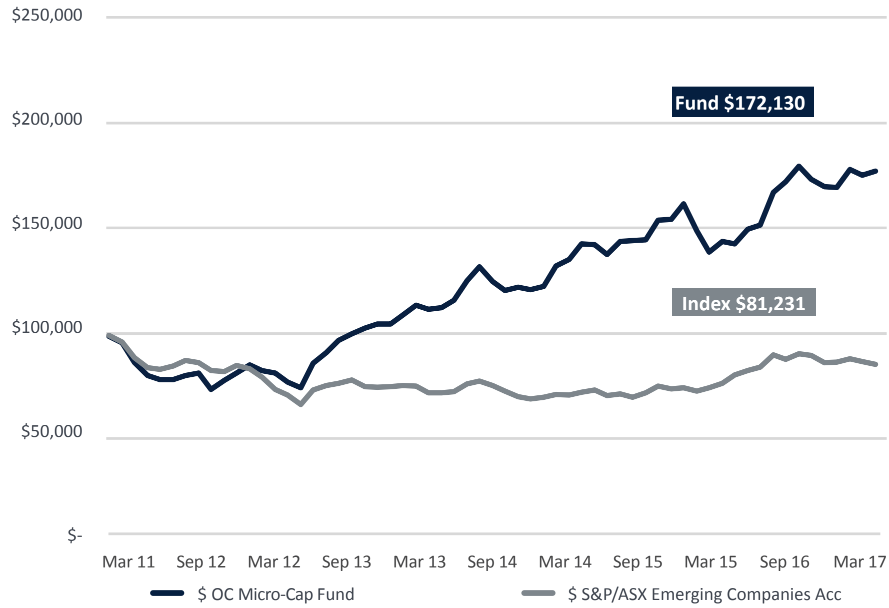
4.3% Fund up 4.3% for the quarter

1.2% Fund down 1.2% over six months but ahead of the index which fell 7.8%

We remain confident the Fund is well placed to deliver strong long-term returns

Performance comparison of $100,000 over 5 years*



In October 2016, the OC Concentrated Equity Fund became the OC Micro-Cap Fund. The Fund previously comprised three underlying investment strategies, one of which, the Emerging Leaders strategy, is now the primary underlying investment strategy of the OC Micro-Cap Fund.

Total returns

At 31 March 2017	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 Micro-Cap	1.0	4.3	21.9	15.0	11.5	11.1	9.5	13.3
S&P/ASX Emerging Comp. Accum	-2.3	-1.7	17.2	6.5	-4.1	-0.4	-1.8	5.6
Outperformance	**3.3**	**6.1**	**4.6**	**8.5**	**15.6**	**11.6**	**11.3**	**7.7**

Inception date for the Fund is 21/11/2003. Inception date for the Index is 31/12/2003. The performance reflects the performance of the OC Micro-Cap Fund since the change of strategy on 30 September 2016 and the performance of the OC Concentrated Equity Fund prior to that date. Performance is after fees applicable at the time.

Performance review

The OC Micro-Cap Fund had a solid March quarter finishing up 4.3%, despite challenging conditions which saw the broader S&P/ASX Emerging Companies Accumulation Index fall 1.7%. The Fund has recently demonstrated its ability to preserve capital in a falling market since converting to a pure micro-cap Fund in October 2016. During that time, the S&P/ASX Emerging Companies Accumulation Index has fallen 7.8%, while the OC Micro-Cap Fund is down just 1.2%.

As investors, we seek to avoid highly speculative companies that are often opaque and difficult to forecast. The bulk of our capital is deployed in simple-to-understand businesses that are profitable and cash-flow positive. While this means we may underperform a late-stage bull market where speculative excesses are driving investor returns, it will usually mean we outperform the market when speculative micro-cap names come under pressure, as is currently the case.

Some examples of the simple, profitable business models we are currently invested in, include:

- **Pacific Energy (PEA, +16.4%)** - offers remote power generation to mining projects, predominantly in Australia. PEA's business is underpinned by long-term contracts, across a broad range of customers, diversified by commodity type. Furthermore, PEA offers diesel, gas and dual fuel power generation solutions and takes no energy price risk so is not impacted by changes in the price of diesel/gas.
- **Millennium Services (MIL, +17.6%)** - offers cleaning, facilities management and security services to a blue chip customer base operating across the retail, commercial and government sectors in Australia and New Zealand. MIL recently made a transformational acquisition of WA look-a-like business, Airlite, and has been expanding its presence in security. We expect MIL can significantly lift its earnings per share in the coming years by further contract wins, cost-out programs on recent acquisitions and cross selling

services to its existing customer base.

- **National Veterinary Care (NVL, +14.4%)** – owns and operates around 50 veterinary practices in several geographic clusters on the Australian eastern seaboard and in New Zealand. NVL has a strong management team focused on disciplined acquisitions which should ensure strong growth over the coming years.

CleanTeq Holdings (CLQ, +94.1%) performed well in March capping off an outstanding quarter for the stock. CLQ owns a world-class, shallow, high-grade scandium/nickel/cobalt deposit west of Parkes in outback NSW. The core elements within this deposit are critical 'future economy' minerals including cobalt (for use in lithium-ion batteries), for which the world's rapidly evolving battery manufacturing industry has no reliable western world supplier, and scandium (for use in light-weight alloy strengthening such as in jet aircraft), with CLQ recently signing a collaboration agreement with French giant, Airbus. The cobalt price continued to rise during the quarter and has been a key driver of the share price. Additionally, the company formed a strategic partnership with Chinese conglomerate, Pengxin International Mining Company, to fast track the development of its Syerston Nickle-Cobalt-Scandium project. This involved Pengxin making a $81m investment in CLQ at $0.88 per share and the Shanghai-listed company also assisting in the procurement of Chinese project financing for Syerston. While we have a high degree of confidence in management's ability to get the project financed and into production in the coming years, the valuation equation is starting to look less compelling and we have exited our position into the share price strength.

Updater, Inc. (UPD, +51.1%) had a strong quarter on the back of ongoing penetration of the US mover market and the strong validation of its product from its pilot program with US insurance major, Liberty Mutual. UPD offers home movers a service to complete tedious and time consuming tasks efficiently (such as updating/changing address) at the same time allowing businesses to communicate with these same consumers in a timely manner. Earlier in the quarter, UPD announced it had surpassed the tipping point of market penetration for its product by processing just over 7% of all homes moves in Q4 of CY16. UPD has a CY17 target of 15% market penetration and with its current trajectory we see this goal being achieved with ease. The pilot program with Liberty Mutual clearly demonstrated that 'pre-movers' exposed to Updater communications were more likely to purchase insurance products than those not exposed to these communications. The rate of purchase uplift was statistically significant at around +93%, and this is expected to be higher with a product targeted at reducing the churn rate for existing customers, and the uplift rate can be stated with 95% confidence (with results independently audited). One of the reasons this result is so appealing to the market is that insurance is but one vertical in a suite of verticals that UPD will ultimately target including banking, utilities, big box retail and pharma, cable, satellite and internet. With further updates on market penetration and pilot programs expected in the present quarter, we remain excited by the prospects of UPD in FY18 and beyond.

Netcomm Wireless (NTC, -27.9%) was marked down heavily during the quarter following the departure of its long-serving Managing Director, David Stewart, who announced his retirement in November 2016. NTC is a technology company which, among its suite of products, develops and supplies broadband products that are sold globally to major telecommunications carriers, network providers and systems integrations. NTC is a key supplier to Australia's own NBN where it has recently signed a major fibre-to-the-curb (FTTC) contract, in addition to its existing NBN fixed-wireless contract, which has been in place since June 2011. NTC has also signed a master purchase agreement to supply one of the two largest US-based telecommunications carriers (presumably AT&T) with fixed wireless devices required to connect households and businesses to a fixed rural broadband network which is being developed by the carrier. The AT&T contract has the potential to be company making and ought to generate strong profitability and cash flow in FY19 and beyond. NTC recently received an initial $28m order on its NBN FTTC contract for delivery mid this calendar year and several other orders of this magnitude are expected out of NBN over the balance of FY18. The company has a strong pipeline of opportunities with tier-one customers, such as Nokia, across fixed wireless telecommunications and other machine-to-machine solutions. We believe the noise around Stewart's departure has overshadowed an otherwise strong outlook for the company and we have used the share price weakness to increase our holding in the company.

Outlook

Entering the second quarter, investor attention is turning to whether political developments in the US, particularly disharmony within the Republican party, will undermine the strengthening global economic outlook. President Trump received a major political setback when he failed to garner the support from his own Republican party for flagship health care reform bill which was subsequently withdrawn. This has cast some doubt over whether President Trump has the political support to undertake widespread fiscal reform and infrastructure spending, the presumption of which has fuelled the strength in capital markets since he became President-elect back in November 2016.

In view of these recent political developments, the very low volatility in equity markets (the VIX index, a common measure of market volatility, is closing in on its lowest quarterly average since late 2006) is somewhat surprising. That said, the US economy has now largely met the Federal Reserve's goals of full employment and stable prices and investor and business confidence has soared since Trump won office late last year, buoyed by his vows to cut taxes, lift infrastructure spending and ease regulations. Federal Reserve Chair, Janet Yellen, has given an upbeat assessment of the US economy suggesting the Fed has "confidence in the robustness of the economy and its resilience to shocks".

At OC, we remain more cautious about the global outlook given the market, taking its cues from the US economy, has seemingly priced in an optimistic outcome despite there being considerable uncertainty about the timing, size and character of policy changes that may eventually pass through Congress. This means we are showing restraint and are not 'chasing the market' despite the fact we have opportunistically added several new positions during the quarter including **Kogan**, **Zenitas**, **Codan** and **Imdex**.

In terms of the domestic economic outlook, our observations from the past few months have been mixed with strengths and weaknesses tending to be company specific rather than being driven by underlying macro-economic trends. That said, the domestic economy appears to be on a solid footing and the RBA still expects growth of around 3% this year. Much has been written in the press of late about the property boom and risks associated with the domestic housing market. While we don't see an immediate catalyst to this unwinding given low interest rates and a robust employment market, we are cautious on a longer-term view and have limited exposure in our portfolio.

It has been a solid first six months for the Fund and we remain confident our stable and aligned investment team can continue to deliver investors excellent investment returns over the medium to long term.

April is a busy month for the team. Having just returned from an overseas trip incorporating Hong Kong, Singapore and Malaysia, we are in Perth, Brisbane, the Gold Coast and Sydney over the balance of the month visiting existing holdings and their competitors, as well as seeking out new investment ideas for the portfolio.

Top 5 holdings#

Company	ASX code
Catapult Group International	CAT
EML Payments Ltd	EML
Ive Group	IGL
National Vetinary Care Ltd	NVL
Updater Inc	UPD

Fund overview

Long only and benchmark unaware, the OC Micro-Cap Fund (previously the OC Concentrated Equity Fund) is predominantly invested in 25 to 60 micro-cap stocks listed, or about to list, on the Australian Securities Exchange (ASX) or the New Zealand Stock Exchange.

The Fund aims to provide investors strong long-term capital growth by investing in companies with:

- a market capitalisation of less than $350 million at the time of initial acquisition
- sustainable business models, and
- attractive investment qualities.

Over a rolling five-year period, the Fund aims to provide a total return of 5%+ in excess of the S&P/ASX Emerging Companies Accumulation Index.

Strategic asset allocation	
Listed securities (including hybrid securities such as convertible notes, redeemable preference shares and partly paid shares)	70 - 100%
Cash	0 - 20%
S&P/ASX 300 Index	0 - 20%
Unlisted securities*	0 - 10%
New Zealand listed securities	0 - 10%
Derivatives	0%

**Must have a pathway to IPO within six months.*

Number of stocks	25 - 60
Maximum ownership of any company	7.5%
Maximum absolute stock position	8%

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* The performance comparison of $100,000 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 Emerging Companies 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.