OC Concentrated Equity Fund

PERFORMANCE REPORT

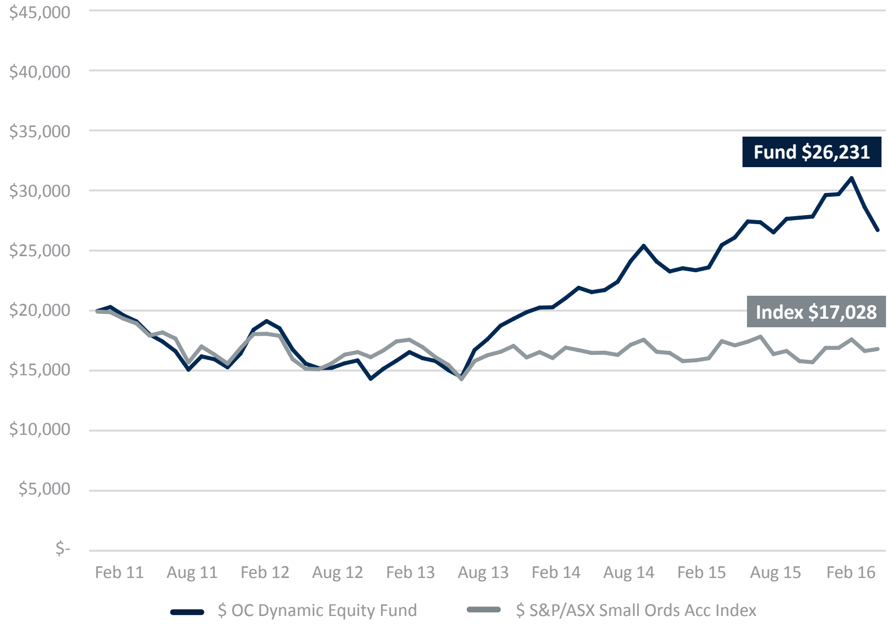
29 February 2016

-6.4% Fund down 6.4% in February during sustained market volatility

16.2% Returned 16.2% p.a. for the past three years

Strong long-term returns validate investment process

Performance comparison of $20,000 over 5 years*



Total returns

At 29 February 2016	1 month %	3 months %	6 months %	1 year %	3 years % p.a.	5 years % p.a.	Inception % p.a. (Nov 2003)
OC Concentrated	-6.4	-9.6	-3.6	4.7	16.2	5.6	12.5
S&P/ASX Small Ords Accum	0.9	-0.5	6.1	-3.6	-1.4	-3.2	4.6
Outperformance	**-7.4**	**-9.2**	**-9.6**	**8.2**	**17.6**	**8.8**	**7.9**
S&P/ASX All Ords Accum	-1.5	-4.3	-3.1	-12.2	3.2	4.6	8.1
Outperformance	**-5.0**	**-5.3**	**-0.5**	**16.9**	**13.0**	**1.1**	**4.4**

Performance review

February was a volatile time for equity markets with a sharp sell-off at the start of the month promptly followed by a commodity-driven rally which caught many investors, us included, by surprise. The S&P/ASX Small Ordinaries Accumulation Index (+0.9%) rallied hard after being sold off heavily earlier in the month with commodity stocks the key driver of performance. Indeed, the S&P/ASX Small Resources Accumulation Index was up a staggering 19.4% for the month versus the S&P/ASX Small Industrials Accumulation Index which was down 1.6%. Against this backdrop, the OC Concentrated Equity Fund, which currently has no meaningful direct exposure to single commodity or single mine resource stocks, finished the month down a disappointing 6.4%.

During February, most ASX-listed stocks released their interim results (or final results for those companies with a December 31 financial year end). We cannot recall a results period in the past decade where so many small-cap stocks displayed such share price volatility around the release of their results. Certainly with the advent of continuous disclosure, share price reactions to results announcements have tended to be far more muted than those that we witnessed in February.

Portfolio attribution

Silver Chef (SIV) (+7.8%) - was one of the bright spots for the portfolio during reporting season delivering an interim result ahead of expectations and guiding for a better full-year forecast than the market had factored in. SIV, which has been a long-term holding of OC (indeed we are substantial shareholders in the company), provides equipment funding to small and medium-sized businesses and originally focused solely on the hospitality sector. SIV has more recently expanded its offering outside the hospitality sector to the broader commercial/industrial space through its GoGetta brand and has also launched into Canada during the past 12 months. Both GoGetta and the Canadian business are performing above market expectations and with the core business also performing well, we expect SIV's asset base to continue to expand and its strong earnings momentum to continue. SIV remains a core holding for the Fund and the broader OC suite of investment products.

Ozforex (OFX) (-38.9%) - early in the month, the Fund was dealt a blow when OFX announced the termination of discussions with global payments suitor, Western Union, following an extensive period of due diligence. Concurrently, the company announced it now expected underlying EBITDA for FY16 of between $35 and $37m, down from previous guidance of between $38.5 to $40.5m. Management cited lower-than-expected customer acquisition levels and decreased volatility in foreign exchange markets leading to lower activity levels from both new and existing clients in recent months. Management distraction with the Western Union approach would likely have played some part as well. Our general rule of thumb is to sell operational downgrades when we are not anticipating them but the severity of the share price reaction has led us to retain our holding in OFX. Management remains committed to a target of doubling 2015 revenue by 2019 and we believe the strategy to reinvest into the business to accelerate growth remains sound.

Programmed Maintenance Services (PRG) (-34.8%) - announced a weaker-than-expected business update and provided earnings guidance for FY16 and FY17 which was below our expectations. While we had factored into our analysis lower demand from the resources sector, particularly oil and gas given the steep decline in the oil price, we had not anticipated the extent of the deterioration in the shutdown and maintenance business which we expected to be more resilient. Transparency in PRG's key markets remains low and given the deterioration in the company's earnings profile, we expect there will be a heightened focus on its debt profile given the lower guidance significantly reduces the headroom in its debt covenants. We exited our position in the company following the announcement.

Outlook

Commodity stocks rallied hard in the back-half of February and have continued to do so into March with the commodity bulls now in full voice. Equity markets are being swept along on the back of a resurgent oil price with Brent crude, the global benchmark, now 50 per cent above the 12-year lows it had plumbed in January. Strong price gains in other key commodities, such as iron ore and copper, have added to the euphoria.

This is in stark contrast to the prevailing sentiment we witnessed earlier in 2016, when concerns about slowing global growth, tightening financial conditions in the US, economic instability in China and an oil price rout had investors firmly in "risk off" mode.

We all know markets can be somewhat bi-polar but has anything really changed to warrant this new found commodity-driven optimism?

Oil prices have climbed on the expectation the major global oil producers may soon reach agreement to control levels of output following decisions by Russia, Saudi Arabia, Venezuela and Qatar to freeze production at January levels. But we are still a long way from reaching an equilibrium point in oil markets, which are still heavily in oversupply. Moreover, other large cash-strapped producers, such as Iran, may be tempted to boost production to raise revenue to help balance their budgets.

Likewise, the longevity of the rally in iron ore and copper will likely depend heavily on resurgent demand out of China given it remains the key consumer of these commodities. Anecdotal evidence suggests overall Chinese demand for these metals remains unchanged. The Chinese government appears committed to policies geared towards transitioning the economy from one based on investment to one driven by services and domestic consumption. Should Beijing continue on this course, as we expect, the rally in iron ore and copper may prove short-lived.

Given the market's current fixation on resource stocks it might be timely to remind investors why we don't typically invest in single commodity or single mine resource stocks in the OC Concentrated Equity Fund:

- Mining companies outside the S&P/ASX 100 are often single mine owners, typically exposed to one commodity and have a volatile (or nil) earnings stream. We therefore consider them risky investments that are difficult to forecast.
- The earnings of these companies (where they exist) is usually heavily reliant on commodity prices and currency movements. Many merely own a resource that is undergoing feasibility and is yet to be mined or even proven.
- Two key drivers of share price performance for small mining companies are typically exploration success and commodity price movements, leading to a greater level of risk from uncontrollable factors. As long-term investors would be aware, we do not invest in companies where the key drivers cannot be reasonably forecast by our analysts due to the excessive risk this entails.

Although the Fund can invest in resource stocks, it typically only does so in short-term catalyst-driven situations. Instead, it usually gains exposure to the commodities cycle by investing in quality companies that can service the mining sector. In particular, companies that can enter long-term or take or pay services contracts with a diverse client base that operate across multiple commodities, mine sites and projects.

Overall, we remain bearish on the commodity space including most mining services companies in the Australian small-cap space. Most mining services stocks currently have limited work in hand, they face fierce competition on projects up for tender and are battling negative fixed-cost leverage as much of their equipment sits idle. Moreover, most of them have too much debt and will face ongoing issues if the commodity cycle doesn't turn in the medium term.

We acknowledge our aversion to investing in single commodity or single mine resource stocks means there may be periods in which we underperform the S&P/ASX Small Ordinaries Index. We point to our proven ability to deliver investors strong long-term returns as validation of our philosophy and investment process.

March promises to be a busy time for the investment team with many meetings scheduled with company management post reporting season. Next week, we have analysts heading to the UK and Asia for a series of meetings with Australian-listed companies (and their peers) operating in those regions, as well as industry and regional experts who will deepen our understanding of our investment universe. We look forward to reporting our findings back to investors in our March report.

Top 5 holdings#

Company	ASX code
APN Outdoor Group	APO
Capilano Honey	CZZ
Fisher & Paykel Healthcare	FPH
Silver Chef Limited	SIV
Vocus Communications	VOC

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* The performance comparison of $20,000 over 5 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. There is no guarantee these objectives will be met.

The top 5 portfolio holdings are in alphabetical order and may not be representative of current or future investments. The securities listed may not represent all of the portfolio's holdings and may represent only a small percentage of the strategy's portfolio holdings. Future portfolio holdings may not be profitable.

Past performance is not a reliable indicator of future performance. The total return performance figures quoted are historical, calculated using 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 indices do not incur these costs. This information is provided for general comparative purposes. Positive returns, which the OC Concentrated Equity Fund (the Fund) is designed to provide, are different regarding risk and investment profile to index returns. A performance fee equal to 10.25% of the annual return of the Fund (if that return is positive for the given financial year and subject to high-water mark) is payable out of the assets of the Fund. 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 Concentrated Equity Fund (ARSN 126 537 424). A current PDS is available from Copia located at Level 25, 360 Collins Street, Melbourne Vic 3000 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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