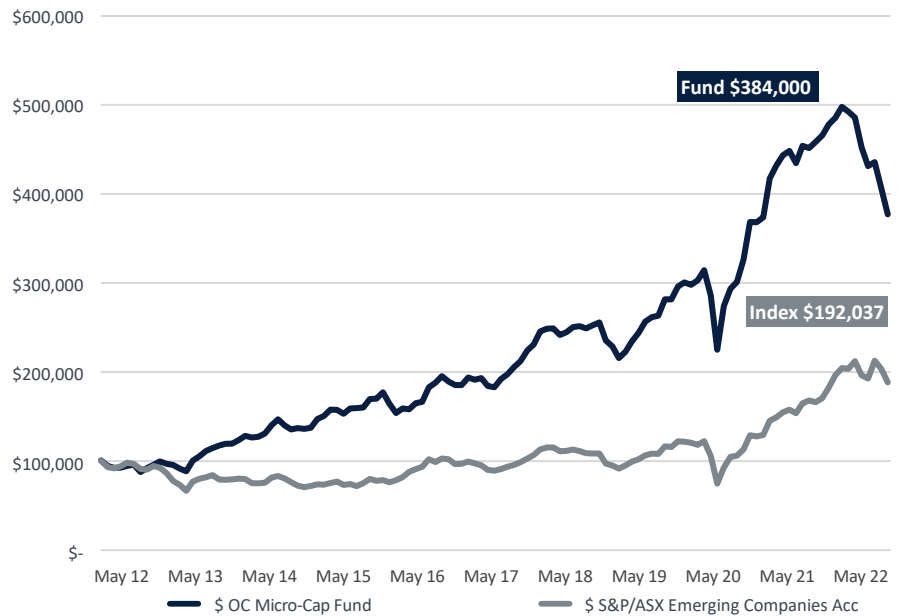


 Fund down -7.4% for the month
-7.4%

 Returned 15.8% p.a. for the past 5 years
15.8%

 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 May 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	-7.4	-12.7	-16.6	13.1	15.8	14.4	13.5
S&P/ASX Emerging Comp. Accum	-7.7	-2.3	12.5	21.0	16.8	6.7	6.9
Outperformance	0.3	-10.4	-29.1	-7.9	-1.0	7.7	6.6

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

Global markets sold off aggressively early in May as concerns mounted that economic growth will slow as central banks hike rates to target inflation, with the war in Ukraine and China's lockdowns adding to investor apprehension. The key US S&P 500 Index briefly entered bear market territory (generally considered a 20% fall from peak) before bouncing back later in the month as investor fears around rampant inflation were tempered by a more moderate US April CPI print. The April inflation data showed that price rises slowed during the month leading to speculation that 'peak' inflation in the US may have already passed and that the US Federal Reserve (the Fed) interest rate trajectory may therefore be less aggressive than had been previously assumed.

Whilst the S&P/ASX 100 Accumulation Index and broader S&P/ASX All Ordinaries Accumulation Index held up relatively well, underpinned by the solid relative performance of the big four banks and large-cap resource companies, the small and micro-cap end of the

market was punished in May. The S&P/ASX Emerging Companies Index was down 7.7% for the month and the OC Micro-Cap Fund fared little better, down 7.4% over the same period. Small and micro-cap stocks came under significant pressure across the board during the month as investors reassessed their risk appetite as global growth expectations slowed.

Against such a negative market backdrop, more economically resilient companies were stand out performers during the month with Fund holdings **Propel Funeral Partners (PFP, +7.4%)** and **Regis Healthcare (REG, +7.6%)** no exception. REG, an aged care provider, provided an update during the month on occupancy rates and delays to COVID-19 cost reimbursements which, whilst prima face short-term negatives, saw the REG share price ultimately move higher. We also met with industry experts to discuss the likely impact of a change in government which gave us confidence in the positive longer-term backdrop for REG. The existing aged care

reforms are largely seen as positives by the industry and have bipartisan political support at a federal level. Our research corroborates the assertions of the listed aged care providers that these reforms are likely financially net positives for these companies, and we further expect there could be a larger benefit in FY23 as the new funding regime (leading to increased revenues) commences a year in advance of the new care requirements (likely leading to increased costs).

Australian and New Zealand funeral home operator PFP is set to benefit from the end to funeral related COVID-19 restrictions. Lockdowns had the dual impact of reducing the death rate below its historic trend and reducing the attendance at funerals (and therefore tempering PFP's revenue opportunity). In a market filled with fear and uncertainty, this type of staple, defensive investment can gain increasing investor attention. While these positive influences were also outlined by PFP's larger listed peer, **Invocare (IVC, -9.6%, not held)** at their AGM, reinforcing our positive view on PFP, absenteeism and company specific factors saw the IVC share price lower as a result.

Trajan Group (TRJ, -23.8%) is a growth focussed micro-cap stock with long duration cash flows that was sold off by the market over the month on no particular company specific news. Despite inflationary and supply chain pressures, we expect that TRJ should meet the market's consensus earnings expectations for FY22. Furthermore, we expect TRJ to raise prices in order to partially mitigate inflationary challenges which should assist in delivering FY23 earnings growth. TRJ manufactures high precision consumables and automation systems for liquid and gas chromatography and mass spectrometry testing workflows. This precision componentry is used in the analysis of biological, food and environmental samples in life sciences applications and its earnings should be relatively stable in the event of an economic downturn. TRJ customers include global original equipment manufacturers (OEMs) of gas chromatography and mass spectrometry testing platforms which sell TRJ manufactured product under OEM branding, as well as end consumers of its products such as life sciences testing organisations. TRJ has also developed a portfolio of innovative technologies such as the Hemapen, a micro-sampling tool.

Trajan should deliver defensive organic growth with improving profit margins, due to the offshoring of some manufacturing, in addition to delivering revenue growth ahead of cost growth. TRJ has also executed on three material acquisitions recently which were funded from IPO proceeds which underpins its inorganic growth ambitions.

During the month we added resources technology business **Chrysos Corporation, (C79, +40.9% since**

acquisition) to the portfolio. We initially passed on participating in its recent IPO, despite our attraction to the world-class technology, due to the elevated valuation at which the float was priced. We opportunistically purchased the stock shortly after it listed at a price that was some 40% below issue price. C79's highly disruptive photon assay technology delivers faster, safer and more accurate gold sample data which has the potential to revolutionise the way both miners and explorers approach drill core analysis. Originally developed by the CSIRO (22% shareholder), the C79 photon assay technology involves the use of high energy x-rays to excite the atomic nuclei of specific minerals in the sample to analyse metal (and moisture) content. This is a step change from traditional destructive, fire-based assay analysis which involves higher labour and consumables costs and also has a larger carbon footprint and higher lead contaminated waste output than C79's photon assay process. The business model is underpinned by long term, infrastructure like annuity revenue streams from blue chip gold miners (such as Barrick) and global laboratory services clients (such as ALS and SGS). C79 has 38 units currently installed or contracted to customers (representing total contracted value of A\$559m) and its total addressable market is potentially +500 units with the ability to expand unit application into other commodities such as copper, silver, lead and uranium. C79 raised A\$65m at its IPO to support the company's growth strategy, which is focussed on deploying further units globally. The stock is currently capped at about \$500m and we believe has many years of organic growth ahead of it.

Outlook

Equity markets whipsawed throughout the month of May as investors weighed up hawkish central banks, falling growth projections, ongoing war in Ukraine and some bearish forecasts from bellwether US retailers, against signs US inflation may have peaked, generally robust economic data in Australian and the US and heavily sold off equity valuations. There is much for investors to digest in the current climate and the often contradictory signals are leading to heightened volatility which is likely to remain for some time.

Criticism of the Fed mounted during the month with former Federal Reserve presidents Ben Bernanke and Janet Yellen joining a chorus of former central bank colleagues in chastening the central bank for failing to address inflationary pressures sooner. More recently, Fed Chairman Jerome Powell has been unequivocal in stating that the Fed will keep raising interest rates until there is "clear and convincing" evidence that inflation is in retreat. Core inflation (which excludes volatile food and energy items) rose 6.3% over the 12 months, down from 6.6% in

March which was the highest annual pace since August 1982. Recent market updates from consumer bellwethers Target and Walmart suggest the US economy may already be slowing, although April macroeconomic data remains robust including April retail sales numbers, the May jobs report (unemployment steady at 3.6%) and the Institute for Supply Management's Manufacturing PMI for May, a closely followed index of US-based manufacturing activity which showed US manufacturing has improved even though global supply chains have dampened activity. Despite the macro data continuing to point to a solid US economic environment, it is still likely to be a difficult task for the Fed to orchestrate a soft landing for the US economy against a backdrop of elevated inflation. As a result, the OC Fund's portfolio has limited exposure to the US economy at this juncture.

Closer to home, Australia still looks better positioned than many of its global peers to achieve a soft economic landing and avoid recession. Inflation in April reached an uncomfortably high 5.1%, the highest level in over 20 years, and RBA Governor Philip Lowe has indicated that rates are swiftly heading towards a neutral rate of 2.5% with 40-50 basis point increases widely expected at the June and July RBA board meetings. Housing prices have started moderating, particularly in Sydney and Melbourne, after rising strongly over the past 12 months and are widely expected to fall 10-15% as interest rate increases and tighter lending standards cool demand. But a low unemployment rate of 3.9%, a historically high household savings rate, as well as recently announced budget handouts to low and middle income earners, leaves domestic consumers reasonably well placed to continue to spend even allowing for near-term inflationary pressures, rising interest rate rises and a falling housing market. The ongoing conflict in the Ukraine has contributed to very high commodity prices and the strength in coal, iron ore and wheat will be a boon to our national accounts and ought to leave the government with the fiscal firepower necessary to keep the economy in good health at a time when key industries such as education, tourism and our large services sector ought to be emerging from the COVID-19 induced hibernation.

Anthony Albanese of the Australian Labor Party (ALP) has been sworn in as Australia's 31st prime minister following a resounding victory in the recent federal election. The election showed a broad swing away from the incumbent Liberal Party, with a handful of Greens swept into the lower house and the senate, as well as some high-profile Liberal MPs losing their blue-ribbon seats to climate focussed "teal" independents. In terms of the impact of the change in government on the economy, we expect little by way of near-term material impacts. Unlike in the prior two elections, the ALP did not campaign with a

significantly different policy platform to the incumbent government, nor did it seek a mandate for major change. Therefore, we expect few immediate changes to the portfolio as a result of the change in government.

Key election promises from the ALP include award wages increases for minimum wages earners in-line with headline inflation (5.1%) which will have implications for labour intensive businesses without pricing power. We also expect to see greater support for affordable housing, energy transmission (emissions reduction targets of 43% and boosting renewables to 82% of electricity supply by 2030), the National Broadband Network (NBN) and the National Disability Insurance Scheme (NDIS), as well as a clear commitment on education, aged care and childcare.

As flagged in the April monthly, we do not expect that any of the stocks in the portfolio will be adversely impacted in a material way by a change in government, although aged care provider Regis Healthcare may ultimately end up being a beneficiary of a more favourable funding outcome under a Labor government. Additionally, GenusPlus (GNP), a specialist provider in power and telecommunications transmission and distribution infrastructure, is likely to be a beneficiary of the incoming government's commitment to energy transmission having promised to invest \$20b for the urgent upgrade of the electricity grid so it can handle more renewable power, a scope of work clearly within GNP's sphere of competency.

The potent cocktail of rising inflation, hawkish central banks, the war in Ukraine and further supply chain disruptions has seen Australian small and micro-cap industrial stocks aggressively sold off since the start of the calendar year. High growth stocks with longer duration cash-flows are particularly sensitive to rising bond yields in an inflationary environment and have worn the brunt of the market sell-off. This includes some of the higher quality names in micro-cap investment universe which have sold off heavily in the calendar year to date including Beacon Lighting, RPM Global and Pacific Smiles. If the economy slows, as expected, as interest rate rises put the brakes on demand, then a time will come to rotate away from cyclical names into growth companies that can continue to increase their earnings against the backdrop of slowing economy. We do not yet think we are at that point. But the Fund is cashed up (+10% cash) and well positioned to capitalise on the opportunity to purchase some quality micro-cap names at compelling prices in the coming months.

Top 5 holdings[#]

Company	ASX code
Cedar Woods Property	CWP
Monash IVF Group Limited	MVF
Propel Funeral	PFP
Silk Logistics	SLH
Telix Pharmaceutical	TLX

[#]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.