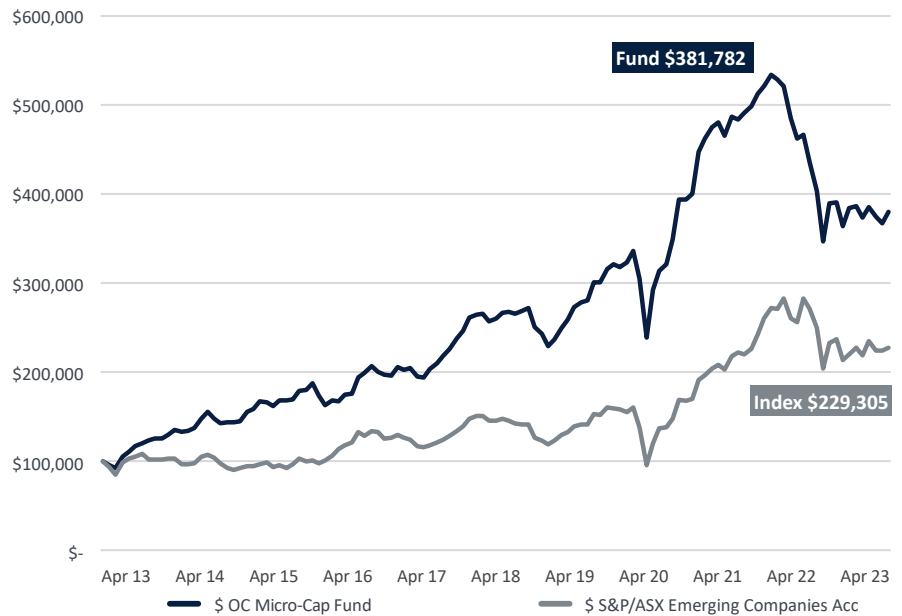


 Fund up 3.3% for the month
3.3%

 Returned 14.4% p.a. for the past 10 years
14.4%

 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 Apr 2023 [†]	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	3.3	-1.3	-12.9	9.1	7.8	14.4	12.5
S&P/ASX Emerging Comp. Accum	1.5	-3.0	-16.0	23.8	9.4	8.7	6.0
Outperformance	1.8	1.7	3.1	-14.7	-1.6	5.7	6.4

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

Global equity markets rallied in April as fears of a global banking crisis moderated and investors became more comfortable that peak interest rates were approaching in key markets such as the US. Global bourses that rallied in April included the US Dow Jones +2.5% and the S&P 500 +1.5%, the UK FTSE 100 +3.1%, the German DAX +1.9%, the Japanese Nikkei +2.9%, and our own ASX 200 +1.8%. The US first quarter reporting season is underway, with roughly 45% of S&P 500 companies reporting by the end of April. Results to date have moderately surprised on the upside with earnings numbers generally underpinned by margin resilience. This has engendered some confidence that the economic slowdown that is likely coming in the US will not deteriorate into a steep and protracted recession in the world's biggest economy.

The domestic micro-cap market too had a buoyant April with the S&P/ASX Emerging Companies Accumulation Index up +1.5% for the month. The OC Micro-Cap Fund performed ahead of the Index in April returning +3.3% for the month. Corporate activity was again in focus in the

small and micro-cap end of the market with Blackmores (BKL) entering a Scheme Implementation Deed with Kirin Corporation and SILK Laser Australia (SLA) receiving a non-binding, indicative and conditional offer from Wesfarmers' (WES) subsidiary Australian Pharmaceutical Industries. This is hopefully a sign that some confidence is returning to the space following a difficult period since the beginning of calendar year 2022.

Telix Pharmaceuticals (TLX, +47.1%) was an outstanding performer during the month with a series of positive announcements focussing investor's attention on this profitable and well-funded biotechnology company. Regular readers will be aware that TLX is a late-stage bio-technology company specialising in cancer imaging and treatment via molecular targeted radiation (MTR). MTR is on the cusp of revolutionising the treatment of certain cancers, thereby avoiding the deleterious effect of chemotherapy and radiation therapy on healthy tissue surrounding certain tumours. During the month, TLX announced that the US FDA had expanded the label

indication for Illuccix, its PET imaging agent for prostate cancer. Further, its Q1 global sales of Illuccix of \$100.1m comfortably exceeded consensus expectations driving material upgrades across the sell-side with the market now expecting the company to generate over \$100m in NPAT in FY24 (FY24 consensus = \$114m). Continued expansion in the total addressable market (TAM) (we now estimate this to be around US \$1.6b), label expansion and a Canadian launch (representing approximately 8% of US patient population) leaves TLX very well positioned to continue to surprise on the upside with Illuccix.

The TLX share price momentum has continued into May with the company announcing additional positive results from its pivotal Phase III ZIRCON study of its renal imaging agent (TLX250-CDx) in clear cell renal cell carcinoma. New data confirms its efficacy in masses 2cm or smaller. TLX250-CDx trial results met both primary and key secondary endpoints late last year which opens up a TAM of +US\$500m annually with no competing product currently approved in the space. TLX is expected to move towards FDA approval in late CY23 and commercial launch in H2 CY24. 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. Despite the share price rise, the company remains a key portfolio holding albeit we have trimmed our holding slightly into the share price strength.

SILK Laser Australia (SLA, +45.7%) rocketed higher during the month after receiving a \$3.15 per share, non-binding, indicative and conditional takeover proposal from Australian Pharmaceutical Industries (API) which is owned by West Australia based conglomerate, Wesfarmers (WES). Given the proposal was pitched at a 55% premium to SLA's 30-day Volume Weighted Average share Price (VWAP), the SLA board intends to recommend the proposal to its shareholders in the absence of a higher offer and has allowed API to undertake a period of exclusive due diligence. The API bid also has the support of a 9% SLA shareholder who has committed to accept the bid (in the absence of a higher offer). SLA provides laser hair removal and cosmetic injectables via both a company owned network, with equity aligned nurses, as well as through a network of franchisees. Whilst cosmetic injectables are a reasonably sticky and growing category, both injectables, body sculpting and laser hair removal (in particular) have an element of discretionary spend which, combined with the lack of share register liquidity, has seen the SLA share price underperform over the past year. We would welcome further bidding tension from private equity or other interested parties as SLA has typically executed well to date and the 12x FY24 PE valuation at which the API takeover is priced, whilst a respectable premium, is not a 'knockout' bid in our opinion. Indeed, the proposed \$3.15

price would be an excellent outcome for the acquirer, API, which owns a similar business and hence is likely to have material upside from scale and synergy benefits. We continue to hold SLA with a view to seeing the outcome of the due diligence process and potentially any competing interest in the business.

Smartpay Holdings (SMP, +25.0%) share price traded higher during the month after releasing a solid March quarter trading and strategy update. SMP grew its Australian terminal fleet by 1,200 units to 15,700 total units over the March quarter, which was less than the exceptional December quarter, albeit this was due to seasonality. Nevertheless, the Australian terminal fleet has increased by 62% over the last year with revenue from the Australian business increasing by 76%. Monthly customer cancellations are in line with expectations with SMP registering an exceptional customer experience survey outcome (Net Promoter Score of 70). In other news, SMP has taken the first steps to transitioning its New Zealand (NZ) fleet of 30,000 terminals to a merchant acquirer model by signing a non-binding letter of intent with their Australian processing partner. Currently SMP has a terminal rental model in NZ, which generates less revenue and margin per terminal than it does in Australia. Whilst a transition in NZ will take 3 to 5 years, the uplift in NZ earnings is likely to be material over a period where the Australian merchant acquiring business should also continue to grow strongly. We expect another solid update from SMP in the upcoming FY23 result (where margins will be reported) and we believe SMP is in the early phases of extended period of exciting business growth.

The Fund's primary gold exposure, **Genesis Minerals (GMD, +22.1%)**, rallied during the month on the back of a stronger gold market and the restructure of its company transformative acquisition of fellow Leonora District gold play, **St Barbara (SBM, -9.7%)**. GMD is led by highly regarded Managing Director, Raleigh Finlayson, who is credited with building former ASX gold play, Saracen Mineral Holdings from a mining minnow into a \$16bn company upon its merger with Northern Star in February 2021. Many of the former Saracen executive team have now joined Mr Finlayson at GMD. Today, GMD has two primary projects under development, being the Ulysses shallow, high grade underground mine and the Admiral open pit mine. GMD also has an 80% ownership interest in near neighbour, **Dacian Gold (DCN, +3.8%)** and effective control of the the company's primary assets which include the Jupiter Mine (currently advancing a lower cost owner-miner study) and the pristine Mt Morgans mill (currently on care and maintenance). The restructured SBM deal will see GMD further consolidate the Leonora District through the acquisition of certain SBM assets including the prolific, 125-year old Gwalia gold mine and the Tower Hill high grade development project.

GMD has raised \$470m to fund the acquisition of these two assets and will importantly have locked down the key gold mining/development assets in the highly prospective Leonara gold mining district. Upon completion of the SBM transaction, GMD will be well placed to grow sustainably, high quality gold production and will extract substantial synergies through optimising the assembled deposits and regional processing infrastructure.

Funds management platform and portfolio administration service provider **Praemium Limited (PPS, -8.0%)** was an underperformer during the month following the release of a weaker than expected update for the March quarter, where it reported net platform inflows of \$223mn, which was 50% lower compared to the March 22 quarter and a 37% decline on a sequential basis (compared to the December 22 quarter). Offsetting this, market movements were higher than expected, and should mean that earnings expectations for FY23 remain largely unchanged given PPS charges its customers on a percentage of funds under advice (FUA) basis. Also worth noting, other listed specialty platform providers (Netwealth Group and HUB24) reported softer volumes during the quarter. As such, we see this as more reflective of cautiousness amongst investors to deploy capital into markets during the current period of uncertainty, rather than anything more structural in nature, or related to PPS specifically. Whilst it is hard to predict whether there will be a significant improvement in inflows over the coming quarters, we remain positive on the longer-term prospects of the business and continue to see it offering compelling value particularly compared with its listed peers.

Outlook

The end of a steep global interest rate hiking cycle is drawing nearer as inflation continues to moderate, but uncertainty within the banking sector and growing concerns about an economic recession in key western economies continues to cloud the outlook for equities. The critical US economy was already slowing ahead of any potential credit crunch resulting from the recent regional US bank failures. But the collapse of Silicon Valley Bank has set off a chain reaction, amplified by traditional and social media channels, which has led to a significant withdrawal of uninsured deposits from the regional and community banking system in the US. These banks are being forced to shrink their balance sheets and we will likely see a significant tightening of lending standards and a contraction in credit availability which could bring forward a possible recession in the US that we have foreshadowed in our monthly reports for some time now.

In the US, inflation continues to fall month on month, but core inflation, which removes volatile food and energy items, remains high at 5.6%. It is still well above the

Federal Reserve's (the Fed's) two percent inflation target. The US central bank did what markets expected in early May, lifting interest rates for the 10th time in 14 months to a range of 5% to 5.25%. Fed chairman Jerome Powell acknowledged that the recent aggressive measures to tighten monetary policy had led to a constriction of credit, the implications of which could potentially lead to a "mild recession". Indeed, in the March Fed meeting, at least half of the bank's official projections implied that a recession was in their baseline forecast. Notwithstanding this, the Fed seems determined not to repeat the mistakes of 1970's Fed chairman Arthur Burns who took the foot off interest rates too soon and in doing so allowed a resurgence of inflation. After increasing rates by a substantial 500 basis points since March last year, Mr Powell indicated in early May that the Fed officials could take a step back and evaluate the effects of the higher interest rates on inflation and growth. It is likely that the end of the fastest tightening cycle in 40 years is drawing nearer, although resilience in the labour market (with the jobless rate falling to 3.4% in early May post the Fed's commentary) means that the Fed may yet still have more work to do. While the March quarter US reporting season suggests the US consumer remains in reasonable shape, there is little doubt that economic growth is slowing, notwithstanding the buoyant labour market. OC Funds remain cautious on the outlook for the world's biggest economy, and we therefore remain underweight the region in our portfolio.

On the domestic front, headline inflation continues to fall with the March quarter CPI coming in at 7.0%, down from a 30-year high of 7.8% in the December quarter. Trimmed mean inflation, the RBA's preferred measure of underlying price pressures, slowed to 6.6% from 6.9%, slightly softer than consensus expectations of 6.7%. Whilst most economists had tipped that this would be sufficient to keep the RBA on hold for another month, it is likely they were spooked by services annual inflation which has become 'sticky' and recorded its largest annual rise since 2001, driven by higher prices for holiday travel, medical services, rents, and restaurant meals. The RBA surprised the markets by raising the cash rate to 3.85% in the beginning of May. The board issued a hawkish statement that refocused attention to the issue of persistent inflation, instead of the lagged impact of monetary policy which had previously been cited in prior more dovish commentary. The guidance from the RBA Board was that "[s]ome further tightening of monetary policy may be required to ensure that inflation returns to target in a reasonable timeframe, but that will depend upon how the economy and inflation evolve". This would seem to suggest that having been on a clear tightening trajectory, the path of rates going forward will be genuinely data dependant.

This week the Labor government hands down the Federal budget and the pre-budget PR machine has promised a series of measures designed to deliver cost of living relief and make the country more resilient in an uncertain economic environment. In terms of the OC Funds portfolio, there is not expected to be a great deal that moves the needle. Our aged-care exposure Regis Healthcare ought to benefit from greater funding certainty and a planned government funded pay rise for aged care workers. Significantly, the Treasurer Jim Chalmers is expected to announce a balanced budget or Australia's first budget surplus in 15-years as strong tax receipts from the buoyant jobs market and windfall tax revenue from elevated coal, iron ore, gas and other commodities have swelled the government coffers. In a slowing economic environment, this is welcome news as it ought to allow the government the headroom to stimulate the domestic economy as GDP inevitably slows as interest rates increases start to bite.

Pleasingly, the economic news out of China has been strong since the start of the calendar year. Retail sales have rebounded strongly (+11%) off a low base and infrastructure investment remains robust, up 10% year on year in March. The crucial property sector is showing signs of life with property sales having turned positive for the first time since mid-2021, albeit new housing starts remain subdued. We expect the Chinese recovery to broaden in the coming months as the country continues to recover from the protracted COVID-19 lockdowns with consumers spending and with fiscal and monetary settings remaining accommodative. There is a growing sense of optimism that China economic re-acceleration ought to prove durable which will be supportive of both commodity prices and the Australian economy overall given that China remains comfortably our biggest trading partner.

Thematically, the Fund remains heavily tilted towards companies with non-cyclical earnings streams and pricing power. It remains our thesis that these stocks will outperform as key western economies inevitably slow and companies with cyclical earnings come under pressure. During the month, we have continued to increase our exposure to quality growth businesses, with good levels of liquidity, with the interest rate cycle likely nearing a peak (e.g., PeopleIN and Aussie Broadband). We have a long shopping list of quality businesses to buy once valuations reach more attractive levels and we have greater clarity on the economic outlook.

Top 5 holdings[#]

Company	ASX code
Cedar Woods Properties	CWP
Peoplein Limited	PPE
Peter Warren	PWR
Probiotec Limited	PBP
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 47, 80 Collins Street (North Tower), 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.