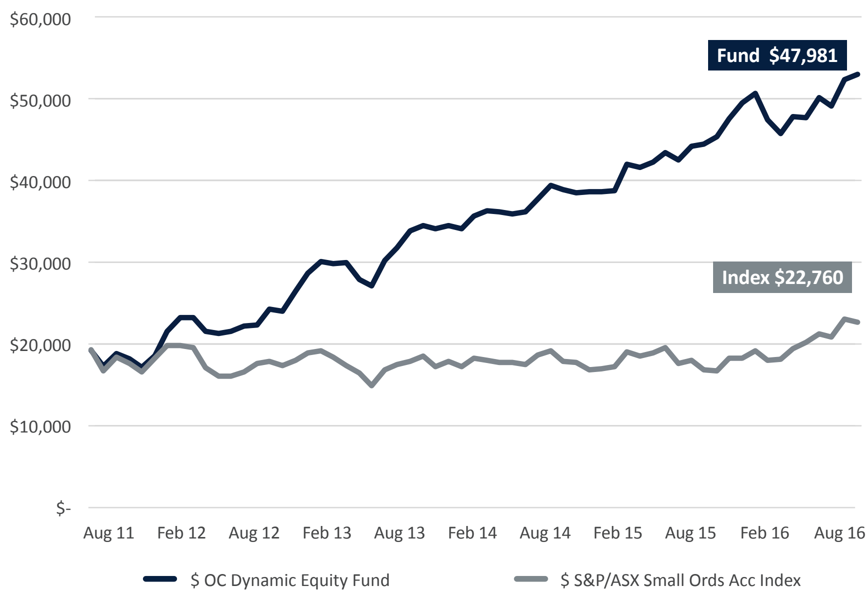
1.1% Fund up 1.1% for the July period

16.6% Returned 16.6% p.a. for the past three years

Optimistic about the companies in the current portfolio

Performance comparison of $20,000 over 5 years*



Total returns

At 31 August 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	1.1	5.3	17.3	16.6	19.2	17.8	7.0	13.1
S&P/ASX Small Ords Accum	-1.6	5.5	26.5	7.1	2.6	3.3	1.4	5.8
Outperformance	**2.7**	**-0.2**	**-9.2**	**9.4**	**16.6**	**14.5**	**5.5**	**7.3**
S&P/ASX Small Ind Accum	-0.5	3.9	22.4	10.6	11.7	8.9	3.6	6.5
Outperformance	**1.6**	**1.4**	**-5.1**	**5.9**	**7.5**	**8.9**	**3.4**	**6.7**

Performance review

The month of August was dominated by stock-specific news which came as the vast majority of ASX-listed stocks released their annual results and accompanying outlook statements. Volatility for the month was quite low, likely driven by an absence of material macro news other than the RBA's decision to cut the cash rate by 25 basis points to a new low of 1.5% early in the month.

Once again the OC Dynamic Equity Fund enjoyed a relatively strong reporting season during which most of our holdings released results in line with or ahead of market expectations. The Fund finished August up 1.1%, comfortably ahead of the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which were down 1.6% and down 0.5%, respectively. The Fund has returned 19.2% p.a. for the past five years, significantly ahead of both indices which are up 2.6% p.a. and 11.7% p.a., respectively, over the same time period.

Webjet Limited (WEB, +28.4%) - announced a result that exceeded market expectations driven by an outstanding performance from the B2C (business to consumer) division where TTV margin accelerated by 0.6% in the second half as a result of strong operational leverage brought about by continued market share gains. But 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), providing us greater transparency on continued high EPS growth into the future for the company.

Altium Limited (ALU, +26.1%) - the stellar share price performance of international circuit board design software company, ALU, accelerated after posting a strong result and updating the market on potential further expansion of its Dassault Systems JV to include its premium high-end CATIA product. It appears the market is, however, beginning to price in a takeover premium for ALU, given its clear appeal to Dassault. While we consider an eventual offer as a real possibility, we see it as at least 12 months away with a lower risk outcome for Dassault likely to be for it to wait until the JV products are fully developed and demand is established. The ALU share price continued to climb in early September and exceeded our valuation. As a result, we have taken advantage of the higher price to exit our ALU position and will retain a watching brief should the share price retreat.

Ardent Leisure Group (AAD, +19.3%) - the sale of the Goodlife health clubs and Hypoxi weight loss businesses caught the market by surprise early in the month, with the AAD share price opening 9% higher on the announcement. The gyms had been seen as an ongoing headache with business transformation underway to cope with the increasing prevalence of cheaper 24-hour small format gyms and the sale was seen as representing a fair price. The annual result was announced a few days later with solid performances across all divisions; particularly in bowling which is benefiting from a number of initiatives introduced from the US Main Event business. In meetings with management earlier in the year, we had a number of robust discussions about exiting some of the lower returning businesses such as marinas and health clubs and redeploying that capital into the high growth, but capital hungry, Main Event roll-out in the US. Credit is due to the management team who not only listened to the market but executed an unexpectedly strong outcome with the sale of the health clubs. 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.

Mineral Resources (MIN, +15.5%) - again surprised the market on the upside reporting FY16 EBITDA of $286.1m, at the top end of the recent guidance range. It was a high quality result characterised by strong cash conversion and the company now has net cash of $188m and several meaningful growth options. Management provided earnings guidance of $360-$400m EBITDA, implying EBITDA growth of circa 33% at the mid-point, well above consensus which forecast a 13% decline into FY17 prior to the result. Although earnings are still sensitive to the iron ore price, the company's cash cost has continued to decline (A$54.60/wmt in H2 FY16) and the business is strongly diversified and continues to be underpinned by the mining services division which operates largely with blue chip clients on low-cost projects and should therefore be relatively resilient through the mining cycle. The high quality Mt Marion lithium project comes into production in the coming months with first ore expected to be shipped in October 2016. We continue to rate MIN's management as among the best in the business and expect them to continue to build shareholder value through their innovative low-cost solutions.

APN Outdoor (APO, -34.9%) - the major disappointment during the month was without doubt the unexpected negative earnings revision from APO, which was released with its half-year result. Most readers would know APO had been a stellar performer for the Fund since listing in November 2014, with the market having become accustomed to profit upgrades driven by market share gains and the attractive financial metrics around the conversion of static billboards to digital (three to five times revenue uplift and material margin uplift). We were blindsided by the moderation in full-year guidance from management who cited the impact of the drawn out election result and the Olympics as impacting forward sales. Earlier in the year we had discussed both of these upcoming events with management which we had raised as potential headwinds. Management, at the time, believed the ongoing roll-out of digital billboards would insulate the company from any impact of these events. Obviously this belief has proven to be unfounded. Compounding matters, APO has more static exposure than competitors, such as QMS, and recent price deflation in static billboards looks like it will be a drag on earnings in the near term. The company also looks like it has lost market share to QMS and Adshel in the Australian and NZ markets and has changed its management team to address issues across the Tasman. While the share price fall, prima facie, 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.

Aconex (ACX, -20.1%) - while the ACX annual result delivered in line with our revenue forecasts, some investors were left underwhelmed by its messy EBITDA number and a moderation of medium-term growth trajectory targets by management versus consensus forecasts. We believe some analysts in the market had let their ACX expectations inflate a little too much in recent times but we still view the business model positively (a globally scalable, cash generative SaaS model) and see management as well positioned to execute on future growth opportunities by leveraging its market-leading position in a large, under-penetrated and growing market. During the past 12 months, ACX has signed a number of material flagship contracts (including with the likes of ExxonMobil and Fluor), has entered into a strategic partnership (with CIMIC) and made a game-changing acquisition in Europe. While we had been trimming our ACX position (on valuation grounds) before this result, we believe the company is a quality business that is well positioned to grow strongly for many years to come.

G8 Education (GEM, -19.5%) - 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 next six months, GEM will aim to meet earnings forecasts by pushing through price rises (from July), more effectively manage rostering of staff under the new ratio model, control capex spending in centres, continue to increase occupancy, rationalise some underperforming centres and favourably refinance 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.

National Veterinary Care (NVL, +19.3%) – this Emerging Leader position 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 and a management services and procurement business, which not only drives efficiencies in its wholly owned clinics, but also for the many 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.

Apiam Animal Health (AHX, 12.3%) – Emerging Leader position and a fellow recently listed veterinarian play, AHX, which is focused on production animal health (i.e. beef/dairy cattle, sheep, pigs) also reported its maiden annual result in August and finished the month +12.3%. We believe the company is poised for sustainable earnings growth in the medium term.

Outlook

It is a clear from the August reporting season that we are in a challenging market environment where earnings growth is becoming more difficult to achieve for many companies. It is particularly difficult to come by for investors focused on the S&P/ASX 100 where around two thirds of the index is in financial services, resources or telecommunications, all of which are experiencing material headwinds. Results analysis suggests earnings growth, where it exists, has largely been driven by cost out as opposed to top line revenue growth. Moreover, much of the share price appreciation we have witnessed over the past 12 months has been driven by PE multiple expansion or the hunt for yield reflecting higher prices, as opposed to EPS growth increasing value.

The small industrials space did far better from an earnings growth perspective than the overall market in FY16. Indeed, the median earnings growth rate of companies in the S&P/ASX Small Industrials Index was +2.4%, well ahead of the S&P/ASX 100 Index which was down 8.1% over the financial year. Looking to the future, we believe the growth prospects for our stock universe continue to look more appealing than those of the broader market.

The Australian small cap index is a highly diversified stock universe. Irrespective of the prevailing macro conditions, there are usually pockets of opportunity where stocks are performing well operationally. In that sense, it is a great investment universe for stock pickers like us.

At present, the portfolio remains underpinned by a raft of companies that can grow their earnings largely outside of the economic cycle including **Fisher & Paykel Healthcare, Bapcor Limited, Integral Diagnostics, Healthscope** and **The Citadel Group**. We also hold a number of companies with long-term structural growth drivers including **oOh!Media, QMS Media** and **The A2 Milk Company**. Likewise, we have exposure to several innovative businesses that are exploiting trends that larger companies are either slow to exploit, if indeed they are able to exploit these opportunities at all. Current Fund examples of businesses that are innovators include **Aconex, Appen** and **Netcomm Wireless.**

Long-term investors would be well aware of our aversion to single-commodity or single-mine resource stocks because of their high volatility and risk profile. The Fund does, however, have select exposure to commodities through our holdings in **Mineral Resources** and **WorleyParsons Limited.** These companies are diversified across commodity and mine sites, have highly regarded management, solid balance sheets and stack up as sound investments under our thorough investment process.

We remain cautious on yield-sensitive stocks given the US Federal Reserve may raise interest rates in the coming months. This would most likely have negative implications for REITs, utilities and infrastructure stocks, many of which have re-rated strongly and are crowded trades.

Despite record low interest rates, the outlook for the retail space remains mixed. We have selective exposure to the Consumer Discretionary sector via **Bapcor Group** and **Webjet**, although we remain cautious on the retail space where many stocks have run ahead of our valuations and the trading outlook is relatively opaque.

Following the May Federal Budget, we became cautious on the residential aged care providers and exited our sole Fund holding in the space, **Japara Healthcare**. While the demographics of the sector remain attractive given Australia's aging population, the government seems intent on ensuring the cost to the taxpayer is kept in check as evidenced by successive funding cuts over the past 18 months.

As always, we continue to avoid investing in complex businesses or companies operating in industries that are outside of our 'circle of competence'. If we cannot forecast the key drivers of a company, we screen it out of our investment universe as we consider it too risky.

Heading into September, we are conservatively positioned with cash levels around 10%. The US economy seems delicately poised at present with mixed economic data of late leading to considerable uncertainty about whether the Federal Reserve will recommence its rate tightening cycle or remain on hold until the end of the year.

Following the reporting season lull, there is again an elevated level of IPO activity among small caps with a raft of businesses expected to list before Christmas. At present, we are undertaking due diligence on a number of prospective floats including King Salmon, Soprano and Message Media, to name a few. We will share our thoughts on some of them in the coming months.

Top 5 holdings[#]

Company	ASX code
Bapcor Limited	BAP
Mineral Resources Limited	MIN
SG Fleet Group Ltd	SGF
Vocus Communications Ltd	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 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.