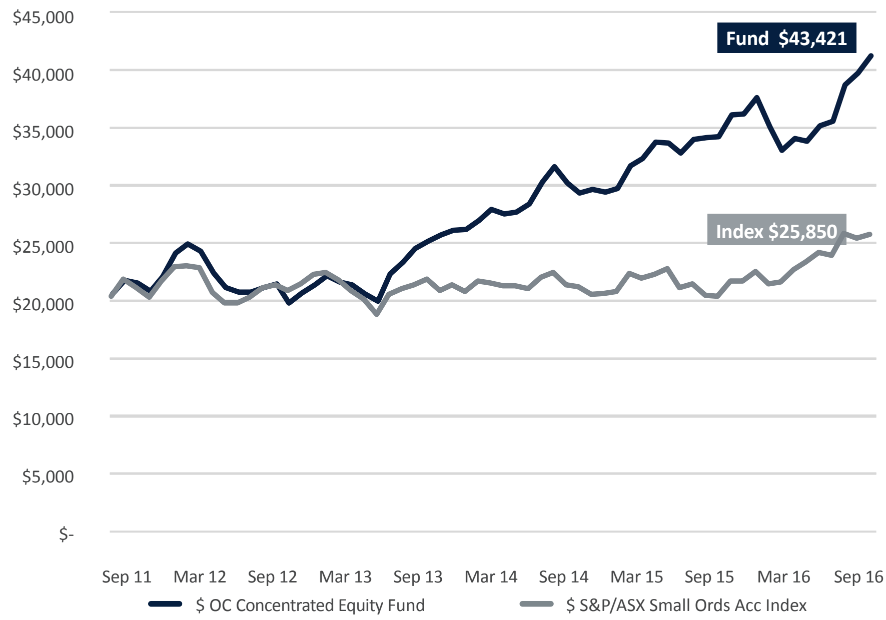
4.1% Fund up 4.1% for the month

21.2% Returned 21.2% p.a. for the past three years

We remain confident the Fund is well positioned

Performance comparison of $20,000 over 5 years*



Total returns

At 30 September 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	4.1	17.8	22.6	21.2	16.8	14.8	12.1	14.0
S&P/ASX Small Ords Accum	1.5	8.5	29.2	7.1	5.3	2.8	1.4	5.9
Outperformance	**2.5**	**9.3**	**-6.6**	**14.2**	**11.6**	**12.0**	**10.7**	**8.1**
S&P/ASX All Ords Accum	0.4	5.3	14.0	6.4	11.0	6.7	5.2	8.9
Outperformance	**3.7**	**12.5**	**8.6**	**14.8**	**5.8**	**8.1**	**7.0**	**5.1**

Performance review

Investors would be aware the OC Concentrated Equity Fund has been converted to the OC Micro-Cap Fund following a unitholder vote on 26 September 2016. The Fund had a very strong quarter which was overwhelmingly driven by micro-cap exposures and finished the quarter up 17.8%. This was well ahead of the S&P/ASX All Ordinaries Accumulation Index and the S&P/ASX Small Ordinaries Accumulation Index which were up 5.3% and 8.5% respectively for the quarter.

During the quarter, **National Veterinary Care (NVL, +39.2%)** reported its first annual result since its August 2015 IPO and pleasingly managed to exceed prospectus forecasts. In the first 12 months of its listed life, NVL has acquired 44 vet clinics and expects to settle a further six by the end of October 2016. The NVL board and management team are keenly focused on quality acquisitions (in established regional clusters) and are highly disciplined on the price they pay for acquired clinics. As well as its clinics, NVL operates Australia's only post graduate (professional) vet training academy facility, which is available for use by third parties. The company also operates a management services and procurement business, which helps drives efficiencies in its wholly owned clinics and also for the many of the independent practices with which NVL contracts. NVL has a solid pipeline of acquisition opportunities, a well-regarded management team and is poised for strong growth over the medium to long term.

ASG Group (ASZ, +73.8%) - was added to the portfolio after we met with management following the release of its full-year result in August. We have met with MD, Geoff Lewis, many times over a number of years and we were finally comfortable the business was well positioned to deliver on its ambitious future plans for growth. ASG is an IT services provider (ERP, managed services and business analytics) with a focus on reliable, long-term government and corporate contracts. ASG was targeting double-digit revenue growth in FY17 and improving EBITDA margins. Shortly after we initiated our holding, ASG was subject to a takeover bid from a leading global provider of systems solutions and consulting services, Nomura Research Institute. In the absence of a superior offer, we will accept NRI's bid and move on to look for the next 'rising star' for the emerging leaders strategy.

Catapult Group (CAT, +14.4%) - was added to the portfolio during the quarter when it raised $100m to acquire two businesses:

- XOS Technologies (US based) - a market leader in the provision of 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. CAT has several qualities we look for in a micro-cap stock including a strong management team, a market-leading product and a large addressable market (in this case, sports franchises and leagues globally). CAT is currently capped at around $300m.

Shaver Shop (SSG, +13.3%) - was an IPO at the start of the quarter which we subsequently added to the portfolio after its market update in August. We liked the SSG business model and our views of management were affirmed at the result which exceeded expectations and reinforced our view on the outlook for FY17. SSG has an aggressive store roll-out program (10 to 15 per annum over the next three years), a maturing portfolio of recently opened existing stores and the ability to buy back franchise stores. SSG has several qualities we look for in a micro-cap stock including a strong management team, a track record of innovation and growth and a logical growth strategy which we expect to play out over the coming years. SSG is currently capped at just under $150m.

Updater Inc. (UPD, +130.0%) - emerging leader, UPD, began to get some real traction during the quarter 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. It has subsequently reset the goal posts by ambitiously aiming for 15% market penetration by the end of 2017. Additionally, UPD has kicked off two pilot programs: i) with its first commercial partner, Liberty Mutual (a Fortune 100 insurance company) and ii) with three of the leading removals businesses in the US. We remain upbeat on UPD's longer-term prospects as the company grows its market penetration and continues to sign pilot programs with commercial partners in other verticals. Given management's strong early track record of delivering on its strategy and the large size of the ultimate addressable market, we continue to view UPD as a stock with considerable long-term potential (despite its outstanding quarterly performance).

Outlook

Following the strong performance by the Fund in the September quarter, we would describe our longer-term outlook for our portfolio as one of cautious optimism, albeit we are conservatively positioned heading into the December quarter with some major economic, political and geopolitical events on the horizon which could bring about near-term market volatility. These include:

- the US Federal Reserve widely expected to begin increasing interest rates in either December or early 2017
- the acrimonious US election campaign being in its final stretch with Americans going to the polls in November
- Brexit uncertainty remaining with no clear roadmap laid out for the UK's exit from the EU
- Italy facing its own controversial referendum in December, and
- Spain struggling to form government and the increasing prospect of a third election in December.

Geopolitics adds to the uncertainty with continuing turmoil in the Middle East, China and its neighbours' escalating hostilities in the strategically important and oil rich South China Sea and North Korea remaining highly unpredictable.

Against this backdrop, the Fund has increased its cash holdings to above 6%, having commenced the restructure of the portfolio as a result of the ongoing transition to the OC Micro-Cap Fund.

The domestic economy continues to muddle through its transition away from a resource-led economy towards broader-based drivers of economic activity. The transition is being supported by historically low interest rates with the RBA cutting rates again during the quarter to a cash rate of 1.50%, although accompanying commentary suggests it has moved to a more neutral outlook for policy, at least until third quarter inflation data is released. We expect the RBA to remain on hold until the end of 2016 before resuming the easing cycle in 2017. Overall, the Australian economy is in reasonable shape with Q2 GDP up 3.3%, the strongest year-on-year pace for four years, and unemployment 5.6%, its lowest level in three years.

The portfolio does not have material domestic cyclical exposure although we do have a number of consumer-related stocks with strong management and robust business models that continue to post strong like-for-like growth and have ongoing store roll-out potential. These include **Shaver Shop** and **Baby Bunting**, both of which reported excellent FY16 results and have strong operational momentum heading into FY17.

IPO activity remains elevated and the investment team has been busy doing due diligence on a number of upcoming listings including **Murray River Organics**, **Veem,** and **Apollo Tourism & Leisure**, to name a few. Where possible, this involves site visits, competitor analysis and management meetings as part of our due diligence process. It is rare that we take large positions in IPOs due to our conservative investment process and the unproven nature of these businesses and their management in a listed environment. Nevertheless, new floats provide a rare opportunity to invest in a company that has not undergone market-wide price discovery and therefore may, on occasions, be under-valued.

We remain confident the Fund is well positioned with quality companies that will perform well in the current economic environment. We thank our investors for their ongoing support.

Top 5 holdings#

Company	ASX code
BPS Technology Ltd	BPS
Capilano Honey Limited	CZZ
Netcomm Wireless Limited	NTC
QMS Media Limited	QMS
Updater, Inc	UPD

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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.