

## Total returns<sup>†</sup>

At 31 Aug 2024	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 Fund	0.7	3.2	12.4	(4.7)	8.1	11.1	12.5
S&P/ASX Emerging Companies Accum.	2.0	(1.6)	8.0	(1.0)	9.2	8.2	5.8
<b>Outperformance</b>	<b>(1.3)</b>	<b>4.8</b>	<b>4.4</b>	<b>(3.8)</b>	<b>(1.1)</b>	<b>2.9</b>	<b>6.7</b>

## Performance review

The August 2024 reporting season highlighted the challenges of slowing growth, persistent cost pressures, cautious consumers, and the need to position the portfolio for resilient earnings. The OC Micro-Cap Fund finished the month up +0.7%, which was behind the S&P/ASX Emerging Companies Accumulation Index which returned +2.0% in August.

**Universal Store Holdings (UNI, +19.2%)** FY24 result was applauded by investors as it delivered 10% sales growth whilst also growing margins by 100 basis points (to above 60% gross profit). The business has net cash on the balance sheet and more than 100 physical store locations, and management has guided to margin growth across the store network in FY25. Property development business **Cedar Woods Properties (CWP, +12.9%)** and residential landlord **Aspen Group (APZ, +10.9%)** each enjoyed strong share price performance on the back of solid FY24 updates. Both these companies have highly regarded management teams and are well positioned with interest rates at, or near, peaks and ongoing pent-up demand for housing. **EML Payments (EML, -25.3%)** was sold off after the recently appointed CEO walked away from previous guidance for medium term margin growth. EML management expect to release a strategic review at the upcoming AGM which, in our view, should not differ substantively from market expectations and hence we remain holders.

## Outlook

A raft of company results interspersed with material new macro-economic data created a volatile backdrop for equities in August. The economic outlook in the US has deteriorated somewhat with the labour market continuing to soften. The US Federal Reserve has already telegraphed a rate cut for the September FOMC meeting, and the prospect of a jumbo-sized 50 basis point cut to kick off the rate cutting cycle remains real.

The key economic data in Australia included anaemic GDP growth of just +0.2% in the June quarter, and inflation (CPI) remaining at an uncomfortably high +3.5%. Despite the weak consumer environment and a slowing economy, stubbornly high inflation means interest rates are likely to remain at current levels until at least the end of CY24.

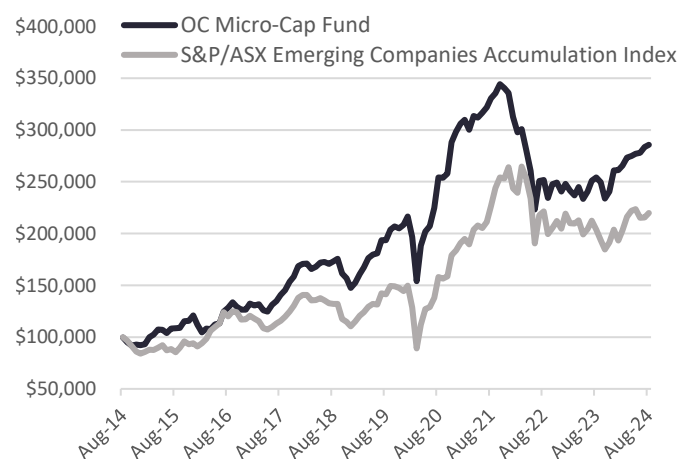
Results, on balance, disappointed across the broader micro-cap space driving the Index lower during August. Results commentary highlighted several macro-economic themes:

- Cyclical companies are experiencing reduced top-line growth, although well managed businesses continue to surprise on the upside, eg Universal Stores.

- Elevated inflation and labour costs continue to be a challenge, albeit some input costs, including raw materials, are beginning to moderate.
- Strong government and private sector investment is driving robust activity in infrastructure projects, benefiting companies such as SRG Global.
- The energy transition thematic remains strong, with companies including GenusPlus Group and IPD Group key beneficiaries.

The Australian market remains sensitive to global economic shifts, particularly those stemming from the US market. Expectations of monetary easing in the US could influence Australian equities positively so we caution investors on becoming too bearish despite the challenging economic backdrop. The portfolio remains underpinned by companies that can grow their earnings outside of the economic cycle and so we believe it is well positioned to weather any cyclical downturn.

## Performance Comparison of \$100,000 over 10 yrs\*



## Top 5 holdings<sup>#</sup>

Company	ASX Code
Cedar Woods Properties Limited	CWP
GenusPlus Group Ltd	GNP
Pacific Current Group Limited	PAC
Silk Logistics Holdings Limited	SLH
Universal Store Holdings Limited	UNI

<sup>#</sup>The top 5 portfolio holdings are in alphabetical order and may not be representative of current or future investments.

## Key Facts

### Fund Overview

The Fund is a long-only, benchmark-unaware and primarily invests micro-cap securities listed, or near listing, on the ASX or the New Zealand Stock Exchange with sustainable business models and attractive investment qualities. OC will also invest in a small number of concept stocks that have robust business models and a pathway to profitability within five years and event driven and thematic stocks where we anticipate near term price appreciation. Micro-cap companies, for the purposes of the Fund, are companies with a market capitalisation of less than \$500 million at the time of the initial acquisition.

### Responsible entity

Copia Investment Partners

### Inception date

October 2016 as the OC Micro-Cap Fund. The Fund was previously the OC Concentrated Equity Fund which was established in December 2003.

### Benchmark

S&P/ASX Emerging Companies Accumulation Index

### Investment time frame

At least 5 years

### Minimum investment

Initial: \$5,000

Additional: \$1,000

### Distribution

Yearly

### Management fee

1.20% p.a. (including GST net of RITC)

### Performance fee

20.5% (including GST net of RITC) on any performance (after deducting the management fee) above the Performance Hurdle, subject to the high-water mark and after recovering any past underperformance.

### Performance hurdle

S&P/ASX Emerging Companies Accumulation Index

### High-water mark

Yes

### Typical Investment Exposure

Cash	0%-20%
Equities	70%-100%
Including:	
S&P/ASX 300 Constituents	0%-20%
Unlisted Securities	0%-10%
NZX/Foreign Listed Securities	0%-10%

### Platforms

AMP MyNorth | BT Panorama | CFS First Wrap | Hub 24 | Insignia (Expand) | Xplore (Linear) | Macquarie | Netwealth | Powerwrap | Praemium | DASH | Mason Stevens



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\*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 as levied at the time. The index does not incur these costs. This information is provided for general comparative purposes. The returns for the OC Concentrated Equity Fund are used prior to the conversion to the OC Micro-Cap Fund. The inception date of the fund is 21/11/2003, the inception date of the index is 31/12/2003. \*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.

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