



Fund up 4.0% for the quarter

4.0%



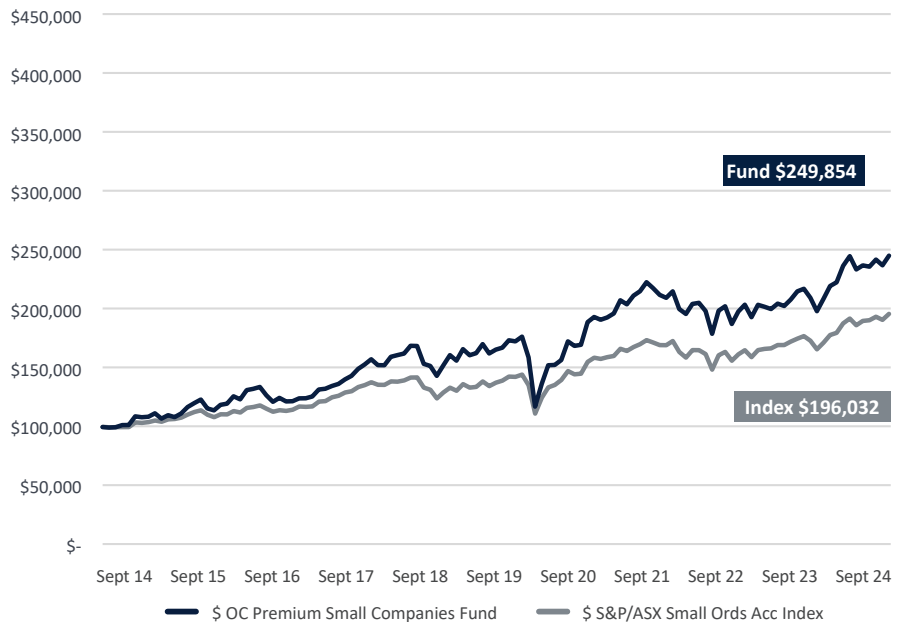
Returned 17.4% over the past 12 months

17.4%



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

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



Total returns

At 30 September 2024 [†]	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	3.5	4.0	17.4	4.1	8.3	9.6	10.6
S&P/ASX Small Ords Accum	5.1	6.5	18.8	-0.6	4.4	7.0	5.8
Outperformance	-1.6	-2.5	-1.4	4.7	3.9	2.7	4.7
S&P/ASX Small Ind Accum	4.3	7.5	23.3	-1.0	3.6	6.9	6.1
Outperformance	-0.8	-3.5	-5.9	5.2	4.7	2.7	4.5

The total return performance figures quoted are historical, calculated using end-of-month net asset value per unit after fees and do not allow for the effects of income tax or inflation

Performance review

The Australian equity market responded positively to the US Federal Reserve's jumbo 50 basis point rate cut and rallied further on the news of a major stimulus package from Chinese authorities late in the quarter. The S&P/ASX 200 Index rose +6.5% in the three months to the end of September, finishing the quarter at an all-time high, which broadly mirrored the performance of the MSCI All Country World Index which finished the September quarter up +6.0%.

Despite a lack-lustre August reporting season, in which consensus earnings misses considerably outnumbered earnings beats in the small-cap space, the domestic small cap equity indices maintained their recent upward momentum. The S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index rose +6.5% and +7.5%, respectively, during the quarter. This shaded the OC Premium Small Companies Fund which returned +4.0% for the quarter, although the Fund maintains an excellent long-term performance track record.

Whilst the trajectory of consensus earnings revisions in FY25 was, on balance, negative across the Australian small-cap market in the September quarter, we were pleased with the results of most of the Fund's holdings and remain optimistic about their prospects for the year ahead.

Buy-now-pay-later (BNPL) provider **ZIP Co (ZIP, +88.4%)** was a standout performer during the quarter following the release of a strong FY24 result, which came in at the top end of the company's guidance, and amid renewed investor interest following a significant turnaround in the business in the last 24 months. Under the leadership of CEO Cynthia Scott, who joined the business in Nov 2021, ZIP has done an impressive job of reducing its operating expenses through exiting some non-core markets and refocusing the business on its core BNPL customer in the US and Australia. In combination with a more rational competitive environment, this has driven a significant improvement in financial performance for ZIP from a loss-making position in FY23 to \$69mn cash EBTDA in FY24. ZIP has also made significant strides to improve its balance sheet. Following the completion of a \$217mn placement in July, ZIP has

now repaid its convertible notes and corporate debt, and at the corporate level is now in a net cash position. Despite the strong performance of the share price, we remain optimistic on the outlook for ZIP. In the US, ZIP's key growth market, there remains a significant long-term opportunity with penetration of its addressable market at around 4-5%, well behind that of Australia where ZIP has approximately 15% share. In the near term we see positive catalysts for ZIP, including new product releases such as 'Zip Plus' in Australia and a 'Pay in 8' product in the US, which we expect to drive new customer adoption. We also expect that ZIP is likely to be a beneficiary of a falling interest rate environment through a lower cost of funding.

Online luxury fashion retailer **Cettire (CTT, +59.4%)** bounced back strongly during the quarter following two announcements that restored a level of investor confidence in the company. Firstly, in early September, Managing Director, Dean Mintz, lodged a substantial shareholder notice revealing that he had purchased a further 11.4m shares in the company which was well received by shareholders. Then, later in the quarter, CTT auditor Grant Thornton signed off the company annual report which was a relief to some investors as the report was not available at the time of the August result (as is more customary). Grant Thornton had ticked off the accounts with an unqualified audit opinion following conjecture that the company would be forced to change its revenue recognition policy. There has been heavy scrutiny of the company's accounting policies during that past year, as well as short seller led allegations of ongoing tax queries from US authorities and speculation about customs duties irregularities. The auditor took additional time and resources before signing off this year's financial accounts and took a deep dive into both the revenue recognition policy of CTT and its customs duties and taxes practices. The clean bill of health from Grant Thornton has gone some way to restoring the market's confidence in the CTT business model.

Clearly CTT's profitability metrics deteriorated in the final quarter of FY24, but the luxury goods market has been under considerable pressure from aggressive inventory clearance following online competitor MatchesFashion entering receivership, coupled with elevated discounting and competition in the luxury market due to sluggish consumer confidence in key markets. We remain comfortable that CTT will navigate this challenging period, and that management can recalibrate the growth trajectory in FY25 to focus on lower sales growth (of around 20%) but improved margin outcomes. We expect that first quarter trading has remained tough based on industry feedback, but we believe that the issues facing CTT are cyclical rather than structural. The Fund increased its holding late in the quarter, and we remain confident that the share price will continue to rebound once CTT is able to demonstrate tangible evidence of a turnaround in profitability, which we expect could occur sometime around the end of CY24.

Light & Wonder (LNW, -16.6%) was a detractor from performance during the quarter following a ruling from the Nevada District Court which granted competitor Aristocrat Leisure (ALL) a preliminary injunction relating to LNW's Dragon Train (DT) game, on the basis of the misappropriation of trade secrets by DT's lead game designer, Emma Charles (who is a former employee of ALL). The injunction prohibits LNW from making any future sales of DT and requires the company to replace existing installed units in the US with an alternative title. Despite the high-profile nature of DT as one of LNW's most successful new releases, LNW noted that based on its internal forecasts DT would've accounted for ~5% of AEBITDA for FY25 which is significantly less than what the share price reaction would suggest, and the company reiterated its FY25 guidance for AEBITDA of US\$1.4bn. Whilst we acknowledge that the impact on sentiment is unlikely to improve in the near term, we see the ongoing litigation as largely contained to the one game studio and it should not impact LNW's other game design studios. We also note that game performance data on LNW's other games beyond the DT series, most notably the 'Huff N Puff' series, has been positive and should help to partially offset the loss of DT. We remain positive on the overall strategy for LNW over the medium term, noting that the success of the business will ultimately be based on its ability to deliver successful games across its broader portfolio. LNW is now trading on a CY25 PE of 16x for ~10%+ earnings growth over the medium term, which we see as too cheap, and we have therefore retained our position.

Recent portfolio addition **Auckland International Airport (AIA, -2.8%)** raised NZ\$1.4 billion in fresh equity during the quarter to fund its NZ\$2.2 billion domestic terminal project. The project will replace the ageing 1960s era infrastructure to expand the capacity and amenity of the monopoly asset and enable upgrades to the airfield and runway. AIA sets its own prices, in consultation with airlines, to reflect an appropriate return on the capital deployed under a 'light touch' regulatory regime. The deployment of capital by way of growth capex will result in increasing revenues over time, and as a result increased value for shareholders. As such, we are happy to see the capital projects progressing with the signing of builders the catalyst for the timing of the raise which was widely anticipated. AIA has a 10-year NZ\$6.6 billion aeronautical capex pipeline which we expect to drive the earnings growth of what we see is a quality infrastructure asset. Over a shorter time horizon, AIA reported an inline result and guided to a return of international airline capacity marginally slower than what was expected by sell side analysts. However, this outlook will also be reflected in AIA's price settings with lower passenger volumes expected to be offset by higher charges to achieve the targeted revenues over time.

Outlook

The recent 50 basis point cut by the US Federal Reserve (the Fed) was a material catalyst for the domestic small-cap market toward the end of the quarter. The Small Ordinaries benchmark (XSOAI) has significantly underperformed the S&P/ASX 100 benchmark (XTOAI) since 31 December 2021 when the global rate increase cycle kicked off with the XTOAI up +27.7% over that time horizon, well ahead of the XSOAI which is down -3.7% over that same time frame. Historically, small-cap stocks in the US have materially outperformed their bigger cap peers from one month before the Fed's first rate cut and over the following 12 months so news of the US rate cutting cycle kicking off has been well received by investors in the small-cap space. The strong performance of domestic small-cap companies into the end of the quarter and the increasing liquidity in the space augurs well for continued solid performance over the coming 12 months with further global interest rate cuts expected, including the commencement of the interest rate cutting cycle in Australia.

Globally, inflation is increasingly seen as a diminishing concern. In the United States, the United Kingdom, Canada, and throughout Europe, consumer price index (CPI) figures are rapidly declining, approaching or reaching central bank targets. Central banks in these regions have already initiated rate cuts, with some implementing multiple reductions.

In the US, inflation is coming back toward the Federal Reserve's 2.0% target, although core inflation spiked to +3.2% in August. The recent deterioration in the US labour market allowed the Fed to cut rates by 50 basis points, noting that the Fed has a dual mandate to promote maximum employment as well as price stability. But an unexpectedly strong US labour market report in early October, which showed that the unemployment rate had dropped back to 4.1%, has tempered market expectations about the pace of future monetary easing in the US. It is further evidence that the US economy remains healthy and seems on track for a soft landing. The Atlanta Fed actually increased its third-quarter GDP growth estimate to a 3.0% annualised rate (from 2.5%) after solid economic data late in the quarter, including better than expected retail sales. The portfolio has several companies that will benefit from a solid US economy including ZIP Co, Life360 and Light & Wonder.

In Australia, inflation is moderating but still remains too high with the trimmed mean CPI, the RBA's preferred measure, slowing to an annualised rate of 3.4% in August, down from 3.8% in July. The RBA, as expected, left the cash rate at a 12-year high of 4.35% for its seventh consecutive meeting in late September. The domestic economy remains mired in a per capita recession (six quarters now) which would be close to a technical recession without the recent increase in public sector spending. Despite the well documented cost of living pressures facing households, the RBA is reluctant to cut rates until inflation falls further. We therefore remain underweight domestic cyclical exposures in the portfolio due

to the challenging economic backdrop in Australia. The RBA is maintaining its stance that rates remain on hold until at least the start of next year, although money markets are now pricing a greater than 50% chance of a rate cut by December with many commentators believing that the central bank is just one weak data point away from taking a more dovish stance on rates.

In a material development for the domestic equity market, the People's Bank of China (PBOC) implemented a series of aggressive stimulus measures in late September including significant cuts to interest rates and reserve requirements, alongside making central bank funding available for stock purchases. The central bank's actions are designed to inject approximately 1 trillion yuan (around A\$210 billion) into the financial system, aiming to enhance liquidity and support lending. This broad-based package ought to be supportive of China's sluggish property market and has revived hope that the Chinese Communist party's 5% annual growth target, that had seemed out of reach, is once again achievable. The announcement was the catalyst for a massive rotation into commodity stocks as metal and bulk commodity prices surged higher at the expense of the major Australian banks which have been trading near record highs. The domestic small-ordinaries index commodity exposure is largely dominated by gold stocks presently, but other commodity stocks, which make up about 15% of the index, also caught a bid. Whilst the Fund does not invest in these single commodity or single mine resource stocks, the Fund benefitted from a strong rally in core fund holding Mineral Resources following the news, as well as mining services business NWH Holdings.

The OC Investment team has met with over 150 companies since the August reporting season commenced and there were some key themes that have emerged from our discussions. These can be summarised as follows:

- The environment for domestic consumer focussed businesses remains weak, although well managed companies have continued to generate solid results despite the macro headwinds, e.g. Universal Store, JB Hi-Fi, Nick Scali and Super Retail Group.
- Elevated inflation and labour costs continue to be a challenge, albeit some input costs, including raw materials, are beginning to moderate. We are keeping a close eye on the oil price and freight rates given the conflict in the Middle East, which have the potential to be a negative shock to global economy should hostilities escalate further.
- Strong government and private sector investment is driving robust activity in infrastructure projects, benefiting portfolio holdings such as Seven Group and Ventia Services Group.
- Companies with pricing power and a competitive moat that grew or preserved operating margins were rewarded by investors, e.g. CAR Group.
- Insurance premiums continue to rise with little respite expected in the near-term with most insurance lines

still growing at high single digits. The insurance brokers remain a sensible way to continue to play the cycle for our Fund, e.g. Steadfast Group and AUB Group.

- Company management teams were once again reluctant to provide forward earnings guidance this reporting season given the uncertain macro-economic outlook. Sell-side analysts reacted to the results period with more decisiveness and overall cut earnings forecasts into FY25.

The OC investment team has a busy month ahead with multiple interstate trips planned. Senior Analyst Aaron Yeoh is just back from a US work trip which, amongst other things, confirmed to us the strength of the AI thematic and the likely structural growth tailwind it will provide to companies like NEXTDC and Infratil Holdings through their data centre exposure in years to come. We thank our investors for their ongoing support, and we remain confident that we can continue to deliver our investors strong returns over the long term.

Top 5 holdings[#]

Company	ASX code
GQG Partners	GQG
HMC Capital Limited	HMC
Life360 Inc.	360
Mineral Resources.	MIN
Seven Group Holdings	SVW

[#]The top 5 portfolio holdings are in alphabetical order and may not be representative of current or future investments.

CONTACT COPIA

1800 442 129 | clientservices@copiapartners.com.au | copiapartners.com.au



John Clothier	General Manager, Distribution	0408 488 549 jclothier@copiapartners.com.au
Mani Papakonstantinos	Distribution Manager	0439 207 869 epapakonstantinos@copiapartners.com.au
Sam Harris	Distribution Manager	0429 982 159 sharris@copiapartners.com.au
Justin Cilmi	Distribution Manager	0428 153 431 jcilmi@copiapartners.com.au
Chris Barnett	Distribution Manager	0413 763 927 cbarnett@copiapartners.com.au
Tony Harte	Distribution Manager	0407 708 109 tharte@copiapartners.com.au

^{*}The total return performance figures quoted are historical, calculated using 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.