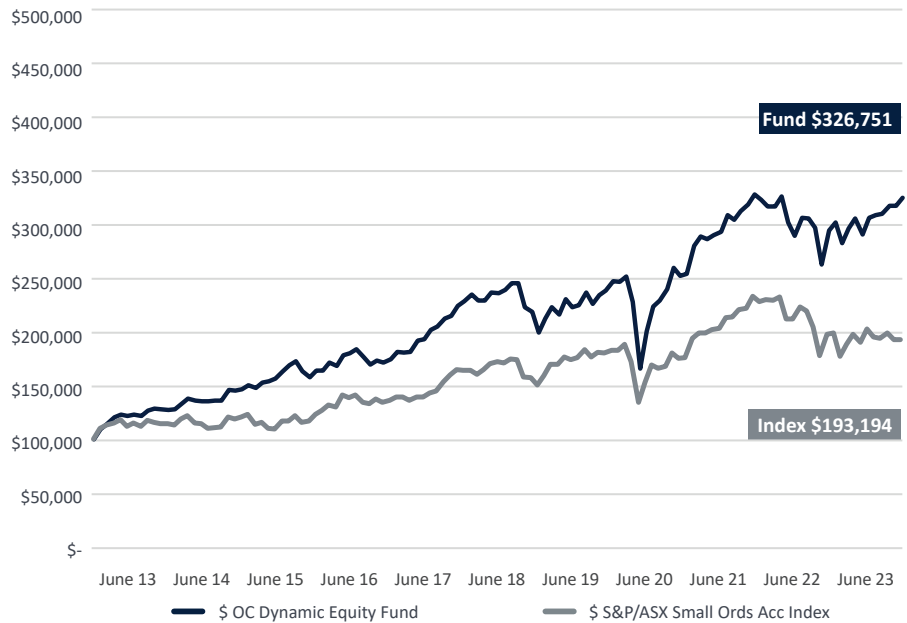


 Fund up 2.4% for the month  
**2.4%**

 Returned 12.6% p.a. for the past 10 years  
**12.6%**

 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 2023*	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	2.4	4.8	23.7	12.4	6.6	12.6	11.9
S&P/ASX Small Ords Accum	0.0	-0.5	8.4	5.2	2.3	6.8	5.6
<b>Outperformance</b>	<b>2.3</b>	<b>5.4</b>	<b>15.2</b>	<b>7.2</b>	<b>4.3</b>	<b>5.8</b>	<b>6.3</b>
S&P/ASX Small Ind Accum	0.5	2.3	9.5	3.4	1.7	6.6	5.7
<b>Outperformance</b>	<b>1.9</b>	<b>2.5</b>	<b>14.2</b>	<b>9.0</b>	<b>4.9</b>	<b>6.0</b>	<b>6.2</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

Global equity markets enjoyed a solid quarter, led by a buoyant US market, with the US economy continuing to remain resilient and inflation continuing to moderate in the world's biggest economy. Investor enthusiasm around artificial intelligence (AI) also provided a sugar hit to the big cap technology sector, with a stunning result from chip maker NVIDIA igniting the 'animal spirits' of investors and fuelling a mini boom in AI exposed big-tech stocks, including Microsoft Corporation and Alphabet (Google's parent company). Local stocks to catch a bid on the back of the thematic included Fund holdings NEXTDC and Macquarie Technology Group, both of whom performed well during the quarter.

Key US indices were up strongly in the June quarter led by the tech heavy Nasdaq (+12.8%), the S&P 500 (+8.3%) and the Dow Jones Index (+3.4%). Other developed world bourses to perform well included the Japanese Nikkei (+18.4%) and the German DAX (+3.3%), whilst Australia's ASX 200 eked out a positive return of 0.4%. The Chinese equity market was under pressure on the

back of underwhelming economic news with the Chinese Shanghai Composite down 2.2% and the Hong Kong Hang Seng was not immune, falling 7.3% for the quarter.

The domestic small-cap space was mixed during the June quarter with a raft of negative stock specific news-flow from consumer facing companies and weakness in the Materials sector being balanced by more positive news out of the Information Technology and Industrials sectors. The S&P/ASX Small Ordinaries Accumulation Index was down 0.5% for the quarter, materially behind the S&P/ASX Small Industrials Accumulation Index which was up 2.3%. The OC Dynamic Equity Fund significantly outperformed both small-cap indices, finishing the June quarter up 4.8%.

Despite all the doom and gloom in the media, the small-cap space bucked inflationary pressures and rising interest rates to finish the financial year comfortably in positive territory with the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index finishing up 8.4% and 9.5%, respectively, in FY23.

Pleasingly, the OC Dynamic Fund posted an excellent return of 23.7% for the financial year, which ought to place us within the top-decile of our small-cap peers in industry performance surveys when they are released later in the month.

**Temple and Webster (TPW, +70.9%)** was a strong outperformer during the quarter following a better-than-expected trading update in May (as detailed in our May monthly report). Momentum for the stock continued during the remainder of the quarter following positive datapoints from recent web traffic data which suggests that the improvement in trends have continued (up 10%+ in June). Whilst this data should not be taken as like-for-like with TPW's reported sales growth, we do see it as a positive indicator. Despite our cautious view on the overall retail sector, we hold a more constructive view on the outlook for an improving sales trajectory for TPW. During a tougher environment, we expect more consumers to gravitate towards online websites, where price comparison is often easier. We view TPW as well placed given its wide range of product, including a growing private and exclusive brand range, which at the present time is being increasingly catered to the more value conscious consumer. TPW is also currently benefitting from easing cost headwinds which we expect will be reinvested into more competitive prices and increasing levels of marketing to attract customers to its website.

**Telix Pharmaceuticals (TLX, +62.6%)** was once again an outstanding performer for the Fund during the quarter with a series of positive announcements leading to a strong re-rating in this profitable and well-funded biotechnology company. Positive catalysts during the quarter for TLX included:

- The US FDA expanding the label indication for Illucix, its PET imaging agent for prostate cancer;
- Q1 global sales of Illucix of \$100.1m announced which comfortably exceeded consensus expectations and drove material upgrades across the sell-side with the market now expecting the company to generate over \$100m in NPAT in FY24 (FY24 consensus = \$114m);
- Continued expansion in the total addressable market (TAM) for Illucix, which we now estimate this to be around US \$1.6b;
- Canadian launch of Illucix;
- Positive results from its pivotal Phase III ZIRCON study of its renal imaging agent (TLX250-CDx) in clear cell renal cell carcinoma with FDA approval expected in late CY23 and commercial launch in H2 CY24. This approval will open up a TAM of +US\$500m annually with no competing product currently approved in the space;
- The opening of a \$21m nuclear medicine facility by

TLX in Belgium, creating a springboard to crack the European market.

TLX remains well funded to execute on its robust pipeline of additional material opportunities in the growing field of radiopharmaceuticals which is attracting far greater attention from investors, sell side researchers and regulators. Despite the share price rise, the company remains a key portfolio holding with multiple potential share price catalysts in the coming months, although we have trimmed our position given the share price strength.

**IDP Education (IEL, -19.1%)** was a detractor during the quarter following an announcement by Immigration, Refugees, and Citizenship Canada (IRCC) of an expanded set of approved English proficiency test providers for students applying for a study permit through the Student Direct Stream (SDS). As mentioned in our May monthly report, we had fortunately only held a small position at the time of the announcement and have since used the sharp pullback in the share price as an opportunity to add to this position, with our view that the reaction was overdone. We have since continued to speak to a range of industry participants, including competitors, student placement agents, and test prep providers, and based on our conversations we continue to view expectations of share loss for IELTS stemming from the announced changes as more than adequately factored in. Interestingly, our feedback suggests that whilst IEL will have to invest more in promoting its brand and on initiatives such as greater support for agents, on the positive side, the market does not appear to be irrational nor driven by price discounting. Whilst we continue to expect the potential changes in the IELTS competitor landscape to continue to weigh on sentiment in the near term, we see these headwinds eventually easing with the impressive performance from IEL's student placement business continuing to drive a strong growth outlook for the overall business.

## Outlook

The Global markets defied rising interest rates and stubbornly high inflation to strengthen into the end of the financial year with investor sentiment buoyed by solid economic data out of the US and resilience in labour markets. Growth is undoubtedly slowing across the globe, although a moderation in inflationary pressures in the US and Australia has investors in those countries clinging to the hope that central banks can still orchestrate a soft landing. Whilst the US economy continues to surprise on the upside and a broad-based global recession has thus far been avoided, the messaging from key central bankers remains quite hawkish. Appearing together at the European Central Bank (ECB) Forum in Sintra, Portugal, US Federal Reserve chairman Jerome Powell, ECB president

Christine Lagarde and Bank of England governor Andrew Bailey all said they had a way to go in reining in too-high inflation. This echoes the sentiments of Australia's Reserve Bank (RBA) which remains "deadly serious" about getting inflation back to target and will become more aggressive if it looks like it is not achieving its goal. The trend of inflationary pressures and the trajectory of interest rates and the overall economy remains a polarising debate and will remain a key focus of the OC Funds investment team as we consider our portfolio positioning well into the new financial year.

US inflation news continues to evolve in a positive direction with the Consumer Price Index (CPI) dipping to 3.0% in May, down from 4.0%, and the smallest advance in more than two years. Core inflation, which removes volatile food and energy prices, came in at 4.8%, down from 5.3%. Both inflationary measures printed below consensus expectations and were well received by equity markets. Whilst inflation continues to cool, it is unlikely to be sufficient to stop the Fed raising rates again in July given that price pressures are still running well above the Fed's 2% target. "Inflation is too high. Our target's 2%," Richmond Fed President Thomas Barkin said at on Wednesday 12th July after the CPI report. "If you back off too soon, inflation comes back strong, which then requires the Fed to do even more." The market is continuing to price a likely 25 basis point hike at the Fed's July 25-26 policy meeting, although the moderation in inflation does materially increase the likelihood that the Fed may pause or end its hiking cycle following a July increase that would bring the Fed funds rate to 5.5%, up from its current level of 5.25%.

In further positive news, the economic news out of the US has surprised on the upside over the past month and US consumer confidence has increased to the highest level since the start of 2022 driven by greater labour market optimism and greater confidence in the overall economy, notwithstanding recessionary fears still linger. About 69 per cent of consumers said a recession was "somewhat" or "very likely" in the next year which, while still elevated, is the lowest reading since late last year. The labour market too is showing early signs of cooling in June, with the Bureau of Labor Statistics report showing the jobs market added 209,000 positions which was below expectations following a surge in the prior month. Coupled with more benign inflation prints and rising consumer confidence, this has added to optimism that the US economy may yet achieve a soft landing. There remains much to play out in the coming months from a macro-economic perspective, and the data remains volatile month to month. We are therefore cautious of increasing our US cyclical exposure with the Fed likely to continue to hike rates in the near-term.

Domestic inflation too continues to moderate with headline inflation falling to 5.6%, which was below market expectations of 6.1% year-on-year. The core trimmed mean measure of inflation, the RBA's preferred measure, rose by an annual 6.1%, down from 6.7% in April. While the inflation rate remains well above the RBA's target band of 2-3%, the RBA kept the cash rate on hold at 4.1% in early July. This pause "will provide some time to assess the impact of the increase in interest rates to date and the economic outlook". The RBA seems to be hedging its bet on the trajectory of rate hikes from here. Governor Philip Lowe's hawkish speech post meeting has been tempered by a more cautious tone in recent days, where Mr Lowe said: "It remains to be determined whether monetary policy has more work to do...It is possible that some further tightening will be required to return inflation to target". The RBA gave economists the same four things to watch before the next meeting: developments in the global economy, household spending and forecasts for inflation and labour markets.

There are mixed signals in the domestic economy. Although GDP growth slowed to just 0.2% in the March quarter with the household sector and housing activity driving the slowdown, retail trade rose by a solid 0.7% in May which was an upside surprise and the strongest month since January 2023. This contrasts starkly with the recent commentary from listed bricks and mortar retailers with a raft of listed players downgrading earnings in the past two months including Universal Stores, City Chic Collective, Adairs Limited, Best and Less Group, Dusk Group and more recently KMD Brands. It seems likely that the strong May retail figure was driven by an earlier start to retail goods discounting and inflation within food categories. Although the domestic employment market remains solid, we remain underweight domestic cyclical exposure. We do have a shopping list of consumer names to add at the appropriate juncture should share prices continue to retrace to attractive entry points, notwithstanding the challenging macro-economic backdrop.

Over the June quarter, the Fund has continued to add high quality companies that have been sold down to attractive levels including NEXTDC Limited, IDP Education and Cettire Limited. Our overriding focus at present remains on investing in quality businesses at reasonable valuations that ought to be resilient in a slowing economy.

Some of the portfolio activity in recent months has included:

- Increasing our exposure to high quality growth business (after being underweight for much of FY23) with interest rates likely to peak later this calendar

- year (e.g. IDP Education and Xero Limited);
- Adding exposure to companies that will benefit from the generative AI revolution, in particular leading data centre providers who stand to benefit from accelerated migration to the cloud (e.g. NEXTDC and Macquarie Technology Group);
- Maintain exposure to companies with solid pricing power or an ability to pass on cost pressures to customers (e.g. Seven Group and Kelsian Group); and
- Reduce exposure to cyclical stocks, particularly consumer facing bricks and mortar retailers facing margin pressures and deteriorating demand;
- We have also exited several stocks that we think may be vulnerable in the current economic environment including Charter Hall Group, Region Group and CSR Limited.

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. Ahead of this period, the investment team was busy, 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 and encouragement over the past financial year. We remain committed as ever to continue to work diligently to deliver strong returns for you all in the new financial year.

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

Company	ASX code
APM Human Services	APM
AUB Group Ltd	AUB
Kelsian Group Ltd	KLS
Mineral Resources	MIN
Pexagroup	PXA

<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 47, 80 Collins Street (North Tower), 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.