

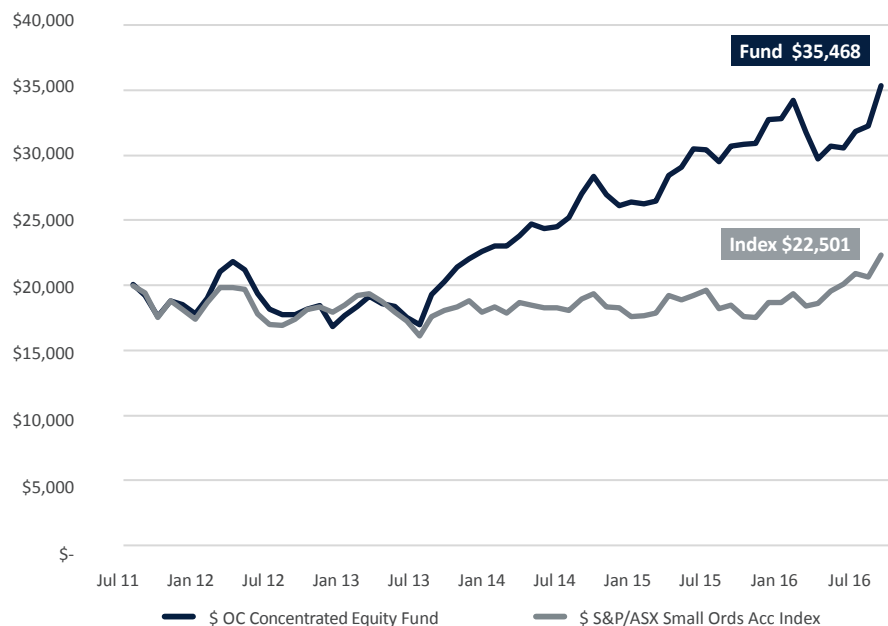
 Fund up 10% after a volatile June quarter
10%

 Returned 24.3% p.a. for the past three years
24.3%

 Optimistic about the companies in the current portfolio

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



Total returns

At 31 July 2016	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	10 yrs % p.a.	Incep. % p.a. (Nov 2003)
OC Concentrated	10.0	15.9	15.2	22.8	12.2	16.7	11.6	13.6
S&P/ASX Small Ords Accum	8.6	11.5	22.3	8.7	2.4	4.4	2.0	6.0
Outperformance	1.4	4.4	-7.1	14.1	9.8	12.3	9.6	7.6
S&P/ASX All Ords Accum	6.3	7.1	4.0	8.5	9.4	8.7	5.7	9.1
Outperformance	3.7	8.9	11.2	14.2	2.8%	8.0	5.9	4.5

Performance review

It was a strong month for the OC Concentrated Equity Fund which finished July up 10.0%, ahead of both the S&P/ASX Small Ordinaries Accumulation Index (+8.6%) and the S&P/ASX All Ordinaries Accumulation Index (+6.3%). Pleasingly, the Fund remains well ahead of the S&P/ASX All Ordinaries Accumulation Index over the past 12 months having returned 15.2% against the index return of just 4.0%. The S&P/ASX Small Ordinaries Accumulation Index is +22.3% over the same period reflecting the sharp rally in speculative resource stocks over the course of the first seven months of calendar year 2016.

Mineral Resources (MIN) was among the better performing industrial stocks in the small-cap index during the month, up 18.2%. MIN is a highly regarded operator who ought to continue to benefit from increasing activity in the coming years as the commodity cycle rebounds. MIN earns the majority of its profits from crushing, screening and processing ore for quality clients across a number of different commodities and mine sites. MIN has a strong reputation among its clients and typically

operates under long-term contracts. Importantly, MIN has a strong net cash balance sheet that positions it well to weather any commodities downturn. Investors will be well aware that although OC doesn't typically invest directly in single commodity or single mine resource stocks, but at the right time in the cycle we do try to have exposure to the commodities thematic, especially through quality mining services business such as MIN.

NetComm Wireless (NTC) (+15.1%) – recovered nicely during the month after being beaten up in June due to uncertainty regarding the federal election outcome. NTC is well placed to win material hardware supply contracts for the federal government's NBN roll-out but the election was a major source of uncertainty for investors during June. NTC was sold off aggressively in the lead-up to the election (at one stage -23.8% from its closing price at the end of May) as investors fretted over the outcome of the election and the likely impact on NTC should the ALP win the election and the coalition's preferred model for the NBN be subject to review. History tells us the coalition got over the line (just) and calmer heads prevailed in subsequent weeks with NTC finishing the month some 30.6% off its lows.

Catapult Group (CAT) (+25.3%) – was added to the portfolio during the month when it raised \$100m to acquire two businesses:

- XOS Technologies (US based) - a market leader in providing innovative digital and video analytic software solutions to elite sports teams, and
- PLAYERTEK (Ireland based) - a leading developer of wearable analytics software solutions for the “prosumer” market.

Catapult itself is a leading developer of wearable analytic software solutions (it has contracts with the AFL, NRL, ARU, Cricket Australia and many of the world’s elite sporting clubs). These acquisitions will make CAT the clear global leader in this market and significantly enhance its access to lucrative US and European markets and its ability to cross sell its products.

Updater Inc. (UPD) (+57.7%) – Alpha Plus position, UPD, began to get some real traction in July after a false start with its IPO late last year. UPD has developed a technology to improve consumers’ residential relocation experience. The firm listed with a 2016 goal of achieving 5% market penetration and then commercialising its technology with large advertising partners. In July, UPD achieved 5.35% market penetration, processing almost 80,000 residential moves in the US, well ahead of its calendar year target and has now reset the goal posts by ambitiously aiming for 15% market penetration by the end of 2017. Additionally, UPD has kicked off a pilot program with its first commercial partner, Liberty Mutual, (a Fortune 100 insurance company), and we believe there are exciting times ahead as UPD hits its market penetration goals and continues to sign pilot programs with commercial partners in other verticals.

The Fund recently participated in the IPO of HR-tech firm, **Apply Direct (AD1) (+35.3%)**, which listed in late June but continued its strong performance in July. AD1 is an online database and search platform that links employers and job candidates directly to live job opportunities on employer websites. The AD1 platform facilitates direct recruitment by employers. The Fund also added some performance through Alpha Plus commodity-exposed stocks such as **Echo Resources (EAR) (+26.2%)** and **Ramelius (RMS) (+32.2%)** and even long-held position **Ironbark Zinc (IBG) (+17.0%)** enjoyed the recent rally in base metal prices.

Silver Chef (SIV) (-7.2%) – was a key disappointment for the portfolio (in a month of few disappointments) after management took steps to bring analysts’ earnings forecasts for FY17 back into line with the company’s expectations. The result was higher provisioning for potential future bad debts and a lower than anticipated ongoing benefit from a recent change in accounting policy. Overall, we believe the underlying growth of

the company remains intact, which led us to hold our nerve through the initial sell-off, although we did reduce our position on this announcement. We had also been trimming our holding at much higher levels prior to the announcement as the share price was approaching our valuation target.

Outlook

Arguably the most important factor currently influencing equity markets is the interest rate environment with the RBA taking the unprecedented step on 2 August to cut rates a further 25 basis points to historically low levels of 1.5%. Despite our official interest rates plumbing new lows, the RBA rate remains relatively attractive on a global scale (with most major central banks around the world at or around zero percent cash rates), so the Australian dollar sits stubbornly above USD\$0.75. Clearly the RBA is concerned about the low inflation rate, which has slowed dramatically in the past 12 months, with the board expecting the inflation rate to remain below the 2-3 percent target band until the middle of 2018. If the decline in inflation cannot be stemmed, Australia risks succumbing to the weak growth and inflation malaise that has gripped Japan, Europe and North America in recent years. In such an environment, our preference is to own stocks that can grow earnings outside of the economic cycle and/or stocks exposed to growing offshore earnings.

We are now a month past the tumultuous events that bookended the financial year end; those being the Brexit vote and the Australian federal election. While Brexit impacts will reverberate for many years to come, a clearer picture is emerging of the potential impacts of the UK/EU separation and the market seems to be adjusting accordingly. The market is also becoming more comfortable with the Australian election outcome as the coalition formed a majority government, albeit by the slimmest of margins. This is the first federal election to install a majority government since 2007, but unfortunately it also delivers a hostile senate which could see some policy compromise. A dysfunctional upper house may see Australia lose its coveted AAA credit rating due to increased fiscal costs as planned budget cuts are bartered away in return for political support from the senate cross benches.

All of these events combine to reinforce our view that we are in a ‘lower-for-longer’ environment, including lower inflation, lower growth and lower interest rates, both domestically and globally.

In such an environment, we believe the portfolio remains well served being underpinned by companies that can grow their earnings independent of the economic cycle. Quality stocks such as **Fisher & Paykel**

Healthcare, Catapult Group and The Citadel Group are likely to continue to grow their earnings irrespective of the domestic or global economic environment and, importantly, investors are likely to continue to pay a premium for this earnings growth.

We now await the August reporting season to kick-off in earnest and look forward to meeting with each of our holdings, and many more potential investments, over the coming four weeks. We have met with all our existing investments in recent months and look forward to seeing their reported numbers and examining the other investment opportunities that reporting season invariably throws up. We will of course report to you the outcomes of our analysis in our next monthly report and I am sure we will be writing on some new investments we have made through August.

Top 5 holdings[#]

Company	ASX code
Capilano Honey Ltd	CZZ
Mineral Resources Limited	MIN
Updater Inc	UPD
Vocus Communications Ltd	VOC
Webjet Limited	WEB

CONTACT COPIA

1800 442 129 | clientservices@copiapartners.com.au | ocfunds.copiapartners.com.au



John Clothier	General Manager, Distribution	0408 488 549 jclothier@copiapartners.com.au
Adam Tweedale	State Manager, Southern Region	0425 804 727 atweedale@copiapartners.com.au
Angela Vincent	State Manager, Northern Region	0477 347 260 avincent@copiapartners.com.au
Sean Paul McGoldrick	Account Manager, Northern Region	0421 050 370 spmgoldrick@copiapartners.com.au
Iain Mason	Director, Institutional Business	0412 137 424 imason@copiapartners.com.au
Jacinta King	Business Development Associate	0413 962 922 jking@copiapartners.com.au

*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, 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.