

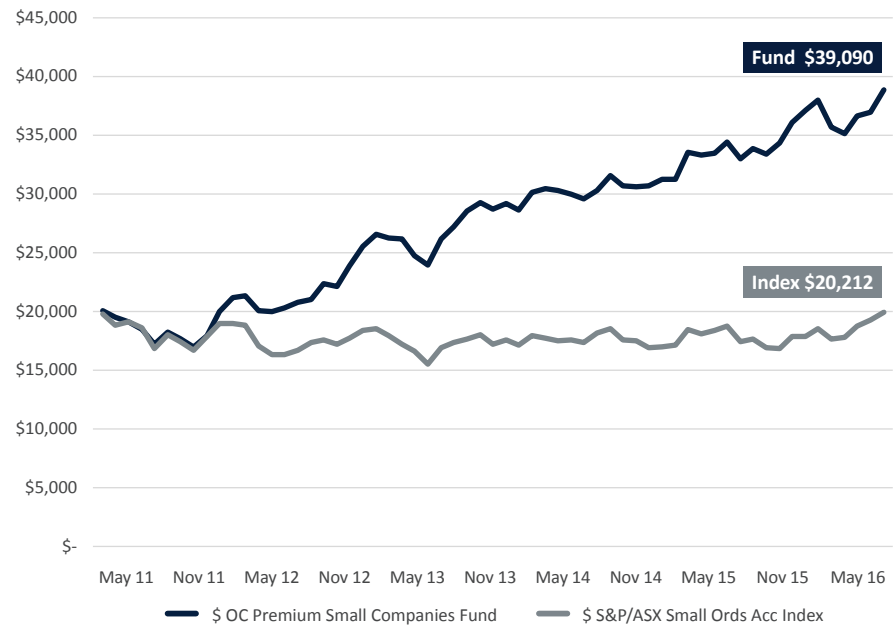

5.4%

Fund up 5.4%
in May after a strong
month

16.5%

Returned 16.5% p.a.
for the past three
years

Fund remains well
positioned to deliver
strong long-term
returns

Performance comparison of \$20,000 over 5 years*

Total returns

At 31 May 2016	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	10 yrs % p.a.	Incep % . p.a. (Dec 2000)
OC Premium	5.4	10.8	4.9	13.3	16.5	14.4	18.9	5.6	11.7
S&P/ASX Small Ords Accum	4.1	13.1	12.6	6.9	6.9	0.2	5.1	1.3	5.4
Outperformance	1.3	-2.3	-7.7	6.4	9.6	14.2	13.8	4.3	6.3
S&P/ASX Small Ind Accum	4.8	11.7	8.2	8.7	10.8	9.6	11.6	3.7	6.2
Outperformance	0.6	-0.9	-3.3	4.7	5.7	4.8	7.4	2.0	5.5

Performance review

It was a strong month for the OC Premium Small Companies Fund which finished May up 5.4%, ahead of both the S&P/ASX Small Ordinaries Accumulation Index (+4.1%) and the S&P/ASX Small Industrials Accumulation Index (+4.8%). Pleasingly, the Fund remains ahead of both benchmarks for the financial year, despite the sharp rally in speculative resource stocks in the first four months of calendar year 2016, which saw the Fund underperform the S&P/ASX Small Ordinaries Accumulation Index for a few consecutive months.

Two recent portfolio additions were strong double-digit performance contributors to the portfolio in May, namely **Eclix Group (ECX) (+21.3%)** and **CSG Group (CSV) (+17.2%)**. ECX has been an outstanding performer since we added it to the portfolio in mid-February. The company is a leading player in vehicle fleet leasing, fleet management and diversified financial services in Australia and New Zealand. During May, ECX announced a solid H1 FY16 NPATA, up 9% on the previous corresponding period, and also announced

the strategically sensible acquisition of Right2Drive, a company that provides rental cars to “not-at-fault” drivers that have accident-damaged cars. The management team has built considerable momentum in new business written and we remain attracted to the growth profile of the business.

CSG Group (CSV) - is a leading provider of print and business technology solutions in Australia and New Zealand and is supported by a growing in-house equipment financing business that helps facilitate the sale of its suite of products. The stock was added to the portfolio after its H1 FY16 result when the share price fell materially following a slight miss to consensus revenue and earnings forecasts. A number of meetings with management convinced us the miss was a temporary procurement delay which had opened up an attractive entry point into the stock. CSV has a solid management team led by Julie-Ann Kerin, who we have known for many years and rate highly. CSV has a strong pipeline of opportunities in the enterprise solutions area where it expects to sign at least one new contact per half-year for the foreseeable future.

Fisher and Paykel Healthcare (FPH) (+18.3%) - portfolio stalwart, FPH, continues to deliver for investors after announcing another typically strong full-year profit result, up 27% on the prior year. We have long been attracted to FPH's global growth strategy and were not disappointed as both of the company's major product groups, hospital/respiratory and acute care and homecare/obstructive sleep apnoea again delivered double-digit revenue and profit growth. We have reduced our weighting slightly on the back of the strong share price appreciation but continue to hold the stock as a core portfolio position given our forecast of relatively low risk double-digit earnings growth over the medium term.

During the month, we added two quality mining services stocks to the portfolio, namely **WorleyParsons (WOR)** and **Mineral Resources (MIN)**; pleasingly both stocks are up 10%+ from our initial entry points.

Many investors would be surprised to hear that the once mighty **WorleyParsons** has fallen back into the S&P/ASX Small Ordinaries Index following the global oil price rout that hit WOR's earnings hard and left the balance sheet over geared. Nevertheless, extensive due diligence has convinced us that management is in the early stages of turnaround, which will be largely driven by extensive cost out and a working capital unwind which we expect will significantly de-lever the balance sheet over the coming 12 months. WorleyParsons remains a quality business with a solid reputation across the hydrocarbons, minerals, metals, chemicals and infrastructure sectors. New CFO, Tom Honan, and Bain Consulting are embarking on a credible strategy that we expect will strengthen the balance sheet and leave the company well positioned to benefit from the recovery in the oil price that is already underway.

After exiting **Mineral Resources** in April on valuation grounds, we have re-initiated a position in the company a little over a month later at a higher share price. Why? We always say to investors if the facts change, then we are willing to change our investment view. Over recent weeks, we have come to appreciate the significant value MIN has in its portfolio of lithium assets which we still think is under-appreciated by the market. MIN has recently exercised an option to move to a 43.1% ownership stake in the Mt Marion lithium project, a high-quality, long-life project, which we expect to be in production and materially profitable in FY17. We also understand the company has a number of other exciting opportunities in the lithium space at various stages of development. We expect the MIN share price to continue to re-rate as the company brings Mt Marion into production and remain confident the high calibre management team will deliver a strong FY16 result.

Blue Sky Alternative Investments Limited (BLA) (+13.8%) - during the month the Fund initiated a position in BLA, an alternative asset manager with more than \$2 billion in assets under management. Headquartered in Brisbane and founded in 2006, Blue Sky now has offices in Adelaide, Sydney, Melbourne and New York and a team of over 80 investment professionals and support staff. BLA has built a strong track record across a number of alternative asset strategies to produce a blended compound return of 16.9% p.a. since inception across private equity and venture capital, private real estate, real assets (water entitlements and utilities) and hedge fund products. We have long admired the BLA business model and the vision of the founding Managing Director, Mark Sowerby. In the course of our due diligence, we have visited operations in Brisbane, New York and Melbourne, meeting with a raft of quality investment and distribution staff who work with the group. A placement at \$6.50 provided an attractive entry point in what we expect to be a rewarding long-term investment for the Fund.

Speedcast International (SDA) (-13.3%) - was the Fund's biggest detractor in May, despite announcing several new contract wins during the month and conducting an AGM which included overall upbeat outlook for the business. No doubt operating conditions in two of its core markets, oil and gas and maritime, are somewhat challenging as highlighted by global peers in recent commentary, but we remain confident SDA is continuing to take market share. We believe SDA is a quality company led by a highly experienced management team who can deliver significant shareholder value in the coming years.

Blackmores (BKL) (-6.0%) - has been topical recently with the share price having pulled back in recent months due to concerns about disruption within its Chinese distribution channels brought about by tax and regulatory change. As recently as last month's report, we stated that, "Our recent visit to China and discussions with industry players and government officials has led us to conclude that these risks are overstated". However, during May, we met with no less than five players in the Chinese vitamin markets. This has given us cause for concern that there may be, in fact, some near-term supply disruptions to the Chinese markets, which could be material to BKL profitability. While we continue to believe Chinese demand for BKL's clean, green products will continue over the long term, these disruptions may have a material impact on profitability of the company in the short to medium term and, as a result, near-term earnings could disappoint. As such, we have made the decision to exit the stock as we look to manage our downside risk in this position.

Outlook

The past month has seen the release of a raft of economic data which paints a somewhat confusing picture of the Australian economy heading into the July Federal Election.

At a headline level, Australia's economy is growing at a robust annual rate of 3.1% according to recent ABS data. Prima facie, this is great news given that it exceeds consensus forecasts (of around 2.75 – 3.0% growth) and it also represents a growth rate typically considered sufficient to prevent the unemployment rate rising.

However, other economic measures paint a less rosy picture of the domestic environment including data which shows Australia remains in a so-called 'income recession', whereby the amount of disposable income we have to pay for our day-to-day living expenses continues to shrink because of falling company profits, lower government revenues and flat wages.

The contrast between a robust GDP growth rate and falling real net disposable income explains why we can simultaneously have record export growth with falling company profits, strong employment growth with low wages, and strong GDP growth with a rapidly expanding budget deficit.

GDP growth marginally above trend would normally be accompanied with a discussion around monetary policy tightening rather than loosening. However, what seems clear from recent commentary is that the RBA remains more focused on inflation than growth and with growing concerns about disinflationary pressures in the economy, further rate cuts seem likely over the medium term.

Given the above factors and the upcoming election, we remain cautiously positioned with respect to domestic cyclical exposure and remain comfortable with our portfolio which is underpinned by companies that can either grow earnings outside of the economic cycle or that have structural tailwinds.

We are carefully monitoring the UK given the upcoming 'Brexit' vote – the late June referendum on Britain's continued membership of the European Union. Not only are we directly exposed via our UK-facing fund managers, Henderson Group and BT Investment Management, a leave vote would also likely result in considerable volatility in financial markets and could precipitate a sharp pull-back in global equity markets given the uncertain environment it would create. We remain of the view that a leave vote is unlikely, but should this change prior to the vote, we would likely exit both Henderson Group and BT Investment Management.

The earnings 'confession season', where companies that expect their earnings for the current financial year to be materially different from their previous market guidance or consensus estimates must 'fess up' to any expected shortfall, is now in full swing and we are yet to be tainted.

The investment team continues to travel the country looking for new investment opportunities and meet with existing holdings to reaffirm our views ahead of the August reporting season. The past month has seen a large number of small-cap investment conferences where company management provide insights into their companies and their growth strategies. Our team has attended five such conferences in the past month alone, often meeting one-on-one with key company management.

During June, we are off to Adelaide, Perth, Sydney and Brisbane to conduct site visits and undertake due diligence on existing and new investment opportunities. We are confident the portfolio is well-positioned to continue to deliver strong returns over the coming years and thank investors for their ongoing support.

Top 5 holdings[#]

Company	ASX code
Burson Group	BAP
Citadel Group	CGL
Fisher & Paykel Healthcare	FPH
Vocus Communications	VOC
Webjet Limited	WEB

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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 Premium Small Companies Fund (the Fund) is designed to provide, are different regarding risk and investment profile to index returns. A performance fee of 20.5% is payable annually on any excess performance (after deducting the management fee) above the benchmark, S&P/ASX Small Ordinaries Accumulation Index, to 30 June. A performance fee is only payable where the Fund has returned 5% or more since the last performance fee was paid. 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 Premium Small Companies Fund (ARSN 098 644 976). A current PDS is available from Copia located at Level 25, 360 Collins Street, Melbourne Vic 3000, by visiting the website 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.