

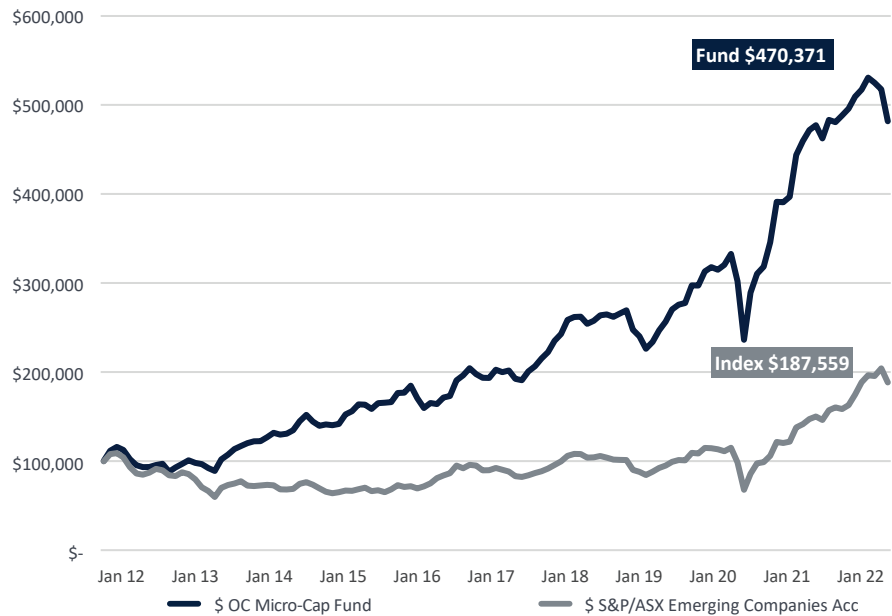
 Fund down -6.9% for the month

 Returned 18.8% 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 31 January 2022 ¹	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	10 yrs % p.a.	Incep. % p.a. (Mar 2003)
OC Micro-Cap	-6.9	-9.2	2.1	27.0	18.8	16.8	14.9
S&P/ASX Emerging Comp. Accum	-7.7	-4.1	27.7	28.4	15.1	6.5	NA
Outperformance	0.8	-5.1	-25.6	-1.4	3.6	10.3	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 cum-distribution end-of-month soft-close mid-prices and do not allow for the effects of income tax or inflation.

Performance review

Equity markets entered the new year with considerable momentum but swiftly reversed course and closed the month well down as concerns about the trajectory of inflation intensified and the prospect of rising interest rates precipitated a short and sharp sell-off. The domestic micro cap index was not spared with the S&P/ASX Emerging Companies Accumulation Index down 7.7% for the month of January. The OC Micro-Cap Fund fared slightly better, but still closed the month down 6.9%.

Global aviation maintenance business **PTB Group (PTB, +9.3%)** was up in January after pre-reporting better than expected 1H22 preliminary financial results which reflected +56% growth in PBT (excluding building sales). The key driver of this result has been strong trading conditions in the US and Asia Pacific regions. Despite expectations that the strong trading conditions would continue into the current calendar year, the Board believed it prudent not to adjust the full year outlook at this time, preferring to wait and see before any further revisions were made to the FY22 guidance. PTB has 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. PTB has also pointed to rebounding activities in the Maldives which is one of the company's key tourist markets. PTB maintains, repairs and overhauls turbo-prop aircraft engines, via workshops in Brisbane, Dallas (Texas), Mesa (Arizona) and Butler (Pennsylvania). PTB enters into contracts with customers which provide engine maintenance programs for a specified level of customer flying hours. PTB specialises in turbo-prop engines which power narrow body planes that have up to 25 seat capacity. 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. 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 its plane leasing strategy

Genusplus Group (GNP, +2.8%) was a modest contributor to the portfolio during the month after announcing

two further contract wins with around \$65m annual revenue potential, which comes on the back of a strong December quarter in which the company announced several material wins and a positive operational 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 transition 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 executed a \$40m contract with Telstra for an initial three year term for removing underground cables as part of the Telstra exchange decommissioning program. It also entered a 5-year framework agreement with HyperOne as a preferred supplier for the delivery of its national communications network infrastructure, with the initial stage between Sydney and Melbourne expected to generate ~\$50m in revenue over the first 12 months. Following these wins, GNP has a strong order book with Work-in-Hand of \$380m for FY22 and \$200m for FY23. GNP has a stellar reputation among its clients and has strong organic and inorganic growth prospects and we remain confident it will continue to be a strong performer in the coming years.

North American buy-now-pay-later provider **Sezzle (SZL, -18.5%)** continued its recent price slide in January in spite of confirming preliminary merger talks with larger suitor **Zip Co (Z1P, -27.0%)**. While there was no negative company or industry specific news, the high valuations of the fledgling sector have been under considerable pressure since the announcement of the merger between Afterpay and US payment company Block (formerly Square). Investor concerns relate to competition eroding fee rates compounded by the caution around interest rate increases and their impact on high growth companies. In contrast, the company reported a solid quarterly update in late January with robust net customer adds, good underlying merchant sales and strong merchant wins (including Ikea in the USA and Canada). The company didn't make any mention of the potential tie up with Z1P however we anticipate this would create significant scale advantages from the combined 9m customers (larger than major global competitor Affirm), strong capital base and wider ranging retailer coverage. We took advantage of the lower prices to top up our position in January, having held firm in prior months and are happy to see the stock starting to trade higher in the days after the quarterly update.

Eroad (ERD, -15.9%) shares traded lower for the month after announcing a softer December quarter in the

US which coincided with a broad based correction in technology stocks, and particularly software as a service valuations (SaaS), which came under pressure from increasing bond yields. The US business lost momentum as potential customers were put on hold as they awaited a technical upgrade which was postponed due to the delay in the approval of the acquisition of Coretex by the NZ competition regulator. Furthermore, the US trucking industry is currently experiencing industry wide challenges as driver shortages have resulted in fleet reductions. ERD believes these challenges have peaked and reported that the US business has five enterprise customers in pilot currently which may convert to paying customers in the next two quarters. To recap, ERD is a transportation technology services company which helps trucking transport companies, mainly in NZ and the US, manage truck fleets, improve safety and comply with various regulatory fuel tax regimes. The product comprises both vehicle-installed hardware and SaaS which generates high quality recurring revenue with 95% customer retention. The acquisition of Coretex will accelerate the technology and product roadmap of ERD. Furthermore, Coretex adds more scale to ERD's newer US and Australian businesses and there is likely an opportunity to cross sell ERD systems to some current Coretex clients.

Doctor Care Anywhere (DOC, -21.3%) was impacted by the broader sell off in tech stocks during the month. DOC is a UK based telehealth business focussed on delivering best possible patient experience and clinical care through its proprietary digital platform. DOC also uses its relationships with health insurers, healthcare providers and corporates (employers) to connect with patients to deliver a broad range of base level, and increasingly more complex, health services. We have been invested in DOC since its IPO in 2020 and see it playing a key role in the provision of consumer health services in a 'post COVID-19' world where patients may be more reluctant to travel to, or attend, health clinics. DOC has been expanding its offering geographically from its UK base into Ireland and mainland Europe over the past 12 months and recently made an acquisition of Australian peer, GP2U Telehealth, as part of its push into the Asia-Pacific region. Despite the UK being heavily impacted by COVID-19 Omicron variant in recent months, DOC has continued to deliver on its forecasts and delivered A\$46m revenue in CY21 (growing +115% on CY20). Importantly, this growth trajectory was accelerating quarter on quarter during the second half of 2021 with gross margin also improving to +35%. Patient statistics were particularly impressive with 143,000 consultations delivered across the platform in the Q4, including to 50,000 new patients, and importantly the business treated 93,000 returning patients which speaks to the degree of satisfaction and comfort patients have with the DOC telehealth system

(recording a Net Promoter Score of 80+). With A\$35m in cash, DOC is well capitalised to achieve its growth ambitions in the short to medium term.

Outlook

As we enter the new calendar year, concerns about the speed at which inflationary pressures have been building finally spilled over into equity markets with investors fretting that central banks around the world, including the US Federal Reserve (the Fed) and Reserve Bank of Australia (RBA), will unwind ultra-easy pandemic-era policies quicker than they had been anticipating. Whilst conjecture about the direction of inflation and interest rates had dominated the narrative around financial markets (and the OC Monthly Review outlook) for many months, the circuit breaker for markets seems to have been the December US inflation print, released on 12 January 2021 and the hawkish pivot by the Fed which followed shortly thereafter.

Consumer price inflation rose to 7.0% in the US in December, ahead of consensus market expectations. It was the fastest annual rate of increase since 1982 and the third month in a row inflation had tracked above 6%. To put this in context, one year ago inflation was just 1.4%. Core inflation, which strips out more volatile energy and food prices, rose to 5.5% as inflation spread to used cars, food, airfares and clothing. Whilst economists continue to debate the extent to which the inflationary surge has been brought about by a supply and demand imbalance that has resulted from the COVID-19 pandemic versus the extraordinary increase in money supply owing to accommodative central bank quantitative easing programs, it is now clear that these pressures are not simply transitory and will require central bank intervention to cool the economy.

In a significant policy pivot, the Fed finally relented and has now moved to get ahead of the inflation narrative and announced that it would stop buying bonds in March and put markets on notice that US rates could rise before the economy reaches full employment. Following its latest two-day meeting in late January, the Fed chair Jerome Powell said: "I would say the committee is of a mind to raise the federal funds rate at the March meeting assuming that conditions are appropriate for doing so," adding that "The economy no longer needs sustained monetary support". The end of the Fed's easy money has somewhat unnerved investors, with the key concerns being the speed at which rates may need to be hiked in order to bring inflation under control and whether a rapid tightening cycle may eventually throw the economy into recession.

Our own RBA remains stubbornly insistent that it remains "too early to conclude that [inflation] is sustainably within the target band". At the February meeting of

the RBA, the status quo on rates was maintained, with board members continuing to point to transitory pricing pressures in the economy which might yet abate. This comes despite headline inflation recently printing at 3.5% for the year and the trimmed mean measure of core inflation, preferred by the RBA, now at 2.6%. The RBA has for some months now continued to rebuff suggestions of a likely surge in inflation, singling out Australia's unique circumstances and noting that the "starting point for inflation and wages growth are lower in Australia than they are in many other countries", several of whom have moved rates higher in recent months. The RBA board will nevertheless terminate its quantitative easing program in February which ought to start to withdraw liquidity from the economy and tighten financial conditions somewhat. RBA governor Philip Lowe has conceded that interest rates could plausibly be lifted later this year if the economy performs stronger than anticipated. OC Funds remains concerned that the RBA is behind the curve on inflation given that the inflation genie can be very difficult to put back into the bottle once it is unleashed. Contrary to the RBA stance, money markets continue to price in several rate increases in Australia in 2022.

It is important to note that rising interest rates are not, *prima facie*, alarming but rather signify that the economic recovery is accelerating and needs monetary tightening to prevent it from overheating. If left unchecked, a more drastic policy response may be necessary down the track which could have more negative economic implications. Rising rates 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 reflation occurring in the economy, although controlling inflation remains the critical caveat.

Domestically, the economic signs remain overwhelmingly positive, despite the economic damage caused by the COVID-19 Omicron variant. Unemployment fell to 4.2% in December which is the lowest level since 2008 and households remain well placed to resume spending now that self-imposed lockdowns for many are ending with Omicron case numbers falling. A near doubling of the household savings rate to 19.8% during the December quarter leaves consumers well placed to loosen the purse strings once people feel safe to move around freely.

The stock market has staged a relief rally into the start of February, with domestic investors seemingly emboldened by the RBA holding firm on imminent rate rises. Whilst the Fund has benefitted from this bounce, we remain cautiously positioned heading into the February results period and expect further market volatility in the months ahead as accommodative central bank policies are unwound. The OC Fund's portfolio is holding fewer high growth stocks than perhaps at any stage in the past five

years, having pivoted the portfolio towards stocks that ought outperform in a rising interest rate environment.

Company results period will no doubt refocus investor attention back on company fundamentals and away from macro-economic considerations. It has been a challenging six months for companies that have had to navigate some very different economic conditions including a reopening recovery followed by an abrupt slow-down brought about by a surge in COVID-19 case numbers, as well as well documented supply chain, labour shortages and other pricing pressures. As always, we will remain focussed on the outlook for the companies in our stock universe with an eye to investing in those that are sensibly priced and best positioned both operationally and from a management perspective. We look forward to providing our investors with a comprehensive summary of the results period in our February monthly review.

Top 5 holdings[#]

Company	ASX code
Cedar Woods Property Limited	CWP
Money3 Corporation Limited	MNY
Telix Pharmaceuticals Limited	TLX
Universal Store Holdings Limited	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 soft-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.