



OC Micro-Cap Fund

Fact Sheet

Managed by highly rated investment manager, OC Funds Management, the OC Micro-Cap Fund is invested in micro-capitalisation companies with sustainable business models and attractive investment qualities. It is designed for investors seeking portfolio diversification and strong capital growth over the long term.

Key characteristics of the strategy include:

- Diversified portfolio of micro-cap equities that offer compelling investment opportunities
- Long-standing and well-resourced team of professional smaller companies investors
- Proven process that has delivered investors strong long-term returns across all market cycles
- Strong focus on risk management and capital preservation



Micro-cap companies: opportunity for growth

“Many of the disruptive technologies and business models that are displacing established technologies and shaking up industries, start in the micro-cap space. Companies such as Cochlear, REA Group and Domino's Pizza Enterprises all began as micro-cap stocks.”

More dynamic and agile than larger businesses, micro-capitalisation companies, or micro caps, can present compelling investment opportunities. Able to test new ideas quickly and adapt faster to changing market conditions, micro caps typically have greater potential to generate rapid growth. Unlike their larger peers, micro-cap companies are often overlooked by the market, under-researched and have limited analyst coverage. For active smaller companies investors however, this can provide ample opportunity to exploit potential inefficiencies and stock mispricings by the broader market.

Greater growth potential

Smaller companies tend to be at an earlier stage of development, which increases their growth potential. Micro-cap companies give investors the opportunity to ‘get in at the ground floor’ and achieve meaningful capital growth. For example, it’s easier for a company making \$10 million in profit to double that amount than one that is making \$100 million.

Greater alignment of investor interest

Smaller businesses tend to have a higher level of founder and/or management ownership or ‘skin in the game’, meaning management’s interests are more likely to be better aligned with those of investors.

Under the radar and under-valued

Micro-cap companies are often under the radar of professional investors and have very little analyst coverage. This can lead to mispricing opportunities caused by inefficiencies brought about by a lack of sophisticated analysis.

There are over 1,800 stocks listed on the Australian Securities Exchange (ASX) with a market capitalisation of less than \$350 million. This provides fertile ground for finding under-valued stocks, which OC Funds Management (OC) is looking to exploit through the OC Micro-Cap Fund (Fund).

Fund overview

Managed by OC, the Fund is a long-only, benchmark-unaware unit trust with a target investment universe of securities listed, or about to list, on the ASX or the New Zealand Stock Exchange.

Investment objective

The Fund aims to provide investors with strong long-term capital growth by investing in micro-cap companies with sustainable business models and attractive investment qualities. Micro-cap companies, for the purposes of the Fund, are defined as companies with a market capitalisation of less than \$500 million at the time of the initial acquisition.

The Fund aims to provide a total return (after fees and expenses) of 5%+ in excess of the S&P/ASX Emerging Companies Accumulation Index over a rolling five-year period.

Investment approach

The Fund’s investment universe is focused on companies outside of the

S&P/ASX 300 Index, which are often under the radar of professional investors and analysts and therefore under-researched. This can lead to mispricing opportunities which OC is seeking to exploit.

To achieve the Fund’s objective, the team undertakes detailed fundamental analysis to identify securities trading below their intrinsic value that have sound investment fundamentals and the potential for strong long-term investment returns.

Underpinning the Fund is the same investment philosophy of OC’s highly rated portfolios, the OC Premium Small Companies and the OC Dynamic Equity Funds, with small adjustments to account for the different characteristics of micro-cap stocks, such as higher risk/return profiles.

OC will also invest in a small number of quality concept stocks that have robust business models and a pathway to profitability within five years.

“Our view is that equity markets can be emotional, backward-looking and inefficient, particularly among smaller companies where there can be a lot of market ‘noise’. We are looking to exploit mis-pricing opportunities in the micro-cap space where we believe the market-pricing mechanism isn’t always efficient.”

Investment team

OC is one of Australia’s most experienced small companies fund managers, with Robert Frost successfully managing small and micro-cap Australian equities since 2001.



Robert Frost
Head of Investments
BCom, LLB

- Joined OC in 2001 as a Portfolio Manager and was appointed Head of Investments in 2009.
- Responsible for portfolio management and OC’s investment philosophy and strategy.
- Prior to OC, Robert was a Senior Research Analyst with Austock Group specialising in small and mid-cap industrial companies.



Robert Calnon
Portfolio Manager/
Dealer
BCom, GDipAppFin, CA

- Joined OC in 2007 as a Senior Investment Analyst with additional responsibility as the Equities Dealer for the investment team.
- Responsible for company and sector analysis of stocks within OC’s investment universe.
- A Chartered Accountant, Robert was previously a manager in the Bank of New York’s investment accounting division prior to joining OC.



Stephen Evans
Portfolio Manager
BCom, CA

- Joined OC in 2010 as a Senior Investment Analyst.
- Responsible for performing in-depth analysis and financial modelling of stocks and was the systems architect of OC’s proprietary investment database.
- Prior to OC, Stephen was an Investment Analyst with Patriot Asset Management and is a Chartered Accountant.



Daniel Stein
Senior Investment
Analyst
BCom, CFA

- Joined OC in 2017 as an Investment Analyst.
- Responsible for researching companies within OC’s investment universe and financial modelling.
- Prior to OC, Daniel was an Associate Analyst at Altair Asset Management where he specialised in small and mid-cap industrial and financial companies.



Aaron Yeoh
Senior Investment
Analyst
BCom (Hons), BA, CFA

- Joined OC in 2022 as a Senior Investment Analyst
- Responsible for fundamental analysis on small companies which includes financial modelling and company valuation.
- Prior to OC, Aaron was a Research Analyst at Cooper Investors, covering Asian and global listed companies in consumer brands related sectors.

Key facts

Manager
OC Funds Management

Responsible entity
Copia Investment Partners

Inception date
October 2016
The Fund was previously the OC Concentrated Equity Fund which was established in December 2003.

Number of stocks
25 - 60

Strategic asset allocation	
Listed securities	70 - 100%
Cash	0 - 20%
S&P/ASX 300 Index	0 - 20%
Unlisted securities (must have a pathway to IPO within six months)	0 - 10%
Foreign listed securities*	0 - 10%
Derivatives	0%

*Foreign listed means NZX listed securities unless a pre-IPO investment lists on another foreign exchange.

Benchmark
S&P/ASX Emerging Companies Accumulation Index

Investment time frame
At least 5 years

Relative risk
High

Minimum investment
\$5,000

Minimum additional investment
\$1,000

Distribution
Yearly

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

Performance fee
20.5% (including GST net of RITC) of the amount the Fund outperforms its benchmark (provided returns are positive)

Performance hurdle
S&P/ASX Emerging Companies Accumulation Index

High-water mark
Yes

- Suitable investors**
- Investors seeking capital growth through a diversified exposure to micro-cap companies.
 - Investors looking to complement their core direct large-cap Australian equities holdings or managed funds.
 - Investors seeking an active investment approach.
 - Those with an investment horizon of five years or more.

Ratings



Why invest

Smaller companies specialist

Access the extensive smaller companies investment management expertise of OC. Supported by a long-standing team of seasoned investment professionals, Head of Investments, Robert Frost, has successfully managed Australian small-cap portfolios since 2001. During this time, OC has formed strong relationships with management teams and a deep understanding of the Australian micro-cap space giving OC unique insight into the companies in which the team invests.

Proven investment process

Gain exposure to the team's proven bottom-up, benchmark-unaware and internally driven investment process that has delivered investors strong long-term returns across all market cycles.

Well-rated, diverse portfolio

Rated 'Highly Recommended' by Lonsec and 'Recommended' by Zenith, investors gain access to a diversified portfolio of micro-cap companies with sustainable business models and attractive investment qualities.

Long-term track record

The Fund has a long-term track record of generating alpha for investors through a wide variety of markets¹. Additionally, as owners of the business and co-investors in the Fund, OC's interests align with those of investors providing strong performance incentive.

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¹ The OC Micro-Cap Fund was previously the OC Concentrated Equity Fund which comprised three underlying investment strategies: Core Fundamental, Emerging Leaders and Alpha Plus. The Emerging Leaders component is now the primary underlying investment strategy of the OC Micro-Cap Fund.