OC Dynamic Equity Fund

Fund Update | 31 August 2024

Total returns†

At 31 Aug 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 Dynamic Equity Fund	(1.8)	0.6	10.7	4.4	10.5	10.5	11.9
S&P/ASX Small Ordinaries Accumulation	(2.0)	(0.0)	8.5	(2.9)	3.9	5.8	5.6
Outperformance	**0.2**	**0.6**	**2.2**	**7.3**	**6.6**	**4.7**	**6.3**
S&P/ASX Small Industrials Accumulation	(1.9)	4.6	12.2	(2.8)	3.4	6.1	5.9
Outperformance	**0.1**	**(4.0)**	**(1.5)**	**7.2**	**7.2**	**4.4**	**6.0**

Performance review

The August 2024 reporting season highlighted the challenges of slowing growth, persistent cost pressures, cautious consumers, and the need to position the portfolio for resilient earnings. The OC Dynamic Equity Fund finished the month down -1.8%, which was broadly in-line with the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which returned -2.0% and -1.9%, respectively, in August.

HMC Capital (HMC, +9.9%) continued to re-rate following a result that highlighted the myriad growth options across the group in areas exposed to high conviction mega trends including digitisation, aging population and decarbonisation. SME specialist neo-bank **Judo Capital Holdings (JDO, +18.4%)** posted a solid result with key metrics including gross loans and advances and net interest margin at or above previous company guidance, and arrears and impaired loans remaining under control. **Johns Lyng Group (JLG, -36.3%)** delivered a weak top-line result which underwhelmed investors, as did the soft earnings guidance into FY25. The Fund exited its position in JLG as our thesis around 'business as usual' and US growth is no longer intact.

Outlook

A raft of company results interspersed with material new macro-economic data created a volatile backdrop for equities in August. The economic outlook in the US has deteriorated somewhat with the labour market continuing to soften. The US Federal Reserve has already telegraphed a rate cut for the September FOMC meeting, and the prospect of a jumbo-sized 50 basis point cut to kick off the rate cutting cycle remains real.

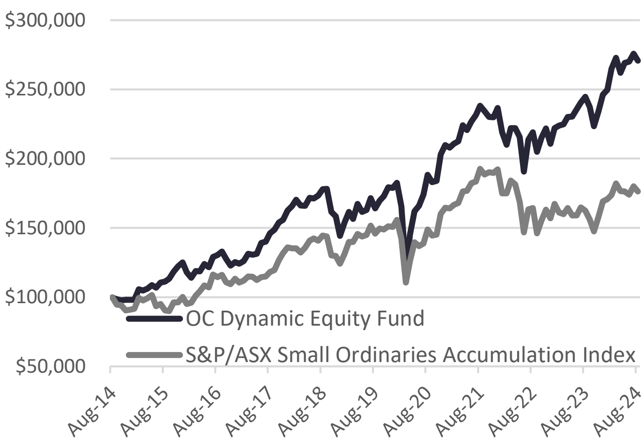
The key economic data in Australia included anaemic GDP growth of just +0.2% in the June quarter, and inflation (CPI) remaining at an uncomfortably high +3.5%. Despite the weak consumer environment and a slowing economy, stubbornly high inflation means interest rates are likely to remain at current levels until at least the end of CY24.

Results, on balance, disappointed across the broader small-cap space driving the indices lower during August. Results commentary highlighted several macro-economic themes:

- Cyclical companies experiencing reduced top-line growth, although well managed businesses continue to surprise on the upside, eg Universal Stores and Breville Group.
- Elevated inflation and labour costs continue to be a challenge, albeit some input costs, including raw materials, are beginning to moderate.
- Strong government and private sector investment is driving robust activity in infrastructure projects, benefiting companies such as Seven Group.
- The push toward digital transformation remains strong, with data centre companies including NextDC and Infratil Group (via CDC) key beneficiaries.

The Australian market remains sensitive to global economic shifts, particularly those stemming from the US. Expectations of monetary easing in the US could influence Australian equities positively so we caution investors on becoming too bearish despite the challenging economic backdrop. The portfolio remains underpinned by companies that can grow their earnings outside of the economic cycle and so we believe it is well positioned to weather any cyclical downturn.

Performance Comparison of $100,000 over 10 yrs*



Top 5 holdings#

Company	ASX Code
GQG Partners Inc.	GQG
HMC Capital Limited	HMC
Life360 Inc.	360
PSC Insurance Group Limited	PSI
Telix Pharmaceuticals Limited	TLX

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

Key Facts

Fund Overview
The Fund is a long-only, benchmark-unaware unit trust. It primarily invests in 30 to 50 quality small to medium-sized Australian companies with sustainable business models, quality management and attractive investment fundamentals that are that are listed, or about to list, on the ASX. The Fund can also invest up to 20% of total capital in either smaller emerging leaders businesses ($50 million to $350 million market capitalisation) and/or event-driven positions (companies expected to benefit from an upcoming catalyst or undergoing a positive change).

Responsible entity
Copia Investment Partners

Inception date
December 2000

Benchmark
S&P/ASX Small Ordinaries Accumulation Index

Investment time frame
At least 5 years

Minimum investment

Initial:	$20,000
Additional:	$5,000

Distribution
Yearly

Management fee
1.72% p.a. (including GST net of RITC)

Performance fee
20.5% (including GST net of RITC) of the amount of excess performance in any financial year, subject to a high-water mark.

Performance hurdle
The greater of the net asset value of the Fund at the beginning of the year plus 15% p.a., or the high-water mark.

High-water mark
Yes

Typical Investment Exposure

Cash	0%-20%
Equities	80%-100%
Including:	
S&P/ASX 100 Constituents	0%-20%

Platforms
BT Panorama | HUB24 | Insignia (Expand) | Xplore (Linear) | Macquarie | MLC/Navigator | Netwealth | Powerwrap | Praemium | Mason Stevens

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[†]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. 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. 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 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.

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