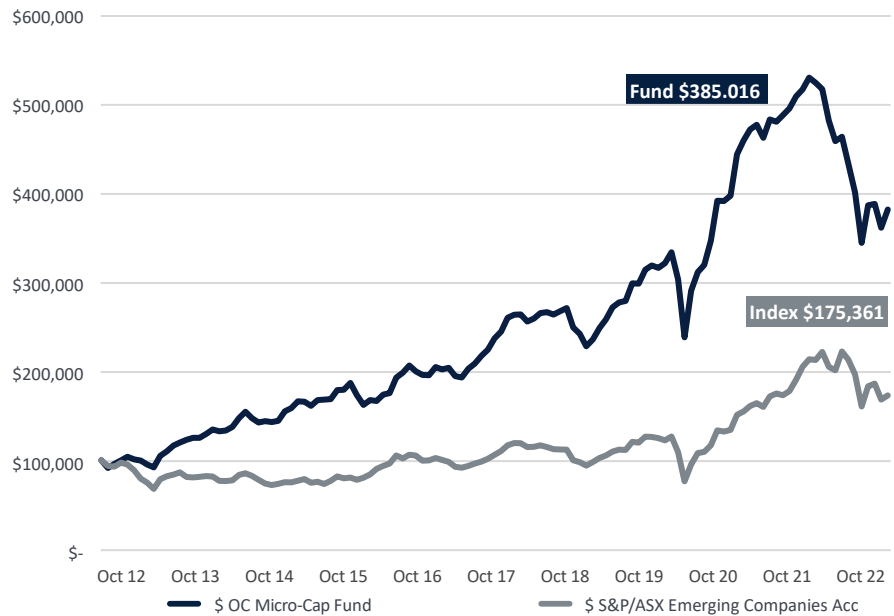


5.7%
Fund up 5.7% for the month

10.1%
Returned 10.1% 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 Oct 2022 [†]	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	5.7	-1.3	-28.1	6.2	10.1	14.5	12.9
S&P/ASX Emerging Comp. Accum	2.9	-5.6	-19.2	11.3	10.5	5.8	6.0
Outperformance	2.8	4.4	-8.9	-5.1	-0.4	8.7	6.9

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 equity markets bounced in October following a challenging calendar year to date as optimism grew that the US Federal Reserve may soon start to moderate the pace of interest rate hikes following a further 75 basis point rise in the federal funds rate in early November. Several other leading global central banks, including Australia and Canada, also hinted that the pace of interest rate increases could begin to slow to allow monetary authorities time to properly assess the impact on the economy of the rapid fire monetary tightening that has been undertaken over the past six months. The markets seem to be in that counter-intuitive paradigm where bad economic news (aside from inflation) is taken as a risk on signal by equity markets participants on that basis that the emerging economic headwinds are likely bringing us closer to the point where central banks cease raising rates. This is a difficult time to invest because sentiment remains extremely fragile, and volatility remains heightened.

The OC Micro-Cap Fund bounced strongly in October finishing the month up 5.7% which was ahead of the

S&P/ASX Emerging Companies Index which finished the month up 2.9%. This was a strong result given our relatively conservative portfolio positioning. We did use the aggressive sell-off in the September quarter to add some quality names to the portfolio which had been sold down to attractive entry points, including Aussie Broadband Limited and PeopleIn Limited. As a team, we remain attuned to the opportunity to add quality stocks to the portfolio at valuations not seen for many years and we are pleased to report we are making solid progress on that front.

Recent portfolio addition **Elmo Software (ELO, +107.1%)** attracted a takeover bid during the month and was a good contributor to overall portfolio performance in October. ELO is a leading vendor of integrated cloud HR, payroll and rostering/time and attendance software operating in Australia, NZ and the UK. ELO targets customers in the mid-market (>50 employees) and SME (<50 employees) segments. Late in the month, ELO announced its entry into a Scheme Implementation Deed with K1 Investment Management (K1) for the acquisition of 100% of ELO's

issued capital at \$4.85 cash per share, which represented a 100.4% premium to ELO's \$2.42 undisturbed share price. K1 is a US-based enterprise software focused private investment firm which has closed 34 investments in the last twelve months and has invested in over 200 enterprise software companies since inception. ELO's Board unanimously recommend that shareholders accept the offer in absence of a superior proposal and major shareholders representing 34.4% of ELO's register have announced their intention to vote in favour of the proposed offer. ELO was added to the portfolio in July when we recognised it as representing excellent value (at approximately \$220m market capitalisation and with net cash of \$48m) versus the estimated \$380m ELO has invested in the business since its ASX listing in 2016. Whilst we would have preferred to see ELO scale into being a highly profitable tech business in the coming years, we also recognise the solid premium of the K1 takeover offer and we will be accepting the bid in the absence of a superior proposal.

Telix Pharmaceuticals (TLX, +46.5%) was an outstanding performer during the month after its second quarter of commercial sales for Illuccix, its PET imaging agent, surprised on the upside in the critical US market. TLX reported Illuccix sales in the US of US\$36.4m in Q3 CY22 versus US\$13.6m in Q2 CY22, which was around 10% ahead of consensus market expectations. We estimate that Illuccix captured ~20% market share in its second quarter on the market and looks well placed to achieve at least 30% market share in the medium term. TLX also significantly reduced its cash burn during the quarter with quarterly net operating cash outflows of A\$5.3m, a material improvement on A\$25.8m in the previous quarter and the company looks to be controlling costs well. We now expect TLX to be EBITDA positive in FY23 and profitable in FY24. The company also announced several other positive milestones during the month including:

- Regulatory approval for Illuccix in the Canadian market for prostate cancer imaging, the first PET imaging agent to be granted regulatory approval in that market; and
- The approval by the Chinese Regulatory of an application to commence a pivotal phase 3 study for Illuccix in China for the imaging of recurrent prostate cancer. The trial will be conducted by TLX's partner Grand Pharma, with enrolment of the 110 patients expected to commence in 1Q23. Successful completion of the study will support a future marketing authorisation in a very large market for prostate cancer.

The positive news flow from TLX was a welcome relief after the short-term regulatory set back in Europe in late August after the company withdrew its Marketing

Authorisation Application (MAA) for Illuccix after being unable to satisfy unforeseen, last minute data requests within the statutory review timeframe. This will likely delay the commercial launch of Illuccix in Europe until CY25. Following a capital raising of \$175m in January 2022, TLX remains well funded to execute on its robust pipeline of additional material opportunities in the growing field of radiopharmaceuticals which is attracting far greater attention from investors and regulators.

Aussie Broadband (ABB, +2.6%) is a recent addition to the Micro-Cap Fund for the month. The stock was up 12% on entry at month end after posting a solid trading update and reiterating guidance at the AGM. ABB bounced after the market gained comfort that the company was on track for FY23 consensus earnings expectations that had previously been revised lower after the retail NBN market became more competitive and ABB planned additional cost investment. ABB disclosed that 1Q23 customer churn was in line with the previous 18 months and subscriber additions in 1Q23 had been consistent with 4Q22 without heavy promotion which consequently led to a lower cost to acquire customers. Furthermore, the Over the Wire acquisition has been generating revenue synergies early on as several large new customers were signed on multi product deals.

ABB had been a successful organic growth company in its relatively short ASX listed history until a period of consecutive downgrades over the last six months due to increased spending into both the residential and business strategies. These downgrades came after a \$114M placement at \$4 per share in 2021 to fund the acquisition of listed business telco Over the Wire. ABB is a NBN reseller which provides telecommunication services to both retail and business customers. Whilst NBN reselling is largely commoditised, ABB provides a premium service offering with all call centre staff based in Australia and hence has reasonably high customer retention. For this reason, ABB has grown off a base of 3.6% market share in June 2020 to 6.7% market share in September 2022. We have been looking for quality businesses with organic growth and economic resilience to add to the portfolio and have watched ABB since IPO with the share price weakness of late affording an entry point. We believe ABB is trading on an attractive valuation for a sticky telco reseller business which is generating organic growth and led by a founder CEO in Phil Britt who is a very large and therefore aligned shareholder.

Trajan Scientific (TRJ, -10.4%) was down after an AGM trading update which seemed relatively innocuous but did not include reiteration of FY23 earnings guidance. Management did not seem to indicate that anything had derailed expectations for FY23 earnings of \$21-25M normalised EBITDA. Commentary was mixed

with stabilised costs offset by persistent supply chain delays. This has driven growth in the backlog of capital equipment sales, however management seemed to indicate this is likely to resolve in 2H23. Increases in prices should offset cost inflation but will phase in over the remainder of FY23. We remain holders of TRJ and expect defensive earnings growth with potential for future accretive acquisitions. 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 microsampling tool.

Outlook

There has been a plethora of economic data and central bank commentary released over recent weeks which overwhelmingly indicates that core inflation remains stubbornly high in most regions and that monetary authorities remain laser focussed on returning their economy back to a period of price stability. The lagging nature of rate hikes means that the economic data in both Australia and the US remains robust and unemployment levels hover near multi-decade lows despite the jumbo-sized rate hikes we have seen over recent months. Europe and the UK remain much more challenging from an economic perspective with rampant commodity price pressures and an energy crisis brought about by the war in Ukraine meaning that stagflation appears to have already set in.

In the US, the CPI printed at 8.2% in September, despite a moderation in energy prices with shelter, food and medical care amongst the key drivers of price growth. Core inflation (excluding volatile food and energy items) – remains elevated at 6.6% over the 12 months and is proving ‘stickier’ than the Fed would have hoped suggesting that more rate pain lies ahead. The core PCE price index, a key inflation metric, rose in line with expectations and showed a decline from the second quarter.

The US economy remains resilient, albeit the impact of rate increases is yet to have been felt at the coalface of the economy. According to the US Department of Commerce, real GDP for the last quarter increased at a 2.6% annualised

rate, coming in ahead of expectations of a 2.4% increase. Furthermore, the report showed an end to two straight quarterly decreases in output, erasing previous concerns of a recession in the US. Manufacturing also appears to be robust, with the ISM new orders index coming in above expectations, rising to 49.2 in October from 47.1, whilst the labour market continues to remain strong, with the JOLTS data coming in ahead of expectations with a large 437k increase in job openings to 10.7m.

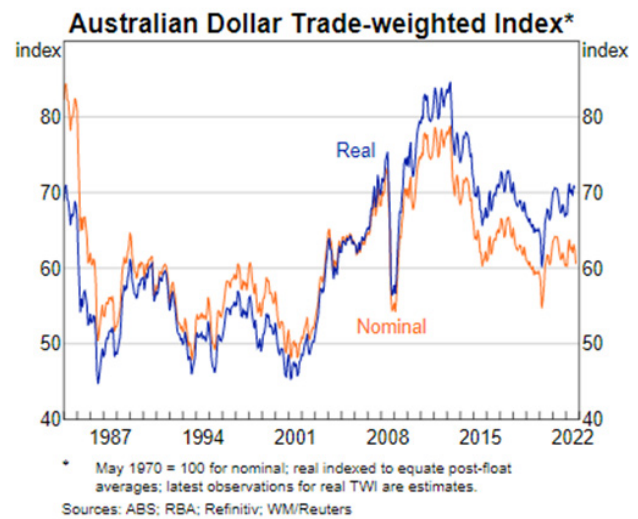
As expected, Fed Chairman Jerome Powell continued the unprecedented pace of interest rate tightening seen in recent months, increasing the target range for the federal funds rate by 75bps to 3.75% to 4.00% at the November FOMC meeting. Whilst some in the market were hopeful of signs of a potential ‘pivot’ in the Fed’s expectations, the messaging from Mr Powell at the November meeting put these rumours to bed and served to remind investors of the Fed’s mandate to bring inflation back to its target of 2%. Despite seeing signs of softening in the economy in areas such as growth in consumer spending, as well as a significant weakening in housing activity, the Fed continued to express concern that inflation remains elevated, and that the labour market ‘continues to be out of balance’, and thereby contributing to an elevated level of wages growth. Interestingly, the Fed has made efforts to shift the focus away from the size of the next rate hike, and more onto the peak and the length of time of elevated interest rates. Whilst acknowledging that the pace of future rate hikes may slow, taking ‘into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation’, in the subsequent press conference, Mr Powell noted this was not a change in the hawkish stance, commenting, “incoming data since our last meeting suggests that the ultimate level of interest rates will be higher than previously expected” and that “The question of when to moderate the pace of increases is now much less important than the question of how high to raise rates and how long to keep monetary policy restrictive”. Following the meeting, there is now an expectation from the market that the Federal Funds Rate will peak around 5.1%, above the Fed’s official forecasts of 4.6% from September.

Inflation remains front of mind in Australia with the CPI increasing 1.8% in the September quarter as the annual inflation rate rose to 7.3%, well ahead of the consensus expectation of 7.0%. The trimmed mean, the central bank’s preferred measure of inflation also advanced 1.8% in the quarter, taking the annual rate to 6.1%. This is the highest reading since the Australian Bureau of Statistics series started in 2003.

Despite this, the RBA has maintained its relatively dovish stance, increasing the official cash rate by 25bps to 2.85%. The higher-than-expected inflation print in

September is a cause for concern for the RBA, which lifted its expectations for inflation to peak at 8.0% in late 2022 and warned it is likely to remain at a higher level, around 4.75% over 2023 and a little above 3% over 2024. Comments from RBA Governor Lowe, however, continue to suggest that it would require a persistently higher level of inflation to reverse its relatively more dovish pivot from the previous October meeting, noting the material increase in rates since May and the lag with which monetary policy operates. In the RBA's release, Governor Lowe also pointed out the impact which higher rates and inflation have already had on consumer confidence and house prices – both factors which are clearly being taken into consideration in setting the pace of rate hikes. Whilst the RBA noted that the economy continues to grow solidly, it revised down its growth forecasts to around 3% this year, and 1.5% in 2023 and 2024, reflecting the impact of a slowdown in the global economy, the bounce-back in spending on services having run its course, and slowing household consumption due to tighter financial conditions. On the labour market, the RBA continued to expect the current tight conditions to persist over the months ahead, and unemployment to increase to a little above 4% 2024. Notwithstanding this, inflation remains the key focus, with the RBA reiterating its priority to return inflation to its target band of 2% to 3% range over time and noted that the *'size and timing of future interest rate increases will continue to be determined by the incoming data and the Board's assessment of the outlook for inflation and the labour market'*. Following the outcome of the RBA's November meeting, there is an expectation that the current pace of rate hikes will continue until mid-2023, with expectations of the RBA cash rate peaking around 4.0%.

With the financial markets pricing in a comparatively slower pace of rate increases in Australia compared to major trading partners such as the US, there is a potential risk that this could further reduce the attractiveness of the AUD. Whilst the AUD has fallen sharply against the USD to ~US\$0.64 which risks exacerbating inflation pressures, it is largely a USD strength story. As illustrated in the chart below, the Australian dollar trade-weighted index (TWI) or the price of the Australian dollar in terms of a basket of foreign currencies based on their share of trade with Australia, is much more balanced, suggesting this risk may be overstated.



In spite of rampant inflation and steep rate hikes, the domestic economy remains relatively robust. Late October marks the start of AGM trading updates and so far, for the most part, they have been better than expected. In particular, trading updates from retailers such as Adairs (ADH) and Super Retail Group (SUL) suggest that consumer confidence appears to be holding up better than expected. This strength is a continuation of the activity we saw during the August reporting season where a tight labour market and elevated energy costs are flowing through into higher domestic freight prices. As expected, there remains a mood of cautiousness over the next 12 months, with companies continuing to refrain from providing definitive financial guidance.

The Australian 'Mini-Budget' dominated headlines late in the month and the Federal Treasurer Jim Chalmers framed the budget as "solid, sensible and suitable to the times". The budget itself was well telegraphed to the market and was relatively benign in terms of material policy changes, as was widely expected given the short tenure of the new Labor government. There were some positives from an OC Funds portfolio perspective including:

- The Government announced \$9.6b of additional infrastructure spending which ought to be beneficial to SRG Global;
- \$4.7 billion plan to reduce the cost of childcare by increasing subsidies from July next year which ought to benefit Evolve Education;
- The permanent migration program has been expanded to 195,000 places a year and the Pacific Australia Labour Mobility scheme has been expanded which ought to benefit PeopleIn Limited.

Pleasingly, there were no obvious material negative outcomes from the 'Mini-Budget' for the portfolio.

Whilst the market finished the month solidly in the black in October, we remain cautiously positioned and of the view that this is likely a bear market rally. Core inflation remains stubbornly high meaning that central banks will forge ahead with further rate increases until such time that the inflation genie is back in the bottle. The economic damage that will result from these rate hikes will inevitably lead to demand destruction across the economy that will likely precipitate a wave of company earnings downgrades across the market throughout calendar year 2023. In the short-term, that should make any near-term equity rallies short lived. Nevertheless, there are some quality stocks that are getting sold off and the OC investment team has a shopping list of desirable companies that we will selectively purchase once they reach our valuation targets. As a team, we have been on the road with an extensive visitation program, making trips to NSW, Qld and WA in the last few months, meeting with the management teams of our portfolio companies, prospective investments and other industry participants. In person visitations form an important part

of our investment process, and we have a number of trips planned before the end of the year as we continue to build on our list of potential ideas for the fund. The Fund has typically bounced back strongly following equity market downturns and we are using the current volatility as an opportunity to cherry pick attractive new opportunities which ought to help drive attractive returns for our investors in the coming years.

Top 5 holdings[#]

Company	ASX code
Cedar Woods Property	CWP
Monash IVF Group Limited	MVF
Silk Logistics	SLH
Telix Pharmaceutical	TLX
Universal Store	UNI

[#]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.