

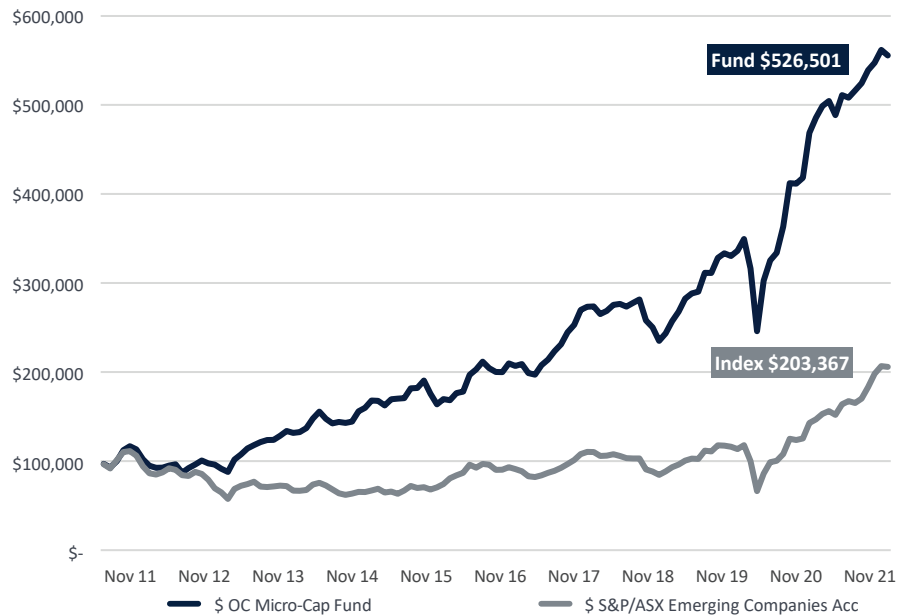
 Fund down -1.1% for the month

 Returned 21.9% p.a. for the past 5 years

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

Performance comparison of \$100,000 over 10 years*



Total returns

| At 30 November 2021 [†] | 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. (Mar 2003) |
|----------------------------------|-------------|-------------|--------------|--------------|--------------|--------------|---------------|--------------------------|
| OC Micro-Cap | -1.1 | 3.0 | 18.2 | 29.5 | 21.9 | 20.4 | 18.1 | 15.6 |
| S&P/ASX Emerging Comp. Accum | -0.4 | 11.8 | 41.4 | 30.1 | 16.7 | 16.6 | 7.4 | NA |
| Outperformance | -0.7 | -8.8 | -23.2 | -0.6 | 5.2 | 3.8 | 10.7 | NA |

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 31 October 2016 and the performance of the OC Concentrated Equity Fund prior to that date. Performance is after fees applicable at the time. The total return performance figures quoted are historical, calculated using end-of-month hard-close mid-prices and do not allow for the effects of income tax or inflation.

Performance review

The emergence of the COVID-19 Omicron variant late in the month triggered a sell-off in global equity markets which plunged most domestic equity indices into the red for the month of October. The S&P/ASX Emerging Companies Accumulation Index finished the month down -0.4%, which marginally shaded the OC Micro-Cap Fund which finished down -1.1%, with early-stage battery metals stocks once again propping up the Index.

Genusplus Group (GNP, +23.9%) was a strong performer during the month following a strategically important contract win and a positive update at its AGM. GNP is a specialist provider in power and telecommunications transmission and distribution infrastructure in Western Australia, with a growing presence in Queensland and NSW. We are attracted to the business which has strong structural tailwinds from investment in transmission and distribution infrastructure to support the transmission to renewable energy. GNP has a blue-chip client base including governments, utility providers and tier one miners and is a low capital intensity, high margin business. During the month, GNP was awarded its first

power infrastructure contract for the defence industry in Queensland. Although only \$16m in value, it is strategically significant contract with a material new client in a new industry and underpins GNP's expansion into the Queensland market. GNP has a stellar reputation amongst its clients and has strong organic and inorganic growth prospects and we remain upbeat on its prospects over the coming years.

Global aviation maintenance business **PTB Group (PTB, +14.5%)** was up for the month after announcing earnings guidance which reflected 10-20% growth in PBT for FY22. The key driver of the growth outlook has been strong trading conditions in the US and Asia Pacific. PTB indicated that the recently acquired US facility is becoming more productive after the CEO Stephen Smith relocated to the US to add management clout in that part of the business, and also pointed to rebounding activities in the Maldives which is one of the companies key tourist markets. PTB maintains, repairs and overhauls turbo-prop aircraft engines, via workshops in Brisbane, Dallas (TX) and Mesa (FL). PTB enters into contracts

with customers which provide contracted amounts of engine maintenance for a specified level of customer flying hours. PTB specialises in turbo-prop engines which power narrow body planes that have capacity below 25 seats. These planes are used to transport a small number of passengers to remote locations such as islands in the Indian and Pacific Oceans, including locations such as the Maldives. The Fund acquired its stake via an equity raise which funded PTB's entry into the US market in January 2020. Longer term, we think PTB can benefit from further growth in its "power by the hour" offering in the US, in addition to a resumption of their plane leasing strategy.

Aurelia Metals (AMI, +13.2%) was added to the portfolio in October as one of the few profitable (and domestically based) gold/base metals producers in the Fund's investment universe (sub \$500m market cap). We have been looking to add a domestic commodity producer to the Fund as a hedge against the looming threat of inflation. Pleasingly, from a risk management perspective, AMI offers multi-commodity and multi-mine exposure with its two operations in north-western NSW producing gold, lead and zinc (and some copper) and its third expansion mine, Dargues near Canberra, producing gold. All operations are cash flow positive and profitable at current commodity prices with the combined group forecast to produce 200k ounces of gold (equivalent) in FY22. AMI offers growth through internally funded mine/plant optimisation and expansion projects and also through near-project exploration opportunities. If inflation and interest rates do indeed rise in the short to medium term then AMI will be well positioned to become more profitable if investors seek out gold (and other commodities) as a hedge.

PDF productivity and digital signature company, **Nitro Software (NTO, -5.1%)**, was sold off by the market late in the month and further in early December. The sell off was partially due to a rotation out of tech names as part of the recent market sell-off, but was also contributed to by the digestion of a significant capital raising to fund the €70m acquisition of European e-signing business, Connective. The Connective business has market leading e-signing and electronic identification technology with 1000 customers across 12 European countries where stricter regulatory requirements require identity checks to be performed for e-signing. These capabilities will accelerate NTO's expansion into high-trust enterprise grade e-signing applications. As long term investors, we don't let short term price moves spook us and remain comfortable with the growth strategy for NTO over our forecast period.

AI Media Technologies (AIM, -22.3%) was down for the month after brokers downgraded earnings expectations for FY22. Previously forecasts were for AIM to deliver organic revenue growth and EBITDA of \$9M, which was revised to a FY22 forecast in line with the FY21 result (proforma), including the recent EEG business acquisition.

This would reflect no revenue growth and negligible EBITDA growth at a headline level for AIM and the market was clearly not impressed with this update. Underpinning these forecasts are assumptions of a migration in some higher cost, lower margin services revenue towards lower cost, higher quality software earnings in addition to dropping some low margin services revenue. Further, AIM is also increasing sales capabilities to drive growth, particularly inside its recently acquired EEG business which previously did not have a strong salesforce capability. AIM is also investigating new market opportunities such as in countries which have recently passed laws mandating live captioning (India). AIM provides live 'speech to text' captioning for clients in broadcast, enterprise and government. We think AIM can help increase social inclusion for the hearing impaired which in many cases is a regulatory requirement for broadcasters.

We will pay close attention in monitoring AIM's progress on the returns of this new sales investment and the expected growth in the software revenue and gross margins. We also note that an unlisted competitor of AIM, Verbit.AI recently raised capital at a materially higher valuation to AIM which provides further support to our investment thesis.

Outlook

The emergence of a new coronavirus variant, Omicron, has unnerved the market heading into the end of the calendar year and led to a sharp risk-off pull-back. Uncertainty about the severity and transmissibility of the Omicron variant has rattled markets having arrived at a time when investors are grappling with the withdrawal of central bank support from the market, the growing threat of inflation and the increasing likelihood of interest rate rises in the new year. The biggest issue near-term is the unknowns: is the Omicron variant more transmissible, will it evade the immunity provided by vaccines or prior infections and will governments react by reimposing lockdowns and social distancing restrictions?

To date the evidence suggests that whilst the variant is extremely contagious, it might also be less deadly which would be consistent with the pattern of virus evolution historically, whereby they often become less virulent over time as a self-preservation mechanism to avoid dying out (by killing their hosts). Data released by the South African Medical Research Council over the weekend shows most patients admitted to hospital in South Africa, where the new variant is spreading rapidly, were unvaccinated and on average younger than seen in previous waves. It also found a much shorter average length of stay of 2.8 days for positive patients admitted to the COVID-19 wards over the past two weeks compared to an average length of stay of 8.5 days for the past 18 months. Whilst reports such as this are cause for cautious optimism that the perceived threat is overblown, we are awaiting further

validation of such data with laboratory work to test the effectiveness of existing vaccines against the Omicron variant expected to be available within days.

The emergence of the Omicron variant has been treated with caution by governments around the world. Many countries have reimposed border restrictions whilst they wait to see whether the variant's large number of mutations make it more dangerous than previous forms of COVID-19. So far, the response by the Federal and State governments domestically has been measured and rational. The good news is that Australia has one of the highest vaccination rates in the world, with 88% of Australians aged 16 and over double vaccinated and more than 93% having had at least one vaccination. Prime Minister Scott Morrison says that at this stage the national plan is to remain open, with foreign migrants, students, and tourists due to begin arriving from December. NSW, Victoria and Queensland all say they are waiting and watching but have not altered their reopening plans, with Queensland even bringing forward the opening of their state border to the southern states by a few days.

Compounding the volatility in the domestic share market is concern about the trajectory of unwind in quantitative easing programs which have underpinned record high asset prices in recent months. Federal Reserve ('Fed') chairman Jerome Powell said it's appropriate to consider finishing the US central bank's tapering of asset purchases a few months earlier than previously expected, with inflation proving more persistent than forecast. In a major pivot, Powell has conceded that high inflation – which Fed officials had previously staunchly defended as being 'transitory' – would last until the middle of next year. US inflation has recently climbed to 6.2%, the highest level in 31 years, over the 12 months to October, as government stimulus payments and post COVID-19 restriction supply bottlenecks increased demand and crimped supply. A more hawkish Fed means interest rates are likely to rise sooner than expected to contain inflation and, against the backdrop of uncertainty created by the Omicron variant, investor risk appetite has fallen sharply.

The Australian economy has remained relatively resilient despite the lockdowns in NSW and Victoria with the recently released September quarter national accounts showing that GDP fell 1.9% compared with the prior quarter. The result exceeded consensus economist expectations of a 2.5%-3.0% contraction with government spending and a commodity driven trade surplus which reached a record \$23.9bn in the quarter, cushioning the sharp drop in household spending seen during the lockdowns. Households look well placed to resume spending now that lockdowns have ended with a near doubling of the household savings rate to 19.8% during the quarter leaving consumers well placed to loosen the purse strings over the festive season. This should be supportive of a strong economic rebound should the

Omicron variant ultimately be seen to have no material impact on the domestic roadmap out of COVID-19.

Our own central bank, the Reserve Bank of Australia (RBA), reiterated its conviction in the strength of the domestic economic recovery at its December board meeting suggesting that the Omicron variant will "not derail" the economic recovery which is happening faster than expected. After abandoning its April 2024 bond yield last month, the RBA has now dropped its previous outlook for underlying inflation to "be no higher than 2.5% at the end of 2023" which has been perceived as a signal to the market that interest rates will likely rise sooner than the RBA had anticipated. The stock market response was muted given that money markets expectations had significantly decoupled from the RBA (and US Fed) and were already pricing in rate rises as soon as July 2022.

The Fund has taken some risk off the table in recent weeks, particularly in long duration growth stocks which tend to fall disproportionately in a rising interest rate environment. Rising rates, in themselves, are not dire for the stock market assuming that they are measured and that inflation can be contained. After a protracted period of near-zero rates, it is indeed healthy to see some deflation occurring in the economy as long as the inflation genie does not get out of the bottle. With the economy re-opening and consumers cashed up, the near-term economic outlook remains solid.

With December upon us, we would like to wish our investors all the very best for a happy, healthy and prosperous festive season. We thank you all for your ongoing support and hope that you can enjoy some downtime in the coming weeks or early in the new year after what has been a challenging year for many.

Top 5 holdings[#]

| Company | ASX code |
|----------------------|----------|
| Booktopia Group | BKG |
| Cedar Woods Prop. | CWP |
| Propel Funeral | PFP |
| Universal Store | UNI |
| Viva Leisure Limited | VVA |

[#]The top 5 portfolio holdings are in alphabetical order and may not be representative of current or future investments.

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*The total return performance figures quoted are historical, calculated using hard-close 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 index does not incur these costs. This information is provided for general comparative purposes.

* The performance comparison of \$100,000 over 10 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.

Past performance is not a reliable indicator of future performance. Positive returns, which the OC Micro-Cap Fund (the Fund) is designed to provide, are different regarding risk and investment profile to index returns. A performance fee of 20.5% is accrued daily on any excess performance (after deducting the management fee) above the performance benchmark within a performance period. Any accrued performance fee will become payable if the Fund's return is positive at the end of the performance period. If the Fund's return is negative, any performance fee accrual will continue to be carried forward. The performance benchmark is the return of the S&P/ASX Emerging Companies Accumulation Index. The inception date of the S&P/ASX Emerging Companies Accumulation Index is 31 December 2003. 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 suitability of the information for 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 Micro-Cap Fund (ARSN 126 537 424). A current PDS is available from Copia located at Level 25, 360 Collins Street, Melbourne Vic 3000, by visiting ocfunds.com.au, by calling 1800 442 129 (free call) or by emailing clientservices@copiapartners.com.au. A person should consider the PDS before deciding whether to acquire or continue to hold an interest in the Fund. Any opinions contained in this document are based on information available to Copia at the time and may be subject to change without notice. Copia is under no obligation to update or keep any information contained in this document current.