m. With US\$98m of cash on hand and ongoing cash burn forecast until late CY23, and the 360 share count continuing to increase in order to remunerate key employees through the issue of stock/options, the market chose to ignore the strong top line growth of the core business and instead focussed on these other issues. Other positives in the update included the successful launch of Life360 into the Canadian market, new data indicating 360's hardware co-offering will significantly enhance 360's core subscription revenues, and continued penetration of the Life360 app which is now the 19th most used iOS app in the US (based on install penetration). 360's poor share price performance was likely exacerbated by tax loss selling in June which saw many of 2021's winners (360 was +157.2% in CY21) sold off as investors looked to realise tax losses to reduce their FY22 capital gains tax bills. Overall, we believe 360 has adequate liquidity to achieve cash flow breakeven and its impressive growth rate will eventually be appreciated by the market. The Fund remains underweight the information technology space, although we continue to hold 360 as a modest position in the 'Innovator' sleeve of the portfolio.

GUD Holdings (GUD, -31.1%) was down for the quarter after disclosing a 6% downgrade to FY22 earnings. The downgrade was driven by the performance of the

recently acquired towbar manufacturer, APG, which has experienced variable demand for its key products over the last quarter. APG manufactures and supplies towbars for large auto manufacturers such as Ford and Toyota. These manufacturers have suffered from supply chain shortages due to COVID-19 related lockdowns in China with sales in the existing Ford Ranger model down 12% (year to date) and new Toyota Landcruiser model sales down 40% over the same period. APG supplies a number of components on the new model Ford Ranger which was due in local showrooms from July 2022. A dealership bulletin indicated that the China lockdowns have affected 91 suppliers and 393 unique parts utilised in this new model Ford Ranger. This supply chain issue was also experienced by APG peer, **ARB Corporation (ARB, -32.8%, not owned)**, during the quarter and is leading to pent up demand with growing dealer order backlogs that simply can't be filled by the current parlous state of new vehicle manufacture and supply. Whilst the timing of a recovery in the vehicle supply chain is uncertain, this should eventually resolve itself as Chinese factories re-open and component supply chains repair. Given GUD acquired the APG business out of private equity hands less than a year ago, the investor reaction to the downgrade was severe with the stock losing 20% in value on the trading day after the announcement (compared to a 6% reduction in earnings). Whilst the downgrade is unfortunate in its timing, GUD now trades on a 9x PE and offers a 6% fully franked dividend yield which is attractive for a business that should deliver organic earnings per share growth over the medium term. The much maligned 'legacy' GUD aftermarket business which supplies 'wear and tear' parts for installation into predominantly older cars by service mechanics, has delivered solid performance on the back of robust demand and higher inventory levels. The aftermarket business has a portfolio of very strong brands and this has enabled GUD to increase product pricing in order to offset inflationary impacts. The auto aftermarket sector should be largely recession proof given the annual requirement to service second hand cars which is a growing segment of the Australian car parc.

Outlook

We have written expansively about inflation throughout the 2022 financial year and escalating pricing pressures have had a major impact on our portfolio structuring over the past six months. Inflation remains front of mind for us as we enter the new financial year with central banks now scrambling to rein in rising cost pressures with many, including the US Federal Reserve (the Fed) and the Reserve Bank of Australia (RBA), having incorrectly assumed these pressures were transient and would dissipate as the world normalises post the COVID-19 pandemic. During the quarter, inflation hit multi-decade highs in much of the developed world including the US

(8.6%), the Euro-zone (8.6%), the UK (9.1%) and Australia (5.1%). Central banks worldwide have now declared inflation 'public enemy number one' and recent policy moves and commentary indicate just how seriously they are taking the problem. US Fed chairman Jerome Powell said he was more concerned about the need to stamp out high inflation than the risk an increase in interest rates could spark a recession.

"Is there a risk we go too far? Certainly there's a risk," he said. "The bigger mistake to make... would be to fail to restore price stability."

Interest rates across the globe will continue to move materially higher in the coming months and, coupled with quantitative tightening as central banks reign in the expansive bond buying programs launched during the COVID-19 pandemic, we expect that global growth will slow significantly.

Whilst many commentators are now forecasting inflation to peak in the near-term, we are in unprecedented times given the lack of historically comparable periods to draw upon as a frame of reference. We think it is premature to draw this conclusion regarding inflation peaking near term and have positioned the portfolio accordingly. What is clearer is that economic growth is slowing across the globe as interest rates head higher. Our base case now assumes a recession in the Euro-zone, the UK and the US and the Fund is heavily underweight exposure to those regions. The consensus view remains that the US will avoid a recession, but we think this is unlikely with lead indicators of economic activity particularly bearish. The latest forecast from the Atlanta Federal Reserve suggests that rising inflation has sapped the buying power of the US consumer and may have already tipped the economy into recession, with estimates the economy shrank 2.1% in the second quarter of 2022.

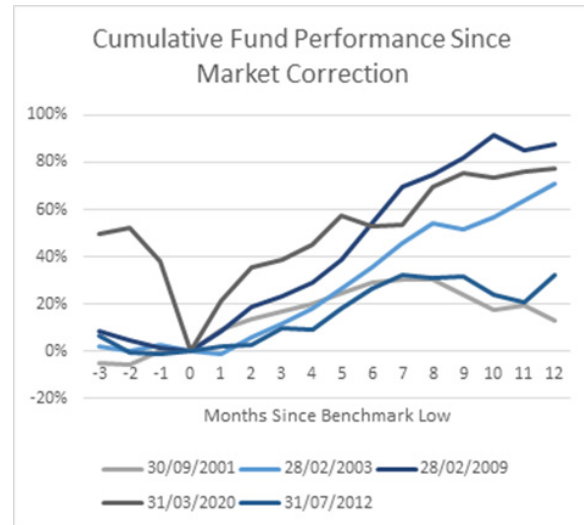
It remains our position that Australia still looks better positioned than many of its global peers to achieve a soft economic landing and avoid recession. Inflation in April reached an uncomfortably high 5.1%, the highest level in over 20 years, and RBA Governor Philip Lowe has indicated that rates are swiftly heading towards a neutral rate of 2.5% with a 50-basis point increase at both the June and July RBA board meetings now locked in. The housing market has gone from experiencing a tailwind during much of the COVID-19 pandemic to now facing an emerging headwind with the CoreLogic home value index showing Sydney house prices have dropped by 2.8% in the quarter to June and Melbourne down by 1.8% during the same period. With peak to trough falls of 15-20% in key capital cities now widely forecast by economists, this could have a material impact on the domestic consumer via the so called "wealth effect",

particularly given the recent concurrent declines in the value of other asset classes including stocks, bonds and crypto currencies. Fortunately, commodity prices remain elevated underpinned by the war in Ukraine and supply chain disruptions. This ongoing strength in commodities (such as wheat, coal and iron ore) will continue to boost Australia's national accounts which ought to leave the federal government with the fiscal firepower necessary to keep the economy in reasonable health, despite mounting headwinds created by rising interest rates. In addition key industries such as education, tourism and our large services sector ought to become a growth tailwind domestically as they emerge from COVID-19 induced hibernation.

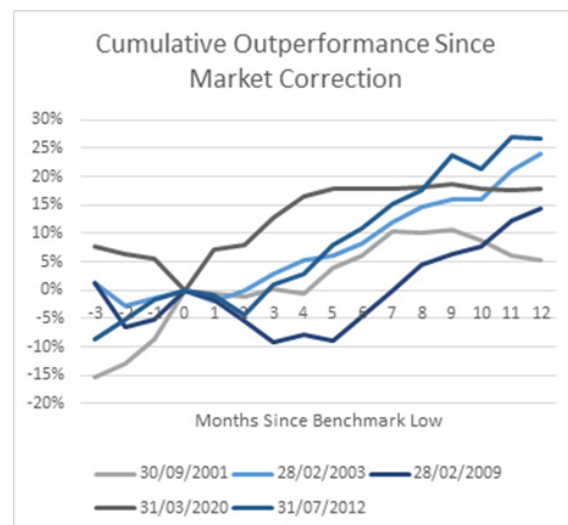
Heading into reporting season, the prospect of profit margins coming under pressure from rising inflation and softening consumer demand is firmly on our radar. Given the challenging macro-economic backdrop, we believe it is unlikely that many boards will be prepared to give earnings guidance into the new financial year. In such an environment, investors are likely to put a premium on earnings certainty and companies that are resilient to the economic cycle. As such, the Fund has limited exposure to consumer facing stocks and is overweight stocks that can grow their earnings outside of the economic cycle.

If, as expected, the economy slows as interest rate rises put the brakes on demand, then a time will come to rotate into growth companies that can continue to increase their earnings against the backdrop of slowing economy. Many of these companies have sustained large share price falls this year so far including Temple and Webster (-69.1%), Domain Holdings (DHG, -46.2%), Breville Group (-42.8%) and Netwealth Group (-30.7%). But we do not yet think we are at that point. 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.

The good news for investors is that the OC Funds investment team is highly experienced and together we have successfully navigated the various bear markets over the past 20 years. The following chart shows the strong outperformance of the OC Premium Small Companies Fund post market corrections.



Furthermore, the Fund has generated significant outperformance versus its small ordinaries benchmark over each of these periods.



We have now entered the so called 'black out' period between the end of the financial year (30 June) and the delivery of company financial results in the August reporting season. During this intervening period, company management teams go into lock down and avoid investor communication ahead of the release of their full year results announcements. The investment team was very active during the quarter, travelling widely and communicating directly with all our holdings to ensure that our investment thesis remains intact and that the key assumptions underpinning our financial forecasts remain accurate.

We would like to thank our investors for their support through what has been a challenging year in the domestic small cap space. The investment team has high conviction that our investment process will continue to generate strong returns for investors over the long-term and we thank our investors for their ongoing support. All the best to everyone for a healthy, safe and prosperous new financial year.

Top 5 holdings[#]

Company	ASX code
APM Human Services	APM
GQG Partners	GQG
Mineral Resources	MIN
Steadfast Group	SDF
Uniti Group	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.