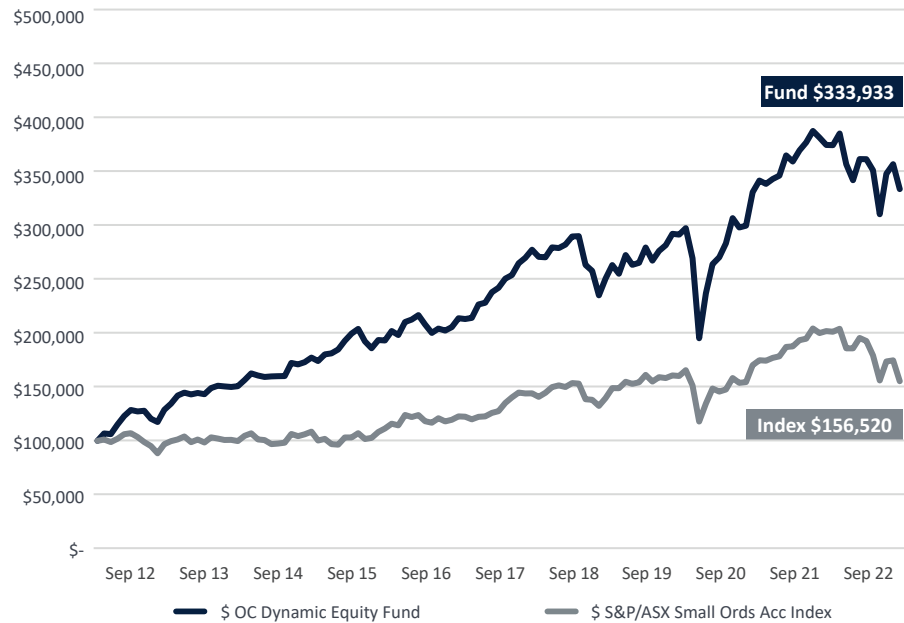


7.5%
Fund up 7.5% for the quarter

12.8%
Returned 12.8% 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 30 Sep 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	-6.5	7.5	-12.5	6.5	6.6	12.8	11.6
S&P/ASX Small Ords Accum	-11.2	-0.5	-22.6	-0.8	4.1	4.6	5.3
Outperformance	4.7	8.0	10.0	7.3	2.6	8.3	6.2
S&P/ASX Small Ind Accum	-10.5	-1.0	-27.5	-3.7	2.6	6.7	5.4
Outperformance	4.0	8.5	15.0	10.3	4.0	6.2	6.2

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

Hawkish central banks, ructions in global currency markets, sticky core inflation in the US and concerns about a global economic slow-down weighed heavily on equity markets during the September quarter. Several key stock indices across the globe re-tested their lows of June and a number ended the quarter in bear market territory including the US S&P 500, the US Nasdaq Index, the Hong Kong Hang Seng Index and the German DAX Index. The sell-off gathered pace in the month of September with the US Federal Reserve (the Fed) increasing the Fed funds rate by a further 75 basis points following another elevated inflation print with subsequent commentary from the Fed leaving no doubt as to the near-term trajectory of interest rates in the world’s largest economy. The ensuing strength in the US dollar has created dislocations in bond markets including in the UK where the Bank of England had to intervene to stabilise the GBP pound after new Prime Minister Liz Truss’ mini budget of growth measures drove the sterling to its lowest level against the greenback in 37 years.

The domestic small cap indices gave up the double-digit gains of July when a short covering rally and optimism about a potential dovish pivot from key central banks drove a sharp bear market rally. Both the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index finished the September quarter in the red, down -0.5% and -1.0% respectively. The OC Dynamic Equity Fund fared materially better, rounding out the quarter up +7.5%. We have for some time been significantly more bearish than the market consensus on both the outlook for inflation and economic growth and have positioned the portfolio accordingly. This has led to solid outperformance from the portfolio in this calendar year to date, which has been a tricky period to navigate equity markets.

Life360, Inc. (360, +74.3%) bounced strongly early in the quarter post a savage period of tax loss selling in June and following on from the August release of an upbeat half year report. This was a welcome relief following

a disappointing share price performance in the prior quarter (-51.9%). The August result showed continued strong growth in users, subscribers and average revenue per user, and the company also reiterated it expects to generate positive adjusted EBITDA and operating cash flow on a consistent basis by late 2023. It was further noted during the quarter that 360 was lifting pricing for its new US membership plans which points to ongoing revenue tailwinds as the company enters its key Q4 selling period (which includes the Black Friday and Christmas gifting periods). Other incremental news flow in the August update included a positive update on 360's recent entry into the Canadian market with further data indicating 360's hardware co-offering will significantly enhance its core subscription revenues in future quarters, and continued penetration of the Life360 app which is currently ranked as a 'top 20' most used iOS app in the US (based on install penetration). 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.

Mineral Resources Limited (MIN, +38.3%) was an outstanding contributor to the Fund during the quarter, as the market began to more fully appreciate the quality of the company's lithium business. During September, the Australian Financial Review carried an article suggesting that MIN was weighing an IPO of its lithium business on the NYSE. Management responded by stating that it regularly evaluates various strategic options to maximise shareholder value and any previously undisclosed initiatives were not sufficiently advanced to warrant disclosure. We have long viewed MIN's tier-one lithium assets which include: a) Wodgina Mine (40% ownership with Albemarle); b) Mt Marion Mine (50% ownership with Genfeng); and c) Kemerton lithium hydroxide converter (40% ownership with Albemarle) as being under-valued. MIN is currently in negotiations with Albemarle to restructure the ownership of Wodgina (MIN increase ownership to 50%) and Kemerton (MIN decrease ownership to 15%) for nil cash payment in a deal that could be a precursor to a US listing of the MIN lithium business. The attraction is that US lithium companies tend to trade at a material premium to Australian listed peers. For instance, MIN's JV partner Albemarle trades on ~10x FY23 consensus EV/EBITDA versus MIN on ~4x. A standalone US listed entity makes strategic sense as it may appeal to sector specific investors as a pure play high quality lithium business. We would expect MIN to retain a material holding in any spin out and the cash from a sell-down in an IPO could help fund other projects such as the Ashburton Hub Development (Onslow iron ore Project) which recently announced an unconditional Financial

Investment Decision to develop a material new long-term, low-cost iron ore hub. Whilst we have prudently trimmed our holding into share price strength, MIN remains a key pick in the Fund. We believe the company remains catalyst rich in the coming months, with strong medium-term upside as the market gains greater appreciation of the company's expansion opportunities which extend across the lithium, iron ore, mining services and energy sectors.

Local fixed and mobile telecoms group, **TPG Telecom (TPG, -17.3%)**, traded lower post its result, as we previously noted in the August monthly report. Since this time, the ACCC released a Statement of Preliminary Views on the proposed network sharing arrangement with Telstra which acknowledges the increase in contestable market available to TPG (for consumers who value regional coverage) and lays out the pathway to a final decision in December, without indicating which direction they are favouring at this stage. Of less direct significance to TPG has been the major data breach at rival Optus. This has been pointed to by some market watchers as a potential catalyst to create churn to the benefit of Telstra and TPG, and in particular TPG's mobile business, Vodafone Australia. While this is yet to manifest in any actual benefit to TPG or any significant share price reaction, it could be incrementally positive over the medium term. The more significant catalysts for the TPG share price in our view are:

1. the potential for increased migration of low margin fixed NBN consumers in TPG's iiNet and TPG brands to 5G fixed wireless solutions on the existing owned Vodafone network infrastructure,
2. a recovery in Vodafone international roaming and pre-paid sim revenue linked to the travel recovery,
3. higher industry pricing in mobile offerings increasing the competitiveness of TPGs positioning and,
4. the network sharing deal, longer term, should it get ACCC approval (which we view as the most logical outcome).

Outlook

There has been a notable shift in messaging from the US Federal Reserve over the past few weeks with a seemingly tacit acknowledgement from the central bank that a recession is an undesirable but acceptable price to pay to tame runaway inflation. Fed Chairman Jerome Powell has spoken repeatedly in recent weeks of the Fed's strong resolve to bring inflation down to the 2% target range adding that they "will keep at it until the job is done". Mr Powell said: "We have to get inflation behind us. I wish there was a painless way to do that. There isn't," Mr Powell told a press conference after lifting the target for the benchmark rate a further 75 basis points to a range of 3.00% to 3.25%. Fed officials also revised higher their

inflation forecasts over the next year. They projected so-called core inflation, which excludes volatile food and energy prices, at 4.5% by the end of this year, above their prior projection of 4.1% in March; this compares to the Fed's inflation target of 2% over the longer run. The following statement should leave investors in no doubt as to the intentions of the US central bank: "Inflation is running too hot. You don't need to know much more than that", said Mr Powell. "If that's the one thing you know... it's that this committee is committed to getting a meaningful, restrictive stance of policy and staying there until we feel confident that inflation is coming down". Fed officials now expect the funds rate to reach a high of 4.6% in 2023 before stepping down to 3.9% in 2024. Notably, the Fed does not expect to cut rates at all next year. This marked a material change in stance from the Fed and was at odds with consensus market expectations which were still pricing in rate cuts in the back half of 2023, as well as a lower peak Fed funds rate.

Fortunately, the OC team had been more bearish than the overall market on the Fed's ability to cool sticky core inflation without further material monetary pain. Regular readers will be aware that a US recession has been our base case for some months, and we have positioned the portfolio accordingly. Whilst this has insulated investors, to the extent that our mandate allows us (the Fund is long only and can hold a maximum 20% cash), from the broader carnage in the domestic small-cap equities market this calendar year, the steep sell-off has nevertheless still been painful.

We had for some time been more optimistic about the economic outlook for Australia, particularly compared to the US and the UK and the Eurozone, largely due to our status as a major exporter of commodities. Whilst much of the world has been buffered by commodity price inflation, Australia, as a major exporter of commodities such as coal, iron ore, grains and oil and gas, has benefitted from a significant strengthening of our national accounts which leaves the government well placed to stimulate the economy as it inevitably slows into 2023. However, Australia does not live in a vacuum against the rest of the world and the global economic slowdown will likely weigh on commodity prices at the same time financial markets have sharply lifted their expectations for Reserve Bank interest rate increases following recent developments globally. The market-implied 'terminal rate' of RBA cash rose sharply to a 14-year high of 4.2%, before moderating to 3.6% after the RBA surprised the market in early October by announcing a 25-basis point rate cut, below the consensus 50-basis point cut the market had been expecting. The RBA bucked the global trend of double-barrelled rate increases in October and has instead taken a more cautious approach to monetary policy, preferring to wait to see the impact of the now six consecutive rate rises

it has announced since commencing the tightening cycle in early May. The pain of the 2.5% increase in the cash rate (from 0.1% low) will be particularly acute for those who locked in accommodating fixed rate mortgages during the pandemic when the cash rate was near zero, with 80% of these mortgages set to run off by the end of 2023.

The Australian dollar too has fallen sharply to US\$0.65 against the US greenback which will increase the cost of US dollar imports which will further add to domestic inflationary pressures. The higher the US dollar goes, the greater the need for other countries to raise interest rates to defend their currencies. In a world of high inflation, driven by soaring import costs, non-US dollar countries, including Australia, are importing more and more inflation via weak exchange rates. Even the RBA recently conceded to the House of Representatives economic committee: "It will be difficult for Australia to stay on that narrow path to a soft landing if there is further material bad news on the global economy". With the outlook for the Australian economy having deteriorated in recent weeks we are reviewing the portfolio accordingly, particularly in relation to domestic cyclical stocks which will come under earnings pressure as the economy slows.

The next key data point from companies in our stock universe is likely to come during the AGM period which for June Financial Year end companies (most of our portfolio holdings) tends to be between mid-October and late November. The lagged impact of rate hikes and the ongoing strength in the domestic employment market means that we are not expecting to see widespread earnings downgrades during this period, although clearly recent trading and outlook statements from management will be heavily scrutinised by our team.

At times like this, when the market is selling off aggressively, it is easy for investors to get disgruntled and capitulate when they read negative news headlines and see stock indices falling sharply. As active managers, we see this time as a tremendous opportunity to set up our portfolio with high quality stocks that are falling towards attractive entry levels. It is these opportunities which ought to help underpin the performance of the Fund in the next upswing. It is important to remember that equity markets almost always bottom out well before the economy reaches its nadir, although timing the market is always difficult. We think the low point in this cycle could well come once it becomes clear that the US Federal Reserve has inflation under control and signals that it will cease hiking interest rates.

The OC Fund's team has a raft of quality stocks on our watch list, and many are now trading at levels not seen for several years. We have selectively deployed capital into some of these names already and will continue to

do so when they reach attractive entry levels on a risk versus return basis. 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. We have a track record of outperformance when markets rebound. The Fund is cashed up (10%+ cash) and remains 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	APM
Bapcor Limited	BAP
GQG Partners	GQG
Mineral Resources	MIN
Seven Group Holdings	SVW

[#]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.