

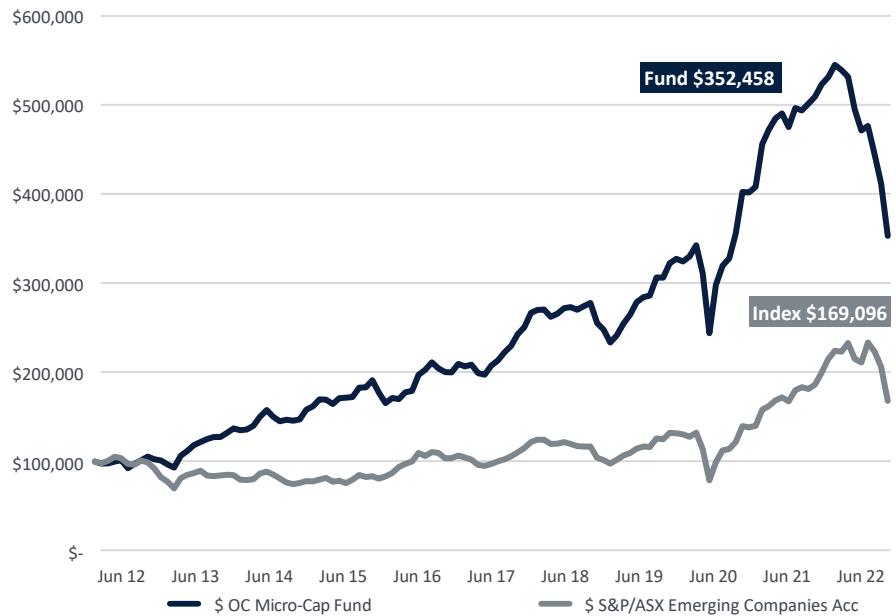
 Fund down 25.8% for the quarter
-25.8%

 Returned 11.2% p.a. for the past 5 years
11.2%

 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 June 2022 ¹	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	10 yrs % p.a.	Incep. % p.a. (Nov 2003)
OC Micro-Cap	-14.2	-25.8	-29.5	7.3	11.2	13.5	12.5
S&P/ASX Emerging Comp. Accum	-18.6	-28.1	-7.3	13.1	11.6	5.4	NA
Outperformance	4.4	2.3	-22.2	-5.8	-0.4	8.1	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 hard-close mid-prices and do not allow for the effects of income tax or inflation.

Performance review

The potent cocktail of rising inflation, hawkish central banks, war in Ukraine and further supply chain disruptions has seen asset prices sell off dramatically across the globe over the June quarter. Australian micro-cap stocks were no exception with the S&P/ASX Emerging Companies Accumulation Index down a hefty -28.1% during the quarter. There was nowhere to hide in the micro-cap space during the quarter with the sell-off broad based and brutal as investors reassessed their risk appetite as global growth expectations slowed. The OC Micro-Cap Fund fared slightly better but still posted a -25.8% return for the quarter which was disappointing.

Financial Year 2022 will be remembered as a tough one for investors globally with several key offshore indices finishing the 12 months to June in bear market territory, (generally defined as a peak to trough fall in excess of 20%). These 'bear market benchmarks' included the Nasdaq 100 (-23.9%), the Hong Kong Hang Seng Index (-24.2%) and the Korean KOSPI Index (-29.2%).

The OC Micro-Cap Fund had an 'annus horribilis' returning -29.5% for FY22. This was a disappointing outcome for investors after five years of solid returns since the Fund became a pure micro-cap product:

- +15.8% in FY17;
- +31.5% in FY18;
- +4.8% in FY19;
- +14.6% in FY20; and
- +52.9% in FY21.

Optically, the OC Micro-Cap Fund performance number (-29.5%) looks poor relative to the benchmark (-7.3%) which warrants some explanation. Resources stocks held up comparatively well over the past 12 months on the back of surging commodity prices with the metals and mining companies in the S&P/ASX Emerging Companies Index posting a return of +30.8%, contributing +9.3% to the Index to offset more than half of the decline in the rest of the benchmark. Another significant factor was the

performance of stocks in the benchmark larger than our \$500m market cap limit. Whilst the largest of these are promoted out of the benchmark every six months, over the year, 45 stocks in our Index were over this threshold (average market cap), including many of the previously mentioned resources companies. This group of 'above \$500m market cap stocks' contributed +18.6% to the benchmark return. The relative outperformance of these oversized stocks and of the resources sector proved to be a material headwind for the OC Micro-Cap Fund.

Most investors will be aware that our mandate prevents us from investing in stocks with a market capitalisation above \$500m (when we first invest). This ensures we provide a true to label micro-cap product. Our selection of benchmark reflects the closest available public benchmark, although the universe it reflects can diverge significantly at times. Furthermore, our focus on capital preservation and risk management leads us to exclude most unprofitable biotechnology and resources stocks from the portfolio, other than for short-term 'event driven' trades. Consequently, there will be times when these sectors are 'hot' and speculative commodity stocks perform well and we will underperform the Index. The past year has been such an instance given the strong performance of early-stage resource stocks. In the absence of fundamental earnings support, these stocks have begun to fall sharply over the past two months as investors have become more risk averse.

We remain comfortable with the long-term returns we are generating for our investors (12.5% per annum since inception in November 2003) and we do not plan on changing our investment process to enable us to invest more in speculative opportunities.

During the quarter, the outlook for global growth deteriorated sharply as the reality of rapidly rising interest rates to tame runaway inflation hit home. With the global economy slowing and price pressures rising, many companies will face margin and earnings pressure in the coming 12 months. Against this backdrop, the portfolio remains underpinned by a raft of companies that can grow their earnings largely outside of the economic cycle including emerging cancer therapeutic and diagnostic company **Telix Pharmaceuticals (TLX, +8.4%)**, pharmaceutical manufacturing and packing company **Probiotec (PBP, +3.2%)**, funeral services provider **Propel Funeral Partners (PFP, +1.9%)**, and childcare operator **Evolve Education Group (EVO, +0.0%)**. With the operating margins of many companies expected to come under pressure as the economy slows, we expect that investors will be prepared to pay a premium for high quality businesses that can continue to grow earnings at this point in the economic cycle.

Against this economic backdrop, it is no surprise that consumer discretionary stocks were amongst the poorest performers for the quarter. **Silk Laser Australia (SLA, -45.1%)**, a fast-growing cosmetic treatment chain, fell sharply in June on no company specific news despite a positive trading update earlier in the quarter confirming the company was on track to exceed the consensus of analyst forecasts. Likewise youth fashion retailer **Universal Store (UNI, -30.0%)** continued to trade lower during the quarter with the tide only eventually turning a few days after the company released a better than expected trading update in mid June. In recent weeks both stocks have begun to trade more positively, reflecting ongoing growth from store network roll-outs and increasingly compelling value.

Trajan Group (TRJ, -39.4%) is a profitable growth business that traded lower during the quarter after disclosing a supply chain affected FY22 result and also conducting a capital raise for an accretive acquisition. In the middle of June, TRJ disclosed that expected EBITDA for FY22 was \$1.5m short of previous market expectations (\$12.5m EBITDA). This was largely driven by supply chain delays impacting the delivery of products to end customers and hence delaying the recognition of high margin capital equipment sales. Whilst the current capital equipment order book is at record highs, delays of in-bound deliveries of parts and components from TRJ's suppliers has delayed out-bound deliveries of capital equipment to TRJ customers. As this revenue is otherwise contracted, it will likely be recognised in FY23. During the month TRJ also announced a \$28.5m share placement to partially fund the acquisition of Chromatography Research Supplies (CRS). CRS is a 25 year old business which manufactures chromatography consumables and tools in Louisville, Kentucky. CRS has been a supplier to TRJ since 2013 and has been consistently profitable. The acquisition is in line with the inorganic growth strategy outlined by TRJ at its 2021 IPO. TRJ will realise acquisition synergies through both the consolidation of the manufacture of some TRJ products in the US and through the improvement of CRS sales via the existing TRJ distribution capability.

TRJ has recently increased its prices in order to partially mitigate inflationary challenges which should further assist in delivering FY23 earnings growth. TRJ manufactures high precision consumables and automation systems for analytical 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 has also developed a portfolio of innovative technologies such as the Hemapen, a micro-sampling tool which is an early-stage business and is largely not reflected in the

current TRJ valuation. Trajan should deliver defensive organic growth with improving profit margins (due to the offshoring of some manufacturing processes) and should also be able to deliver revenue growth ahead of cost growth.

PeopleIN (PPE, -14.9% since acquisition), a new position for the Fund, traded lower during the quarter in line with the overall downturn in equity markets. Founded more than 25 years ago, PPE is a well-established and leading workforce management and staffing company operating in both Australia and New Zealand. Brisbane based, PPE has recorded an impressive uptick in earnings over its last 4.5 years as an ASX listed company, with both organic opportunities and business acquisitions driving a solid double-digit earnings per share compound annual growth rate (+25% per annum). PPE operates across 26 specialised brands and is focused on providing staffing services to those parts of the Australian economy that have significant and growing demand for employees including health and community care, technology, accounting, childcare, food, agriculture and mining. We believe PPE's targeted approach to specific sectors of the economy will see it continue to succeed with industry conditions (particularly in agriculture, resources and healthcare) supportive of further organic growth. The business model is also underpinned by favourable labour market conditions, wage inflation driving higher margins, the onshoring of talent led by the re-opening of international borders and the cross-selling opportunities within the PPE business. Additionally, bolt on acquisitions will drive further growth for the PPE business.

In June 2022, PPE announced the acquisition of the Food Industry People Group, a leading supplier of staffing solutions to the critical Australian food and agriculture sectors through the provision of 4,500 Pacific Island workers (PALM scheme). PPE paid less than 5x EBITDA for the acquisition which was funded from its existing cash reserves. After the recent share price movement, PPE is itself trading on just 5x EV/EBITDA (FY23). The company is generating a high level of free cash flow and is delivering a 5% fully franked dividend yield. We believe PPE is a compelling investment opportunity.

Outlook

We have written expansively about inflation throughout the 2022 financial year and escalating pricing pressures have had a major impact on our portfolio structuring over the past six months. Inflation remains front of mind for us as we enter the new financial year with central banks now scrambling to rein in rising cost pressures with many, including the US Federal Reserve (the Fed) and the Reserve Bank of Australia (RBA), having incorrectly assumed these pressures were transient and would

dissipate as the world normalises post the COVID-19 pandemic. During the quarter, inflation hit multi-decade highs in much of the developed world including the US (8.6%), the Euro-zone (8.6%), the UK (9.1%) and Australia (5.1%). Central banks worldwide have now declared inflation 'public enemy number one' and recent policy moves and commentary indicate just how seriously they are taking the problem. US Fed chairman Jerome Powell said he was more concerned about the need to stamp out high inflation than the risk an increase in interest rates could spark a recession.

"Is there a risk we go too far? Certainly there's a risk," he said. "The bigger mistake to make... would be to fail to restore price stability."

Interest rates across the globe will continue to move materially higher in the coming months and, coupled with quantitative tightening as central banks reign in the expansive bond buying programs launched during the COVID-19 pandemic, we expect that global growth will slow significantly.

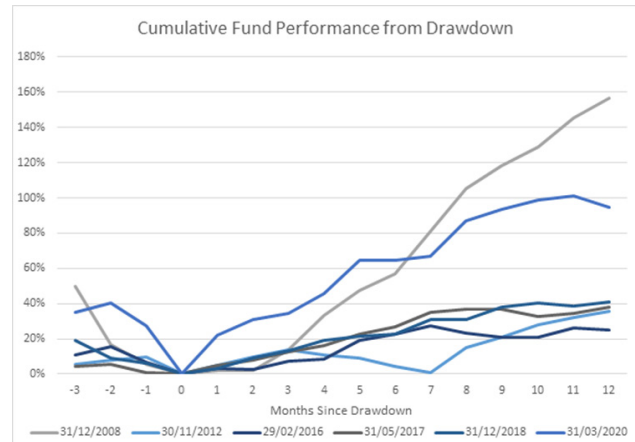
Whilst many commentators are now forecasting inflation to peak in the near-term, we are in unprecedented times given the lack of historically comparable periods to draw upon as a frame of reference. We think it is premature to draw this conclusion regarding inflation peaking near term and have positioned the portfolio accordingly. What is clearer is that economic growth is slowing across the globe as interest rates head higher. Our base case now assumes a recession in the Euro-zone, the UK and the US and the Fund is heavily underweight exposure to those regions. The consensus view remains that the US will avoid a recession, but we think this is unlikely with lead indicators of economic activity particularly bearish. The latest forecast from the Atlanta Federal Reserve suggests that rising inflation has sapped the buying power of the US consumer and may have already tipped the economy into recession, with estimates the economy shrank 2.1% in the second quarter of 2022.

It remains our position that 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 a 50-basis point increase at both the June and July RBA board meetings now locked in. The housing market has gone from experiencing a tailwind during much of the COVID-19 pandemic to now facing an emerging headwind with the CoreLogic home value index showing Sydney house prices have dropped by 2.8% in the quarter to June and Melbourne down by 1.8% during the same period. With peak to trough falls

of 15-20% in key capital cities now widely forecast by economists, this could have a material impact on the domestic consumer via the so called “wealth effect”, particularly given the recent concurrent declines in the value of other asset classes including stocks, bonds and crypto currencies. Fortunately, commodity prices remain elevated underpinned by the war in Ukraine and supply chain disruptions. This ongoing strength in commodities (such as wheat, coal and iron ore) will continue to boost Australia’s national accounts which ought to leave the federal government with the fiscal firepower necessary to keep the economy in reasonable health, despite mounting headwinds created by rising interest rates. In addition, key industries such as education, tourism and our large services sector ought to become a growth tailwind domestically as they emerge from COVID-19 induced hibernation.

Heading into reporting season, the prospect of profit margins coming under pressure from rising inflation and softening consumer demand is firmly on our radar. Given the challenging macro-economic backdrop, we believe it is unlikely that many boards will be prepared to give earnings guidance into the new financial year. In such an environment, investors are likely to put a premium on earnings certainty and companies that are resilient to the economic cycle. As such, the Fund has modest exposure to consumer facing stocks and is focussed on deploying capital into stocks that can grow their earnings outside the economic cycle.

If, as expected, the economy slows as interest rate rises put the brakes on demand, then a time will come to rotate into growth companies that can continue to increase their earnings against the backdrop of a slowing economy. Many of these companies have sustained large share price falls this year so far including Temple and Webster (-69.1%), City Chic Collective (-66.7%), Superloop (-39.5%) and Bravura Solutions (-41.2%). But we do not yet think we are at that point. The Fund is cashed up and well positioned to capitalise on the opportunity to purchase quality micro-cap names at compelling prices in the coming months. The good news for investors is that the OC Funds investment team is highly experienced and together we have successfully navigated the various bear markets over the past 20 years. The following chart shows the performance of the Fund after previous pullbacks in performance.



We have now entered the so called ‘black out’ period between the end of the financial year (30 June) and the delivery of company financial results in the August reporting season. During this intervening period, company management teams go into lock down and avoid investor communication ahead of the release of their full year results announcements. The investment team was very active during the quarter, travelling widely and communicating directly with all our holdings to ensure that our investment thesis remains intact and that the key assumptions underpinning our financial forecasts remain accurate.

We would like to thank our investors for their support through what has been a challenging year in the domestic micro-cap space. The investment team has high conviction that our investment process will continue to generate strong returns for investors over the long-term and we thank our investors for their ongoing support. All the best to everyone for a healthy, safe and prosperous new financial year.

Top 5 holdings[#]

Company	ASX code
Cedar Woods Properties	CWP
Probiotec	PBP
Propel Funeral Partners	PFP
Silk Logistics Holdings	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 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.