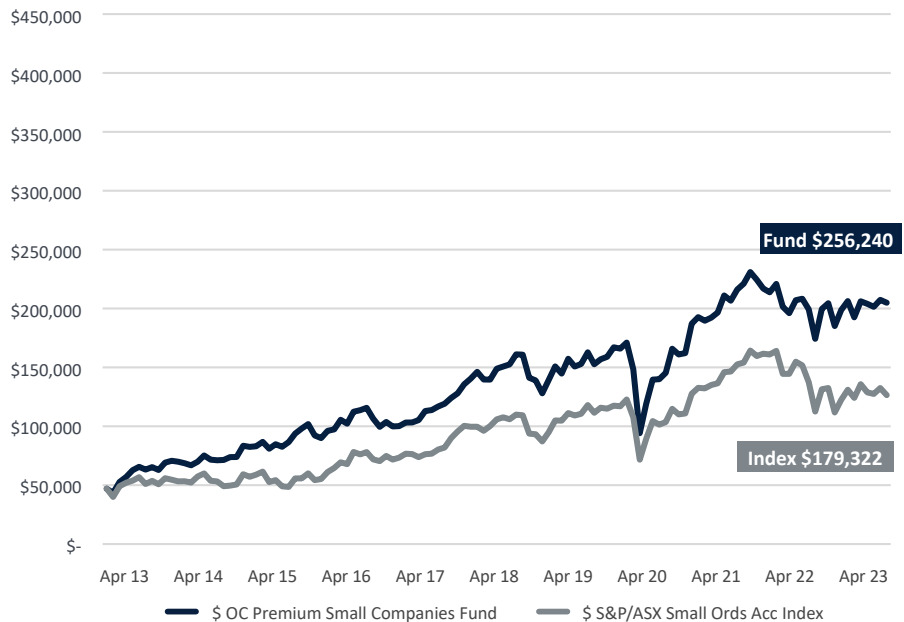


 Fund down -1.0% for the month
-1.0%

 Returned 9.9% p.a. for the past 10 years
9.9%

 We remain confident the Fund will continue to deliver attractive long-term returns

Performance comparison of \$100,000 over 10 years*



Total returns

At 31 May 2023*	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	10 yrs % p.a.	Incep % . p.a. (Dec 2000)
OC Premium	-1.0	0.4	2.2	10.2	5.0	9.9	10.3
S&P/ASX Small Ords Accum	-3.3	-1.3	-5.8	4.5	2.5	6.0	5.5
Outperformance	2.3	1.6	8.0	5.7	2.5	3.9	4.8
S&P/ASX Small Ind Accum	-1.7	-1.2	-2.0	2.5	1.9	6.2	5.5
Outperformance	0.8	1.6	4.2	7.7	3.1	3.7	4.7

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

May lived up to its reputation as a difficult month for equity markets as sticky core inflation and rising interest rates began to take a growing toll on leading economic indicators across global markets. Stock markets were also jittery ahead of the US Congress' latest legislative action to raise the government's borrowing limits, with the gravity of a potential default further reinforcing a 'risk-off' bias across the back end of the month. Key global bourses including the US Dow Jones (-3.5%), the UK FTSE (-5.4%), the Hong Kong Hang Seng (-8.3%) and the Chinese Shanghai Composite (-3.6%) sold off heavily. The US tech heavy Nasdaq bucked the trend and rallied 5.8%, fuelled by a stunning result from chip maker NVIDIA which lifted sentiment to other big-tech stocks exposed to the artificial intelligence (AI) thematic including Microsoft Corporation and Alphabet (Google's parent company).

The domestic small-cap equity indices too were choppy throughout May. A raft of profit warnings across the retail space, including from City Chic Collective, Adairs,

Best and Less Group Holdings, Dusk Group and Universal Store Holdings spooked investors and liquidity remained below average for much of the month. The S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index were sold down -3.3% and -1.7%, respectively, during the month. The OC Premium Small Companies Fund again held up better than the small-cap indices but still finished May down -1.0%.

OC Funds Management is pleased to announce the nomination of the OC Dynamic Equity Fund for the prestigious 35th Annual Money Management Fund Manager of the Year Awards in the Australian Small Cap Equity category. This recognition reflects the Fund's strong performance and dedication to delivering outstanding results to its investors. The Money Management Fund Manager of the Year Awards is a highly regarded industry event that acknowledges excellence in the investment management industry. It is Australia's longest-standing independent and 'whole-of-market' fund awards program. The Small Cap Equity

category specifically focuses on funds that demonstrate exceptional expertise in navigating the dynamic and challenging small-cap equity market segment. The Fund's nomination (alongside two other Funds) follows on from the OC Premium Small Companies Fund's recent nomination in the Morningstar Fund Manager of the Year awards in the Domestic Equities – Small Caps category. It underscores the team's consistent track record of success in managing small-cap and micro-cap investments over a long time horizon. It also marks the fourth time since 2018, when OC Funds Management actually won the award, that OC Fund's has been nominated as a finalist in the Australian Small or Small/Mid Cap Equity Fund of the Year category at the Annual Money Management Fund Manager of the Year Awards.

Life360, Inc. (360, +34.1%) share price moved higher during the month following the release of its first quarter CY23 result which was well ahead of market expectations on several fronts. 360 operates a platform for today's busy families, bringing them closer together by helping them better know, communicate with, and protect the people, pets and things they care about. The Company's core offering, the Life360 mobile app, is a market leading app for families, with features that range from communications to driving safety and location sharing. At the end of CY22, 360 had 48.6m monthly active users across more than 150 countries. At the quarterly result, 360 announced an operating profit, greatly reduced cash outflows (with US\$76m cash still on hand) and strong subscription growth (+26% in its core US market) which was particularly impressive post a product price rise which caused some churn. 360 is cementing its position as the world's leading family safety service, offering an all-in-one solution designed for modern life, including the integration of Tile and Jiobit hardware offerings which are providing more complete location safety for families. 360 has identified three legs of growth over the short-medium term including:

- Investing in the core product to deepen user engagement and drive upsell toward the monetisation of the free user base into paying customers over time;
- Continue to grow the membership base by offering a differentiated product, which includes the bundling of hardware products into the core offering (such as Tile and Jiobit);
- International expansion with Canada launched in CY22 and the UK moving to a full service membership offering later in CY23.

We continue to hold 360 in the 'Innovator Sleeve' of the portfolio as a key concept investment which has a clearly defined roadmap of business growth and a pathway to profitability.

Temple and Webster (TPW, +18.2%) was an outperformer during the month following a stronger than expected trading update. Whilst sales for 2H FY23-to-date remain negative (-5%), TPW noted that it had seen an improvement in the last four weeks to mid-May with trading returning to positive growth (+10% vs prior corresponding period) as it had cycled off a period which had benefitted from a greater number of consumers shopping online during the COVID-19 induced lockdowns. The strong share price reaction following the update reflects a greater level of confidence in the company's prospects to deliver a return to revenue growth in FY24. Although we are bearish on the broader retail sector near-term, we see TPW as well placed to compete in this environment given: (1) its wide product range, particularly aimed at the value end of the market which ought to attract customers trading down in a softer retail environment, (2) TPW has a number of easing cost headwinds, such as a reduction in international freight rates where it can continue to reinvest these savings into more competitive prices, and (3) compared to bricks and mortar retailers, TPW does not face the same magnitude of rising fixed costs in the form of increasing rents and award wage increases. At the update, TPW also announced it had begun to trial AI technology across certain areas of the business including in generating product descriptions and in enhancing the live chat function on its website. Although still nascent, and not factored into our base case assumptions, we are optimistic on the potential of this technology to result in greater efficiencies in TPW's cost-of-doing business, particularly in areas such as customer service, which account for around 60% of its total headcount.

Fashion accessories retailer **Lovisa Holdings (LOV, -22.5%)** sold off sharply in late May following weak trading updates from other listed consumer discretionary retailers, including Universal Store Holdings (UNI) and City Chic Collective (CCX). While LOV has not provided a trading update since its February 23 interim result call, at that point the strong comparable store growth rate for the first 12 weeks was widely expected to fade, a thesis that will have likely played out in recent months. In some ways, LOV shares similarities with both CCX and UNI. All three are discretionary retailers which target younger consumers shopping in Australian malls. Additionally, CCX, like LOV, has a global footprint and has minimal exposure to third party brands, although its geographic spread and channels to market are more focused than that of LOV. There are nevertheless some material differences between the business models. Whilst both CCX and UNI are predominantly apparel retailers, without significant global store rollout programs, LOV products generally have lower price points and the company is executing on an aggressive and (to date) successful global expansion.

Investors have traditionally rewarded the LOV business model and its strong track record with a premium PE multiple; up to three times higher than that of UNI. The characteristics that make LOV stand out as an investment remain unchanged. The rapid global store rollout appears to be on-track, the increased brand awareness, and economies of scale to come to these new geographies still ought to come through, increasing operating leverage. Furthermore, the low price points of LOV and full brand ownership reduce the risk of consumers trading down and ought to provide a level of margin protection. While we remain wary of near-term retail trading for LOV, the Fund holds a small (sub 1%) holding, having reduced our position in the company in late March due to the challenging retail outlook. We remain attracted to the long-term business model of LOV and, with the stock price coming under increasing pressure as investors abandon the retail space, we would look to opportunistically top-up our holding in the company should the share price continue to deteriorate.

IDP Education (IEL, -22.5%) fell sharply following an announcement by Immigration, Refugees, and Citizenship Canada (IRCC) of an expanded set of approved English proficiency test providers for students applying for a study permit through the Student Direct Stream (SDS). This decision by IRCC opens up the final monopoly market that IEL's IELTS English Language test held in its core markets, and notably enables key competitor Pearson Test of English (PTE) to offer its test in this market. The Canadian market is one of the most important and largest markets for IELTS, with the SDS stream alone representing approximately 500,000 tests per annum (or around 25% of total IELTS volumes). Whilst the quantum of the likely share loss remains uncertain, we view the earnings cuts by analysts as now more than adequately factoring in a rapid and significant loss of share. Over the medium term, we continue to see IELTS as a strong contender to retain its market leadership position given the outstanding reputation of the test and the supporting infrastructure of its network and ecosystem of referral partners in its core markets which continue to provide a moat around the network. We also see product innovation, such as the introduction of the 'One Skill Retake', an initiative which allows unsuccessful students to re-take a single component of the test, as helping the company to defend its turf. Fortunately for the Fund, we had only held a small position in IEL into this announcement. Given the sharp pullback in the share price, which we think is overdone, we have taken the opportunity to increase our position. Following the decline in the share price, IEL now trades on FY24 PE of around 33x, which is a material discount to its five year average 12-month forward PE of 54x. We continue to view IEL as a high-quality business exposed to a large structural growth opportunity in international education. Outside of IELTS, the company's student

placement business remains the key growth driver for the group, and we are positive on the earnings prospects for this business given the scale and reputation of IEL's student placement agency network, and the tailwinds for the sector which remains in a post COVID-19 recovery phase.

Outlook

"Sell in May and go away" so the saying goes, and it again proved to be a challenging across global equity markets in the month of May. Sticky core inflation and rising rates in key western economies, combined with uncertainty around the US government's debt ceiling, conspired to drive equity markets lower. June has started more positively after the US Congress approved a deal to lift the country's borrowing limit, days before the world's largest economy was due to default on its debt. The Treasury Department had warned it would be unable to pay all its bills by Monday 5th June if Congress had failed to act by then. The markets staged a relief rally at the start of June with President Biden signing a bill that suspends the US government's \$31.4 trillion debt ceiling, averting what would have been a first-ever US default with just days to spare.

A positive US jobs report at the start of June has further coaxed some of the bears from their caves with last Friday's employment data showing that hiring stepped up in the US in May with 339,000 jobs added. This was unambiguously strong and demonstrates the resilience in the US economy, despite more than a year of steep interest rate rises from the US Federal Reserve (the Fed). We temper this good news by noting that employment data is a lagging statistic, and it is likely that many employers are still engaging in so called 'catch-up' hiring following the COVID-19 pandemic particularly at food, hospitality and entertainment venues, where operators are restoring their workforce to pre-pandemic levels.

Our general observation would be that the US economy appears to be weakening, notwithstanding the robust job market. Economic growth (GDP) slowed to a 1.3% annual rate from January through March, after 2.6% annual growth from October through December and 3.2% from July through September. Although the Consumer Price Index (CPI) fell to 4.9% in April, the annual Core PCE Price Index, the Fed's preferred gauge of inflation, edged higher to 4.7% and remains stubbornly high. The widely watched Michigan Consumer Sentiment Index, a monthly survey of consumer confidence levels in the US, came in at 59.2%, down 7% for the month. This would seem to indicate that US consumers are becoming increasingly worried about the path of the US economy. The Fed's next move remains unclear and Federal Open Market Committee (FOMC) participants seem genuinely divided about the appropriate path of rates in upcoming meetings. Fed

Chair Jerome Powell's comments suggest an openness to pausing rate hikes, although he remains data dependent. Other FOMC participants continue to view the economy as resilient, with inflation still unacceptably high, according to the minutes of the recent meeting. So, having imposed 10 straight rate hikes since March 2022, the Fed may well skip a rate hike when it meets later this month. We do, nevertheless, expect that the Fed will resume its rate hikes in the coming months until such time that it becomes clear that inflation genie is back in the bottle.

On the domestic front, several data points released during the month suggest that the Australian economy is rapidly cooling. Consumer confidence dipped sharply with the latest Westpac-Melbourne Institute survey showing consumer sentiment dropping 7.9%, from 85.8 in April to 79.0 in May. This was validated by the ANZ-Roy Morgan Consumer Confidence Index which fell 1.1 points to 76.2 in the last week of May, marking the thirteenth consecutive week that the indicator has been below 80, the longest such stretch since the index began being administered on a weekly basis in October 2008. A combination of the Reserve Bank of Australia's (RBA) surprise rate hike in May and a lack of cost of living relief in the May Federal Budget has seen consumer confidence fall sharply.

At the coal face of the economy, retailers are starting to feel the pinch with customers facing higher mortgage payments, higher energy costs and other cost of living pressures from sticky inflation and, hence, are spending less. Consumer facing stocks downgrading earnings expectations during the month included a wide array of retailers such as City Chic Collective, Adairs Limited, Best and Less group, Dusk Group and Universal Stores. The Fund has limited direct exposure to retail having trimmed our holding in women's fashion accessories business Lovisa earlier in May. Bucking the trend, Fund holding Temple and Webster (TPW) defied the doom and gloom by posting a robust trading update (discussed earlier). TPW aside, our discussions with retail contacts have turned more bearish. Retailers are cycling record levels of spending achieved in 4Q22 and 1Q23, which will provide an extremely challenging retail backdrop to cycle in the next two quarters. Whilst the sharp share price retracements from most listed retailers would ordinarily pique our interest, we feel it is too early to increase our exposure to the sector. The Fair Work Commission decision in early June, which delivered a 5.75% increase for award workers and the national minimum wage, will pose a further headwind for the downtrodden sector. The minimum and award wage decision directly impacts 14 per cent of the national wage bill and the industries most likely to be impacted by higher wages bills are retail, health care, hospitality, and support services where awards are heavily used.

In other economic news, Australia's building approvals hit an 11-year low during the month with data released by the Australian Bureau of Statistics indicating that the total number of dwelling approvals fell by 8.1% in April. Whilst this data series can be quite volatile, on face value it indicates that construction activity is falling sharply which validates our decision to sell building products business CSR in late March. There was an unexpected jump in the jobless rate during the month, with the unemployment rate climbing to 3.7%. Whilst the jobless rate remains near 50-year lows, it had buoyed hopes that the RBA might pause rates at its early June board meeting. The decision seemed far from clear-cut, with the surprise jump in the CPI in May to 6.8% driven by rising rents, a lift in holiday travel costs and higher transport costs adding weight to case for further rate increases.

The RBA surprised the market by lifting the cash rate to 4.1% on the first Tuesday of June, with money markets wrong-footed having forecast a 68% chance of a pause. The commentary from the RBA was incrementally more hawkish and very much focused on ensuring that inflation returns to target in a reasonable timeframe. The hike came despite clear evidence that economic activity is slowing, particularly household consumption as cost of living pressures bite. It seems unlikely that the RBA will pause its rates tightening here at 4.1%, with Governor Philip Lowe's statement following the board meeting reiterating that "Some further tightening of monetary may be required to ensure that inflation returns to target in a reasonable timeframe", although the RBA did caveat that it will depend upon how the economy and inflation evolve. There was even a tacit acknowledgement from the RBA that a domestic recession may be likely with the "path to achieving a soft landing...a narrow one".

No doubt the domestic economic backdrop has deteriorated of late, and the prospect of an Australian recession has increased with the cash rate likely heading north of 4.1%. Regular readers would know that our base case assumption, until now, was that we could avoid a recession and that the government has levers to stimulate the economy should it stall. The ability of the federal government to jump-start the economy is now even greater following the recent unexpected budget surplus and with strong ongoing bulk commodity prices providing even more windfall royalties and taxes to the Treasury department. Whilst avoiding a recession remains a possibility, whether Australia enters recession or just skirts it will make little difference to our overall portfolio positioning. The Fund has for many months had limited cyclical stock exposure. Instead, we have positioned our capital in stocks that can either grow outside of the economic cycle or have structural growth drivers that mean they ought to continue to outperform as the economy slows. We are continuing to add quality

stocks to the portfolio as they fall to attractive levels. We are also becoming increasingly confident that this market downturn will sow the seeds for strong investor returns in the coming years as we add quality companies to the Fund at prices which we assess to be well below their intrinsic values. Market corrections are healthy and normal, and OC Funds has an excellent track record of delivering strong investor returns following these episodes.

Top 5 holdings[#]

Company	ASX code
APM Human Services	APM
Kelsian Group Ltd	KLS
Mineral Resources Limited	MIN
Pexagroup	PXA
Seven Group Holdings	SVW

[#]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 cum-distribution end-of-month hard-close 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 Small Ordinaries 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 Premium Small Companies Fund (the Fund) is designed to provide, are different regarding risk and investment profile to index returns. A performance fee of 20.5% is payable annually on any excess performance (after deducting the management fee) above the benchmark, S&P/ASX Small Ordinaries Accumulation Index, to 30 June. A performance fee is only payable where the Fund has returned 5% or more since the last performance fee was paid. 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 appropriateness of the information to 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 Premium Small Companies Fund (ARSN 098 644 976). A current PDS is available from Copia located at Level 47, 80 Collins Street (North Tower), Melbourne VIC 3000, by visiting ocfunds.copiapartners.com.au or by calling 1800 442 129 (free call). A person should consider the PDS before deciding whether to acquire or continue to hold an interest in the Fund. Any opinions or recommendation contained in this document are subject to change without notice and Copia is under no obligation to update or keep any information contained in this document current.