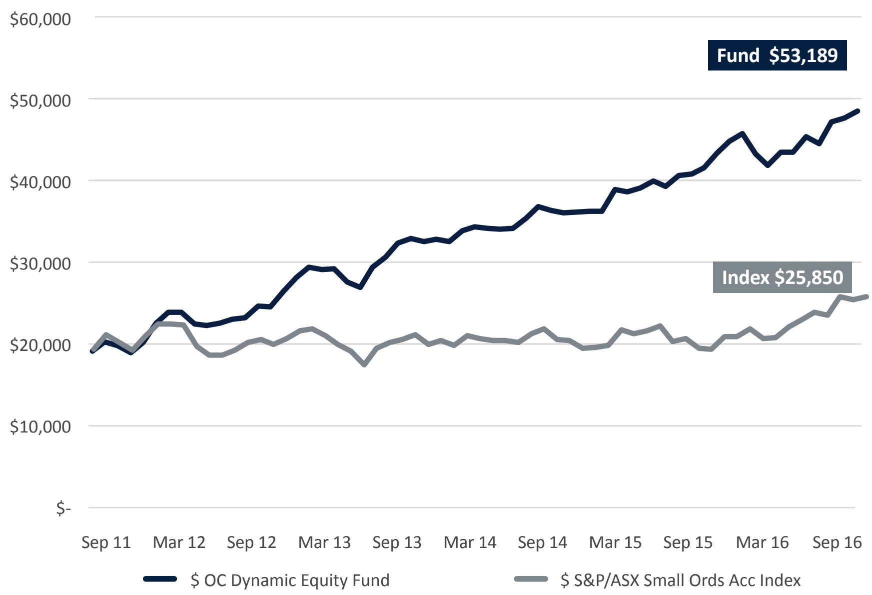
2.0% Fund up 2.0% for the September period

15.2% Returned 15.2% 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. (Dec 2000)
OC Dynamic	2.0	9.3	17.3	15.2	21.7	16.6	7.0	13.2
S&P/ASX Small Ords Accum	1.5	8.5	29.2	7.1	5.3	2.8	1.4	5.9
Outperformance	**0.4**	**0.8**	**-11.8**	**8.1**	**16.4**	**13.8**	**5.6**	**7.3**
S&P/ASX Small Ind Accum	0.7	8.5	22.1	9.5	13.5	7.9	3.4	6.5
Outperformance	**1.2**	**0.8**	**-4.7**	**5.7**	**8.2**	**8.6**	**3.6**	**6.7**

Performance review

The OC Dynamic Equity Fund enjoyed a strong start to the new financial year returning 9.3% for the September quarter as the market shrugged off a host of global economic, political and geopolitical concerns. This was ahead of both the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which each returned 8.5% for the quarter. The Fund has returned 21.7% per annum for the past five years which is well ahead of both the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which have returned 5.3% and 13.5%, respectively, over the same period.

There was limited new stock-specific news in September and the investment team was busy meeting with the management of current and prospective holdings post the August reporting season. Our best performing stocks for the quarter were, unsurprisingly, companies that released solid FY16 results and provided positive commentary about their future earnings prospects. These included **Webjet Limited (WEB, +63.6%), Ardent Leisure (AAD, +47.3%), MACA Limited (MLD, +37.7%)** and **Mineral Resources (MIN, +33.2%)**. Emerging leaders positions, **Updater Inc (UPD, +130.8%)** and **National Veterinary Care (NVL, +39.2%)**, were also strong performers, as was **Altium Limited (ALU, +42.6%)**, which we sold as it had reached our share price target.

Webjet (WEB) - as discussed in August, WEB announced a result that exceeded market expectations driven by an outstanding performance from the B2C (business to consumer) division where TTV margin accelerated in the second half as a result of strong operational leverage brought about by continued market share gains. However, the result itself was somewhat overshadowed by a £21m deal signed in its hotel business which provides hotel inventory to travel agents. The deal with large UK-based travel company, Thomas Cook, involves WEB taking over Thomas Cook's 3000 hotel supply contracts and in turn, WEB entering a minimum five-year deal to supply these hotels, and its other hotels, to Thomas Cook. This provides WEB's B2B (business to business) division a material step change in scale, as well as directly related financial benefits (not material until FY19), giving us greater transparency on WEB's continued high EPS growth into the future. The company continued its strong share price performance in September and, although we have trimmed our holding, we remain attracted to its capital-light business model and strong long-term growth prospects.

Ardent Leisure (AAD) - continued to re-rate in September following the sale of the Goodlife health clubs and the Hypoxi weight loss businesses. The gyms had been seen as an ongoing headache with business transformation underway in order to combat the increasing prevalence of cheaper 24-hour small format gyms and the sale was seen as representing a fair price. The full-year result in August appeased market concerns, with solid performances across all divisions particularly in bowling, which is benefiting from a number of initiatives introduced from the US Main Event business. The sale of the lower returning health club business will allow management to redeploy that capital into the high growth, but capital hungry, Main Event roll out in the US. With the sale of the marinas business still tracking to management's schedule, the company is now in a strong position to accelerate the roll-out of Main Event, which is a quality business that has achieved very high returns on invested capital.

Mining services company, **Mineral Resources (MIN),** was among our better performing stocks in the quarter reflecting the improved outlook for the business and the sector in general. MIN is a highly regarded operator who ought to continue to benefit from increasing activity in the coming years as the commodity cycle rebounds. The company currently earns the majority of its profits from crushing, screening and processing ore for quality clients across a number of different mine sites. MIN has a strong reputation among its clients and typically operates under long-term contracts. Importantly, the company has a strong net cash balance sheet that positions it well to weather any commodities downturn.

On the negative side of the ledger, **Vocus Communications' (VOC, -26.0%)** share price has performed poorly since August. We see the main catalysts for this recent underperformance as a confluence of events including: i) senior management turnover with the resignation of pre-merger Vocus CEO (and post-merger executive director), and the subsequent sell-down of his substantial shareholding and the resignation of the CFO, ii) market concerns around the amount of acquisition-related activity over the past 18 months including recent broker questions about the accounting treatment of one-off acquisition-related costs and 3) competitor TPG's recent FY17 guidance downgrade which cited increasing margin pressure in an NBN world.

APN Outdoor (APO, -20.3%) - a major disappointment during the quarter was the unexpected negative earnings revision from APO, which was released with its half-year result. As discussed in August, although the share price fall seems disproportionate to the quantum of the earnings downgrade, we have nonetheless taken the conservative approach to exit the stock until we get further clarity around the trajectory of sales into the critical September to November period. Industry contacts and data released in recent weeks suggest that conditions for APO may have stabilised, but we remain concerned about the prospect of ongoing price deflation in APO's static inventory which is a higher proportion of their earnings compared to listed peers QMS and Ooh!Media. Although the stock looks to be reasonable value given its growth profile, we will remain on the sidelines until we can get further clarity or confidence that operating conditions have sustainably improved.

G8 Education (GEM, -19.8%) - the half-year update from GEM was clearly disappointing with analysts moderating full-year earnings expectations on the back of the impact of more onerous 'carer to child' ratios and weak trading conditions in its WA childcare centres (due to the weaker Perth economy). Our subsequent meetings with management lead us to believe these issues are being managed and there are a number of other initiatives being undertaken which will see GEM post full-year numbers in-line with expectations. Over the coming months, GEM will aim to meet earnings forecasts by pushing through price rises, more effectively managing the rostering of staff under the new ratio model, controlling capex spending in centres, continuing to increase occupancy, rationalising some underperforming centres and favourably refinancing its debt. This will leave GEM well positioned to continue to sustainably grow its earnings and at these current share price levels, we believe it offers value. Recent contact with management gives us confidence that the full-year guidance remains on track.

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.

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 just over 10% having exited a number of companies that have reached our valuation, including **Altium** and **iSentia**. We also sold **APN Outdoor** due to its recent earnings disappointment.

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 exposures 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. This includes **Bapcor**, which reported excellent FY16 results and has 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 occasion, 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
Fisher & Paykel Healthcare Corp Ltd	FPH
Mineral Resources Limited	MIN
QMS Media Limited	QMS
Updater Inc	UPD
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 Dynamic Equity Fund (the Fund) is designed to provide, are different regarding risk and investment profile to index returns. Total returns are calculated after taking into account performance fees. Where OC Funds Management generates a return on the OC Dynamic Equity Fund over and above the performance hurdle of 15% in any financial year, a performance fee of 20.5% of all profits above this level is charged to the Fund directly. 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 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.