

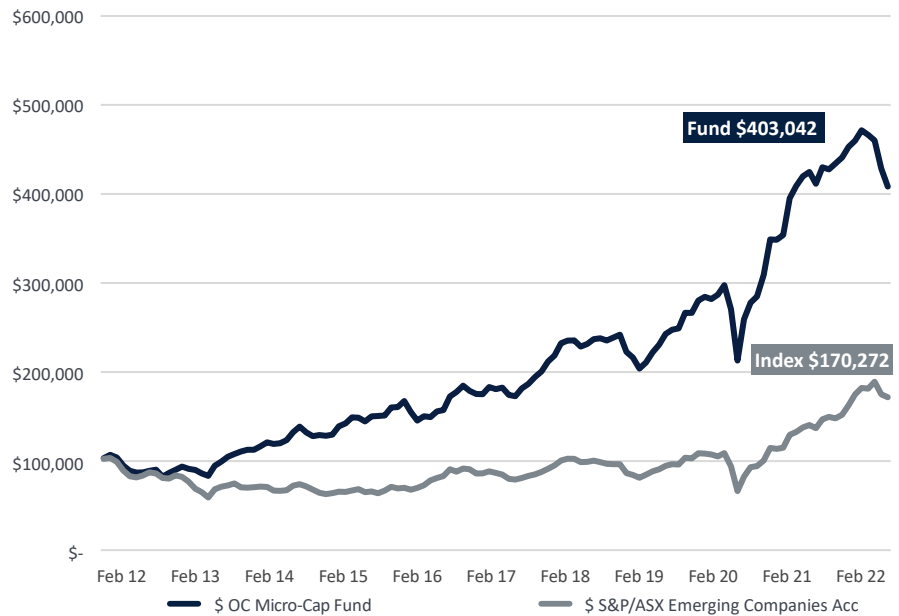
 Fund down -4.7% for the month
-4.7%

 Returned 17.9% p.a. for the past 5 years
17.9%

 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 28 February 2022 [†]	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	-4.7	-12.5	-3.9	22.8	17.9	15.0	14.6
S&P/ASX Emerging Comp. Accum	-1.9	-5.5	22.9	25.6	15.2	5.5	NA
Outperformance	-2.9	-7.1	-26.7	-2.9	2.7	9.5	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

The OC Micro-Cap Fund finished February down a disappointing 4.7% which was behind the S&P/ASX Emerging Companies Accumulation Index which fell 1.9%. The strong performance of commodities once again provided a material relative headwind for the Fund during the month with the resources sector contributing +1.3% to the micro-cap index during February. Key commodity prices including crude oil, coal, nickel and safe haven asset gold surged higher late in the month following the Russian invasion of Ukraine driving resource stocks sharply higher as investors scrambled to increase their exposure. The exposure of resource and energy companies are at record levels within the micro-cap index, constituting some 49% of the index at the end of February. Given the Fund's aversion to investing in higher risk single commodity and single mine stocks that dominate the micro-cap resources space it was a challenging backdrop against which to keep pace with the broader index.

Inflation was once again in sharp focus driven by mounting evidence of more sustained pricing pressures

across the global economy and increasingly hawkish posturing from central bankers, although the RBA remains an outlier on this. Against this backdrop, it was perhaps not surprising that the Funds best performers in February included value names **Regis Healthcare Ltd (REG, +18.5%)**, **MMA Offshore Limited (MRM, +18.5%)** and **Pacific Current Group (PAC, +9.0%)**, whilst growth names like **Telix Pharmaceuticals (TLX, -27.2%)**, **Nitro Software (NTO, -21.4%)** and **Frontier Digital Ltd (FDV, -16.0%)** were heavily sold-off.

Residential aged care provider **Regis Healthcare (REG, +18.5%)** performed strongly following the release of their results in late February. The company closed the period with occupancy well ahead of the average rate of the last six months and an outlook for improvement. After a difficult two years for the sector, the headwinds look to be abating. The relaxation of COVID-19 related restrictions has increased opportunity for visitors for residents and tours for incoming residents and families which were cited as a reason for lower occupancies in

recent years. In addition, we see potential for positive news flow with the details of the budgeted additional funding to support the new minimum care standards likely to be formalised in coming months. While outbreaks in homes are likely to continue to create some disruption, the reduced isolation requirements, such as closing only the affected ward instead of the whole facility and reduced isolation times for exposed employees, create a more practical and lower cost working environment. We remain holders of the stock, having accumulated a position during price dips since December 2021.

MMA Offshore (MRM, +18.5%) share price moved higher during the month as its interim result illustrated the value now on offer in this once highly distressed capital equipment provider. MRM contracts out vessels, and marine and subsea services, to the offshore energy, renewables, and wider maritime industries in Australia and internationally. MRM operates a modern, world leading fleet of 24 vessels and has 1100 employees operating out of six facilities globally. MRM also carries a fleet of non-core vessels held for sale (approximate value \$30m). OC acquired its position in MRM at a deep discount to its prevailing NTA in late 2020 when its balance sheet required re-capitalisation through a \$93m capital raising and a restructure of its debt facilities which included a term extension, covenant waivers and \$15m of debt forgiveness from its syndicate of lenders. MRM was traditionally seen as a service provider to the offshore oil and gas sector and leveraged to hydro-carbon market conditions. In recent years, MRM has expanded its offering into the burgeoning offshore wind turbine market and is also increasingly servicing the government and defence sectors through offshore surveys and infrastructure work. MRM's solid H1 result was delivered in the face of industry challenges brought about by COVID-19, with highlights including improved revenue growth and earnings margins, the further repayment of debt and the company guiding to an improved outlook in H2. Still priced at a discount to NTA (0.6x), with surplus assets available for realisation to further strengthen its balance sheet, and trading on a mid-single digit EBITDA multiple, we see MRM as a good exposure to continue to carry in the portfolio, particularly in view of strengthening energy markets.

PDF productivity and digital signature company **Nitro Software (NTO, -21.4%)** was sold off aggressively by the market after posting an inline result and forecasting a larger than expected CY22 cash burn forecast. Whilst NTO has US\$48m of cash and has guided to at least +39% organic growth in annualised recurring revenue (ARR) and 29% revenue growth, they also guided to EBITDA losses of US\$18-21m. Negative operating cashflow technology stocks have fallen out of favour due to the risk of equity raises and dilution in a market wary of elevated tech

valuations. The company is ramping operating costs given the annualisation of the recently acquired e-signing business Connective and expansion of existing headcount in sales and technology roles in order to drive organic growth. NTO disclosed on their result call that moderating investment is likely in CY23 which is likely to result in cash flow breakeven. Technology stocks, including global peers Adobe and DocuSign were sold off heavily across the board as the spectre of inflation raised the likelihood of further interest rate rises which saw long duration growth assets, such as technology shares, de-rate materially.

Lumos Diagnostics (LDX, -43.8%) was caught in the downdraft impacting many earlier stage med-tech companies during the month despite LDX updating the market with a very encouraging announcement regarding a partnership with the Victorian Government. LDX specialises in rapid, cost-effective, and complete point-of-care (POC) diagnostic test technology to help healthcare professionals more accurately diagnose and manage medical conditions. Lumos offers customised assay development and manufacturing services for POC tests and proprietary digital reader platforms. It also directly develops, manufactures, and commercialises novel Lumos-branded POC tests that target infectious and inflammatory diseases. LDX has a number of products that are in late-stage approvals in Australia (TGA) and the US (FDA) which could be used in the fight against COVID-19 and are expected to deliver strong sales and shareholder returns in FY23. In February, the Victorian State Government announced a support package which would see it work with LDX in establishing a local manufacturing capability in rapid antigen tests (RAT's), which is subject to Australian TGA approval for CoviDx self-test. This same test was granted an interim authorisation order from Health Canada in 2021 and has already received material purchase orders from various Canadian customers. The Victorian Government is expected to be a foundation CoviDX customer once expedited TGA clearance is received (which expected in the very near term). With a promising suite of products so close to approval and commercialisation, we continue to hold LDX in the portfolio, albeit at a reduced weighting.

Outlook

Global equity markets have had a tumultuous start to the new year with inflationary concerns and the Russian invasion of Ukraine driving extreme volatility and material declines across most global stock indices. The domestic reporting season, which was overall solid, was totally overshadowed by offshore geopolitical events after Vladimir Putin launched his long-feared invasion of Ukraine, unleashing attacks on strategic targets in major cities including the capital Kyiv and ordering Russian troops and tanks into the country in what amounts to the

largest military attack in Europe since World War II.

The International Monetary Fund (IMF) has warned Russia's war with Ukraine and the subsequent sanctions imposed in response will have a "severe impact" on the global economy. "While the situation remains highly fluid and the outlook is subject to extraordinary uncertainty, the economic consequences are already very serious," the Washington-based lender said in a statement on Saturday. Price shocks are already being felt worldwide with energy prices, metals and soft commodities such as grain prices skyrocketing in the past week and we have also seen supply chains come under renewed strain adding further momentum to inflationary pressures that were already front of mind for policy makers and investors alike.

Higher commodity prices and supply side shocks have the potential to depress growth and stoke inflation, considerably raising the stakes for central bankers worldwide as they weigh the need to increase borrowing costs against the risk of stunting the economic recovery. On Friday last week, two top officials from the US Federal Reserve (the Fed) pushed back on the idea that they would launch a pre-emptive strike on inflation by hiking interest rates by 50 basis points next month. Fed Chairman Jerome Powell said he would propose a quarter-percentage point rate increase at the central bank's meeting in two weeks amid high inflation, strong economic demand and a tight labour market. Before Russia's invasion of Ukraine, Mr Powell had laid out the likelihood of a series of rate increases this year. While it remains premature to say how the war and the strict economic curbs imposed by the West against Moscow would influence the US economy, commentary from the Fed has become increasingly hawkish around the growing urgency to continue to tighten monetary policy.

Our own RBA continues to buck the trend of its central bank peers and did not deviate from the dovish 'forward guidance' on the cash rate at its meeting at the start of March where the cash rate was maintained at 10 basis points. The RBA remains "committed to maintaining highly supportive monetary conditions to achieve its objectives of a return to full employment ...and inflation consistent with the target", and "will not increase the cash rate until actual inflation is sustainably within the 2 to 3% target range". In a material caveat, however, the RBA added that the Ukraine war is a "major new source of uncertainty" and predicts inflation will "spike higher" than forecast this year as the conflict drives up fuel costs. This statement leaves considerable leeway for a hawkish pivot from the RBA in the coming months which financial markets continue to anticipate.

At the coalface of the domestic economy, inflationary

forces have been increasingly called out by management over the recent reporting season, with most companies explicitly commenting on the outlook for inflation and the impact on their business. The focus of most commentary has been on the extent of cost pressures and supply chain disruptions, from freight and materials prices to soaring energy costs and emerging wages pressures. Harvey Norman chairman and retail billionaire Gerry Harvey perhaps put it most unequivocally: "Prices are going up, there is no doubt about that," Mr Harvey said last Friday. "There is nothing not going up in the whole market. Doesn't matter whether it's petrol or food, everything is going up at the moment and that's why everyone is talking about inflation. It is true it is happening".

Inflation aside, news on the domestic economy front remains overwhelmingly positive with economic growth rebounding 3.4% in the December quarter, bouncing back from the COVID-19 Delta-variant lockdowns in NSW and Victoria. Furthermore, the Australian economy grew at an impressive 4.2% for the year, according to the national accounts recently published by the Australian Bureau of Statistics. These latest GDP figures are further validation of the strength of the Australian economy which has outperformed almost every developed economy since the start of the COVID-19 pandemic. A low unemployment rate of around 4% and the prospect of the Reserve Bank of Australia gradually raising interest rates from the second half of this year bode well for the local outlook. Whilst there are risks on the horizon from the Russian-Ukraine conflict including a coming hit to the hip pocket of consumers from rising petrol and energy prices, the near-term spike in grain, coal and iron ore prices will be a material boon to Australia's national accounts and ought to leave the government well placed financially to cushion any deterioration in the economic outlook.

The confronting reality of the unprovoked attack on the Ukraine and the ongoing loss of life provides an uncomfortable backdrop to discuss investment strategy. We are in a time of great uncertainty and we have no particularly useful insights into what happens next or how things may play out on the battlefield. Markets are in uncharted territory given the unpredictable nature of Vladimir Putin and the Russian army and nobody knows where the conflict will send share prices and investment markets. We expect markets to remain volatile in the near-term but panicking and selling shares once a battle is underway has historically not proven to be a sensible investment approach. A study of recent conflicts suggest that much of the damage is typically done in the lead up to and in the early stages of the hostilities and selling at this juncture has been a poor strategy as investors trying to time the market tend to find themselves exiting at the bottom and missing the inevitable bounce. We are reminded of the adage "Buy the cannons and sell the

trumpets” which essentially means buy in the heat of battle when stocks are being heavily sold down and sell into the inevitable bounce on good news when peace is restored. Indeed, we have been using the volatility to selectively add to oversold stocks the portfolio in past fortnight.

Our heart too goes out to our readers impacted by the horrific floods on the East Coast which has destroyed property, livelihoods and taken lives. Fortunately, there has been very limited direct impact on the Funds themselves, but we send our thoughts and well wishes to those who have been impacted.

With reporting season in our rear view mirror the team will be out on the road in the coming weeks with trips to WA, NSW and QLD all planned over the balance of March. We thank our investors for their ongoing support and hope that there are happier topics to discuss with you all in the coming months.

Top 5 holdings[#]

Company	ASX code
Cedar Woods Property Limited	CWP
Lotus Resources Limited	LOT
Silk Logistics	SLH
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 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.