

Manager profile

Company overview

OC Funds Management (OC) has been operating since 2000 and offers a range of specialised portfolio strategies to investors. OC's specialist small cap offering is a concentrated quality small cap portfolio and has around \$165m of funds under management.

Investment philosophy and style

OC believes that the intrinsic value of many underlying businesses is not always reflected in the market price of the company's securities. Equity markets can be emotional, backward looking and inefficient which provides opportunities for prudent investors who remain objective and make considered investment decisions based on thorough fundamental analysis.

OC's aim is to purchase securities that they believe are trading below their intrinsic value and have sound long-term investment fundamentals. This maximises the potential to achieve strong and consistently positive investment returns over the long-term.

OC adopts a "bottom-up" benchmark unaware approach to investment. Unlike other managers, they do not believe in holding a stock in a portfolio merely because it represents a meaningful part of an index. Rather they assess individual stocks on their own merits whereby a stocks index inclusion is merely one aspect of investment decision. As such, their portfolio can be markedly different from the index at various times.

OC's investment philosophy incorporates a strong focus on risk management as part of their disciplined and sustainable investment process.

Investment process

OC favours a benchmark unaware process with a bias towards good quality companies. They incorporate a strong review of risk factors, including quality assessment and valuation. Historically they have favoured industrials over resources, avoiding companies with unproven business models or inaccessible management.

OC focus on smaller businesses (ex ASX 100) believing they are easier to understand, simpler to value and more accessible to research. They also believe the opportunities for significant growth of well positioned, managed and resourced smaller companies is often greater than that of larger companies.

Overall they seek to invest in simple businesses they can understand, with a history of profits and dividends and which offer a predictable future earnings stream that they are able to value. Access to key management and earnings transparency is critical to their investment process.

OC also seeks to avoid companies that have complex technologies, unproven business models, companies with predominately offshore operations, companies with insufficient diversification of product and supply (eg single mine resource companies) or firms that lack sufficient liquidity.

To understand the key business drivers, OC undertakes intensive company analysis involving senior management and industry and competitive sources.

Reason Advance selected OC Funds Management

OC has a strong performance record with significant benchmark outperformance due to their robust investment process, strong sell discipline and more focussed investment portfolio. OC also has a quality focus and complements the existing managers.

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