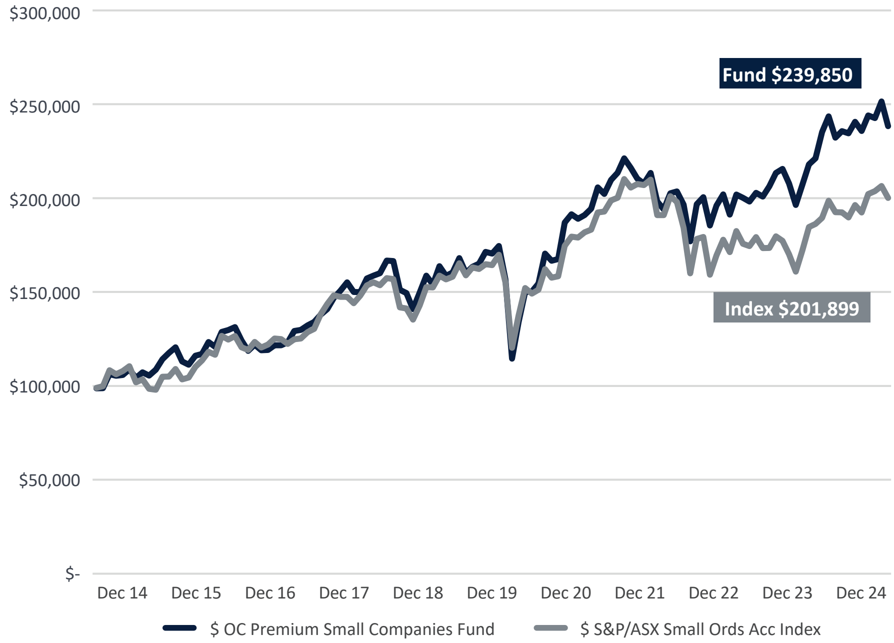
Fund down -2.3% for the quarter
-2.3%

Returned 9.3% over the past 12 months
9.3%

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 December 2024†	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	10 yrs % p.a.	Incep % . p.a. (Dec 2000)
OC Premium	-5.2	-2.3	9.3	3.7	6.9	9.2	10.3
S&P/ASX Small Ords Accum	-3.1	-1.0	8.4	-1.6	4.0	7.3	5.7
Outperformance	**-2.2**	**-1.3**	**0.9**	**5.3**	**2.9**	**1.9**	**4.6**
S&P/ASX Small Ind Accum	-3.1	-0.4	12.1	-0.8	3.3	6.8	6.0
Outperformance	**-2.2**	**-1.9**	**-2.8**	**4.5**	**3.6**	**2.3**	**4.3**

The total return performance figures quoted are historical, calculated using end-of-month net asset value per unit after fees and do not allow for the effects of income tax or inflation

Performance review

The Australian equity market softened into the year end, with stimulus out of China falling short of investor expectations and a more hawkish US Federal Reserve hosing down expectations on the pace and quantum of interest rate cuts in the world's biggest economy in 2025 due to lingering inflationary concerns. Nevertheless, it was another solid year for global equity markets, particularly the bellwether US indices, with the Nasdaq Composite surging +28.6%, the S&P 500 up +23.3%, and the Dow Jones Industrial Average rising by +12.9%. The so-called "Magnificent 7" stocks (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla) were the key drivers of performance in both the S&P 500 and Nasdaq indices. The broader Australian market also enjoyed a solid year with the ASX/S&P 200 Accumulation Index returning +11.2% for the year.

Despite underperforming the small-cap indices in the December quarter, the OC Premium Small Companies Fund posted a credible return of +9.3% for the 2024 calendar year. Several stock specific issues, discussed below, impacted returns in the December quarter with the Fund down -5.2%. The OC Premium Small Companies Fund nevertheless still outperformed the S&P/ASX Small Ordinaries Accumulation Index (+8.4%) for the 12 months, continuing our history of consistent alpha generation for clients. The Fund maintains an outstanding medium and long-term track record and the OC Funds investment team remains confident that the Fund is well positioned to generate strong returns for investors in the new calendar year.

Superloop (SLC, +27.0%) was a strong contributor for the quarter after reiterating FY25 earnings guidance and providing an inline trading update for the first four months of 1H25. SLC completed the migration of its large Origin Energy wholesale contract on schedule which should contribute a large proportion of the earnings growth forecast for FY25. SLC also announced a small asset acquisition to support its fibre infrastructure business. Furthermore, just prior to the start of the December quarter, competitor telco Aussie Broadband (ABB) disposed of its large stake in SLC after making a hostile takeover offer for the company which was subsequently rejected by the

SLC board. The clearing of this large seller via a block trade (where OC participated in the line of stock and initiated the SLC position) provided greater liquidity and removed a perceived seller 'overhang'. SLC is a challenger telco catering to the growing value conscious mid-market NBN consumer, in addition to wholesale customers such as AGL and Origin Energy. The challenger NBN providers, which sit below the large established players such as Telstra, Optus and TPG, are gaining market share given their strong customer value proposition. SLC is growing its free cash flow strongly and has a track record of making accretive acquisitions. It remains a core holding in the Fund.

Pinnacle Investment Management (PNI, +26.6%) continued its recent run of strong share price performance moving higher again during the December quarter. In October, PNI announced solid inflows across its business for the first quarter of FY25, with improving retail inflows offsetting softer flows of institutional capital. Strong performance of PNI's affiliate funds, particularly Hyperion, which is expected to be a strong contributor to performance fee income at the H1 FY25 result, also drove positive sentiment in the stock. In November, PNI undertook a successful A$400 million institutional share placement to fund growth initiatives, including strategic investments of US$60.5 million for a 22.5% stake in US private markets firm, VSS, and GBP25.75 million for a 25% stake in UK based multi manager/model portfolio provider, Pacific Asset Management. During the quarter we took the opportunity to add to our position in PNI through our participation in the institutional placement. We view the recent investments as in line with PNI's strategy and remain confident in the company's ability to drive strong double-digit earnings growth over the medium term.

HMC Capital (HMC, +20.2%) experienced significant volatility in its share price during the December quarter but finished firmly in the black. The company has materially expanded its operations by launching several globally scalable platforms in the past 12 months, including:

- establishing a Private Credit platform with the acquisition of Payton Capital (A$1.6 billion assets under management ('AUM)');
- launching an Energy Transition platform, which is on track to create a new A$2.0 billion AUM fund manager in FY25; and
- creating a Digital Infrastructure platform through the acquisition of North American business StratCap.

HMC has morphed into a profitable and diversified alternative asset manager with five growth platforms across private credit, real estate, private equity, energy transition and digital infrastructure.

HMC originated and underwrote the largest IPO of 2024 in December when the **DigiCo Infrastructure REIT (DGT, -11.0%)** listed on the ASX. The $2.4 billion IPO was seeded with strategic operating assets including Global Switch Australia and iseek, and aims to deliver stable and growing distributions, long-term capital growth, and exposure to the rapidly expanding digital infrastructure sector. The float was heavily oversubscribed, but it ultimately failed to trade above the $5.00 issue price after which retail holder selling pressure pushed the stock price lower. The HMC share price came under pressure late in the quarter, but we remain attracted to the business which has grown to about $19.0 billion in AUM following the acquisition of Neoen's Victorian portfolio of renewable generation and storage assets which will further seed HMC's Energy Transition Platform.

In the past quarter **Mineral Resources (MIN, -34.2%)** and its founder Chris Ellison have faced significant allegations of management misconduct that have undermined confidence in the company and its management team. Mr Ellison, the company's managing director, has been accused of tax evasion using offshore entities and misusing company resources for personal benefit. The allegations include using company assets for private projects, charging above-market rent on properties owned by executives, and bypassing Australian tax reporting. The MIN board has responded by implementing governance reforms, including the establishment of an independent Ethics & Governance Committee and the introduction of stronger controls on related-party transactions. As a result of these issues, Mr Ellison is set to step down as managing director within the next 12 to 18 months and will incur Board-imposed financial penalties of $8.8 million, and loss of remuneration of up to $9.6 million, reflecting the significance of the corporate governance and reputational issues to the Company. James McClements will also be replaced as Chairman in the coming months.

OC Funds has been proactive in assessing these governance concerns and we have had regular communication with the key MIN personnel including one-on-one meetings with the Chairman, Investor Relations Head, Chris Chong, Mr Ellison himself, as well Lulezim Meka, the non-executive director who heads the Nomination Committee charged with finding the new MIN Chair.

The Fund reduced its holdings in MIN when the Australian Financial Review published the initial allegations of tax evasion and misappropriation of company resources against Mr Ellison. Specifically, our operational risk assessment of the company was marked down which led to a down-weighting of the stock in the portfolio. The quantum of the sell-off gathered pace over the December quarter with large swathes of the institutional market standing clear of the stock, at least until the board releases the independently commissioned report into the veracity of the allegations, which is being undertaken by Herbert Smith Freehills.

The MIN share price is currently trading well below our sum of the parts valuation of the business. In our opinion, most professional investors are not prepared to face the Environmental, Social and Governance (ESG) scrutiny from their stakeholders that would come from owning the stock at this juncture, irrespective of the compelling valuation. We view this 'buyers strike' as an opportunity, and the Fund recently increased its holding in MIN at a price well below where we trimmed earlier in the quarter.

Global fund manager **GQG Partners Inc (GQG, -24.4%)** was sold off during the quarter with the key catalyst being securities fraud charges being brought against high profile businessman Gautam Adani and certain other Adani Group executives in the US. At the time, Adani Group companies made up around 6.1% of GQG's total funds under management of US$160.0 billion. Whilst the negative impact on the performance of GQG's funds was modest, the performance of GQG's four key strategies has been relatively softer over the past six months, with a material underweight to China being a headwind to relative performance. GQG's net fund flows were very strong in CY24 (+US$20.3 billion) but they have flattened in the past two months which has spooked some investors. Nevertheless, the business has a strong long-term track record, and the stock remains fundamentally inexpensive, trading on a CY25 PE of c.9x and offering a 10.5% unfranked yield.

Ventia Services Group's (VNT, -20.9%) share price fell sharply in December due to Australian Competition and Consumer Commission (ACCC) launching proceedings alleging price fixing. The ACCC initiated civil cartel proceedings against VNT and its executives for alleged anti-competitive practices related to Department of Defence contracts. The ACCC alleged that Ventia and Spotless (Downer EDI Limited subsidiary) engaged in price fixing for estate maintenance and operation services at Australian Defence bases between April 2019 and August 2022. The allegations raised concerns about potential financial impacts and reputational damage, as VNT's work with the Department of Defence comprised about 18% of the company's first-half revenue in FY24. The contract in question is currently up for renewal and was a meaningful contributor to VNT's profitability in recent years. The ACCC action is civil in nature (not criminal) and independent of any directions from the Department of Defence who had recently awarded Ventia the Australian Government Department of Defence 2024 Base Services Contractor of the Year. VNT has not commented publicly beyond its disclosure obligations to the ASX on the action itself. We believe the share price reaction has priced in a scorched earth scenario where the Company is unsuccessful in renewing any of its existing Defence Department contracts and is also found liable for material civil penalties. Nevertheless, the uncertainty surrounding the proceedings and potential consequences will likely continue to weigh on investor sentiment in the near-term.

Outlook

The outcome of the US presidential election in November led to bullish sentiment in US markets with many investors believing that the new administration can be a positive catalyst for growth. At the same time, it has created a complex environment globally as investors reassessed their strategies in light of potential policy changes under a Trump administration. Analysts anticipate that Trump's administration will implement pro-business policies favouring deregulation and tax reductions, which are expected to benefit the profitability of small-cap firms with US exposure. However, there are concerns about increased tariffs potentially leading to trade tensions and renewed inflationary pressures, the later concern clearly shared by the US Federal Reserve (the Fed) given the pivot on the expected pace of rate cuts at the December Federal Open Market Committee (FOMC) meeting.

Just two days after Trump's re-election, the Fed cut rates 25 basis points whilst also noting that the US economy had been stronger than expected. The Fed followed this up with a further 25 basis point rate cut in December which was also expected by the market. The market, however, was blind-sided when the Fed signaled a slower pace of policy easing into 2025. The Fed's confidence in the US economy prompted a significant revision to its well-known dot plot of interest rate projections with just two 25 basis point cuts now anticipated, as opposed to four previously. Whilst one could be glass half full and assert that this reflects the Fed's confidence in the strength of the underlying economy and employment markets, the bond market is telling us that it fears inflation is coming back. The benchmark 10-year US treasury yield has surged from 3.6% in September and currently sits at 4.7%. Equity markets, to date, have largely ignored the bond market sell-off, although should the 10-year US treasury yield head towards 5.0%, President-elect Trump may be forced to re-evaluate his fiscal spending plans. A further surge in treasury yields would also cause us to re-evaluate our exposure to long-duration growth companies held in the portfolio which would likely come under pressure if further interest rates cuts are taken off the table.

The Australian economy remains mired in a per capital recession, with private demand continuing to fall into the second half of 2024 and GDP being propped up by public sector spending. Economic growth has significantly slowed since the Reserve Bank of Australia (RBA) began raising interest rates in May 2022 to tackle the most severe inflation in decades. The central bank has increased the cash rate 13 times, from 0.10% to 4.35%, driving up loan repayments for millions of borrowers and reducing disposable income for discretionary spending. The RBA board's final meeting of the year came after the release of national accounts data, revealing that annual GDP growth had unexpectedly fallen to 0.80% in September, confirming that Australia is enduring its longest economic downturn since the early 1990s recession. The RBA noted that parts of the economy have been softer than expected, notably consumer spending and wages growth, which opens the prospect of rate cuts in the early part of 2025. The quarterly inflation figures due on January 29 are crucial as to whether the cash rate will be cut as soon as February. Bond market investors have dramatically repriced their forecasts for interest rates following the December RBA meeting. Markets are fully priced for a rate cut by the RBA's April 1 meeting and ascribe a greater than 50 per cent chance of a move lower at the central bank's February 18 meeting.

Retail activity anecdotally seemed to have been stronger in pre-Christmas sales period including Black Friday and Cyber Monday, but the quantum of discounting makes forecasting profitability levels in the sector difficult. Whether the strength in this period represented a 'pull forward' of sales from later in the quarter is also difficult to decipher, at least until the retail spending data is released. Valuations of quality retail names remain elevated and we remain underweight consumer discretionary names into the H1 FY25 results.

We wish all our investors and their families good health and good spirits as we enter the new year. We remain upbeat on the prospects for the OC Funds portfolio heading into the new calendar year and remain confident in our ability to achieve consistent strong long-term returns for our investors.

Top 5 holdings#

Company	ASX code
GQG Partners Inc.	GQG
HMC Capital Limited	HMC
Mineral Resources Limited	MIN
SGH Limited	SGH
Telix Pharmaceuticals Limited	TLX

The top 5 portfolio holdings are in alphabetical order and may not be representative of current or future investments.

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