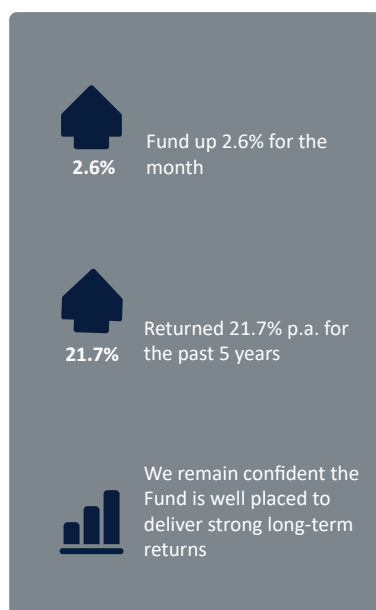
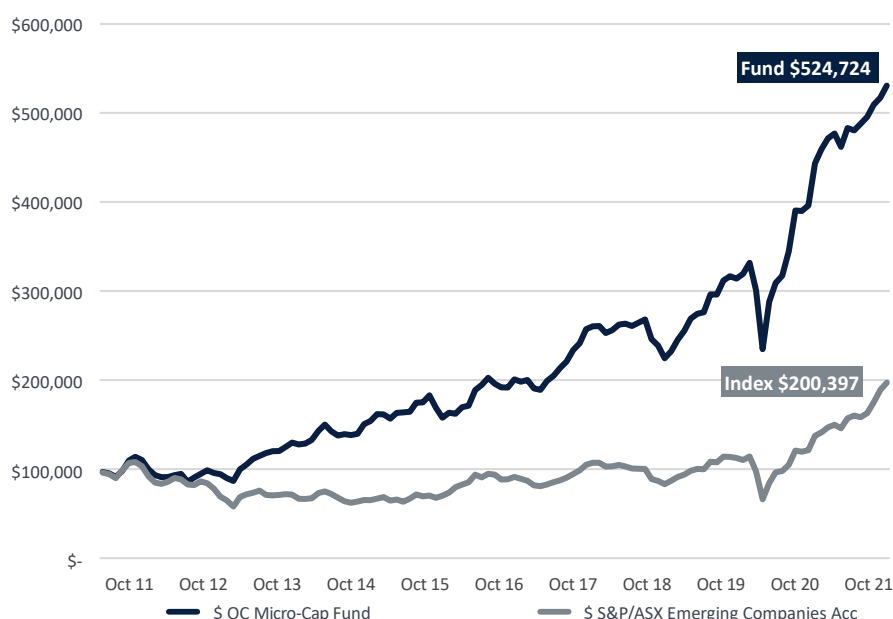




Performance comparison of \$100,000 over 10 years*



Total returns

At 31 October 2021†	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	10 yrs % p.a.	Incep. % p.a. (Mar 2003)
OC Micro-Cap	2.6	7.0	33.5	28.7	21.7	20.8	18.1	15.8
S&P/ASX Emerging Comp. Accum	4.2	20.4	60.3	29.3	15.5	15.8	7.2	NA
Outperformance	-1.6	-13.4	-26.8	-0.5	6.2	5.0	10.9	NA

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 end-of-month hard-close mid-prices and do not allow for the effects of income tax or inflation.

Performance review

The domestic micro-cap market continued to forge higher during October with early-stage resource stocks and biotechnology companies again leading the charge. The OC Micro-Cap Fund returned a solid 2.6% for the month which was behind the strong performance of the S&P/ASX Emerging Companies Accumulation Index which returned 4.2% in October.

Global Energy Ventures (GEV, +61.4%) enjoyed a share price resurgence during the month when it continued to deliver on its strategy to facilitate new energy solutions ultimately aimed at the decarbonisation of the global economy. GEV is an energy transition company enabling the development of the trillion dollar green hydrogen market through its proprietary compressed hydrogen shipping solution. Its mission is to become the leading provider of storage and transport solutions for green hydrogen projects globally. During the month, GEV announced its first company led project in the geographically strategic Tiwi Islands where it will develop a solar powered hydrogen facility with the aim of

exporting product to an expansive customer base in Asia. The 2.8GW phased project will produce up to 100k tonnes per annum of green hydrogen which will be delivered to customers by GEV's planned fleet of 430 tonne (cargo) compressed hydrogen ships. Importantly, GEV will have a number of options to finance and operate the solar farm, electrolysis and shipping fleet thereby minimising the capital requirements for GEV shareholders. Financing alternatives will include government funding for hydrogen, farm-out to large energy/renewable majors and 'green bonds' for project finance of infrastructure and shipping assets. The project is also endorsed by all critical stakeholders, including the landowners and the Northern Territory Government, and should continue to attract funding as an important 'future energy' project. We have been long term supporters of the GEV strategy, its IP and the management team and believe the company is now at the forefront of the nascent green hydrogen juggernaut and its share price performance over the medium to long term should continue to reflect this industry positioning.

Lotus Resources (LOT, +34.0%) performed strongly during the month, in line with most uranium exposed stocks, as equity investors continued to show enthusiasm for the resurgent commodity which is expected to play an important role in the decarbonisation of the global economy. LOT owns the mothballed Kayelekera uranium mine in Malawi which it is currently working toward bringing back into production. The mine is one of the few in the world that has previously produced commercial quantities of product, and which is also capable of being brought back online at a relatively low overall recommissioning cost. A sustainably higher spot Uranium price (currently around US\$45/lb) is the final piece of the puzzle that Lotus requires in order to return the Kayelekera mine to profitable operation in the short to medium term. A key driver of the upswing in the uranium spot price (from the stagnant levels of around US\$30/lb) has been the much anticipated launch of the Sprott Physical Uranium Trust (SPUT) by North America based global commodities powerhouse, Sprott Asset Management. In the last few months SPUT has been deploying its substantial capital firepower into the acquisition of physical uranium in the spot market and this has had the effect of driving the spot price higher. Coupled with uranium's ability to contribute to a net zero carbon economy, which is becoming a global imperative, we expect the uranium market, and LOT, to continue to outperform in the short to medium term.

Superloop Ltd (SLC, +32.3%) was up for the month after announcing the divestment of its Hong Kong and selected Singaporean assets for A\$140M in addition to issuing FY22 guidance and disclosing an incremental growth investment. SLC will maintain certain operations in HK and Singapore and enter into a 15 year indefeasible right of use to allow the company to provide end to end connectivity services to SLC's Indigo submarine cable customers in the region.

This simplifies SLC which was a collection of domestic and Asian telco assets which did not always demonstrate appropriate returns on capital, particularly in HK. This divestment also strengthens the balance sheet of SLC and improves the ability of SLC to grow both organically and inorganically. To this end, at the recent AGM, SLC announced FY22 underlying guidance in line with market expectations in addition to an incremental \$5M investment in organic growth. We expect this to be deployed in marketing to drive subscriber growth in their NBN reselling business which comprise the recently acquired Exetel and the extant Superloop businesses.

Booktopia Group (BKG, -10.3%) was down for the month on no major news. The trading update at August and recent traffic data would likely suggest BKG has benefited from lockdowns and is generating solid revenue growth on the prior corresponding period. Management has indicated that the company has decreased marketing

spend recently which has likely offset high costs of dealing with the pandemic given the location of their Distribution Centre in Sydney Olympic Park. Whilst elevated trading during the recent lockdown is likely to be hard to replicate in the coming financial year when physical book stores are open, BKG should have additional cash to deploy on either acquisitions or organic marketing investment. Booktopia is Australia's largest book retailer which was founded in 2004 by the current CEO Tony Nash. Booktopia is an ecommerce retailer with predominantly returning customers that has grown revenue at a CAGR of 26% over the last three years whilst being EBITDA positive. We look forward to an update at the AGM which will shed further light on recent trading.

Pivotal Systems (PVS, -13.0%) share price traded lower during the month when its quarterly report affirmed management's ongoing caution around supply chain issues impacting margins in the coming months. PVS does however continue to deliver at the top line with revenue growing quarter on quarter sequentially and up 25% on the prior comparable period. The company is on track to deliver its highest year of revenue with just under two months of its financial year outstanding (PVS operates on a calendar year end basis). PVS produces high precision gas flow control valves which are used in semi-conductor manufacturing equipment. PVS valves provide a greater level of real time monitoring and control than competing products and as a result are becoming standardised across a number of the world's largest manufacturers of silicon wafers. PVS has a market leading product, real and defensible intellectual property and a very large addressable market and we consider these temporary supply chain issues, (for example "paying \$20 to ship a \$0.20c component"), to moderate in the short term. We look forward to the business stabilising its margins at sustainably higher levels and continue to believe it could be the 'category killer' in its industry sub-sector over the medium to long term.

Outlook

Conjecture about the direction of inflation and interest rates continues to dominate discussions about financial markets and the chasm between the expectation of our central bankers and those of economists and most financial market participants continues to be stark. The past week has seen both the Reserve Bank of Australia (RBA) and the US Federal Reserve (the Fed) admit what now seems obvious; namely that inflationary pressures appear to be stubborn and will persist for longer than they originally anticipated. But neither of them is yet prepared to change their dovish stance and entertain the prospect that inflation may be more than a transitory phenomenon, despite both softening their rhetoric on inflation and the tapering of asset purchases in the past week.

At its November board meeting the RBA did give in to market pressures and formally drop its yield curve control policy and conceded that rates could rise as soon as 2023. Governor Philip Lowe acknowledged last week that annual underlying inflation at 2.1% had accelerated quicker than the RBA's expectations and would be likely to remain inside its 2% to 3% target band over the next few years. But the RBA dismissed views of a surge in inflation over coming months, singling out Australia's unique circumstances and noting that the "starting point for inflation and wages growth are lower in Australian than they are in many other countries", several of whom have moved rates higher in the past month.

Earlier in the month the Fed Chairman Jerome Powell too remained resolute in his view that the current high inflation was expected to be transitory, though he conceded there were upside risks to his central scenario. The core PCE price index, which is the Fed's preferred inflation gauge, increased 3.6% for the 12 months, the same as in August but nevertheless the fastest pace in three decades. Still, the US central bank has not backed away from its stance that inflation is likely transitory and expected to cool next year. Speaking to reporters after the Fed's two-day, policy-setting meeting, Powell blamed the highest inflation in 30 years on supply chain bottlenecks, pandemic-induced shortages and pent-up consumer demand and pushed back on the idea that wage pressure from an incredibly tight labour market is what's driving inflation. "Our baseline expectation is that supply bottlenecks and shortages will persist well into next year and elevated inflation as well," Powell told reporters. "And that, as the pandemic subsides, supply chain bottlenecks will abate and job growth will move back up. And as that happens, inflation will decline from today's elevated levels." As it concluded a two-day policy meeting, the Fed said it would cut asset purchases by \$US15 billion this month, as expected, delivering a long-awaited taper.

Despite the resolve of the RBA and the Fed around the relatively benign longer-term outlook for inflation and rates, financial markets have no such conviction, and the consensus view is now that it's a matter of when, not if, the Fed and the RBA will capitulate. Indeed, money markets (Interbank futures curve) are now pricing in the first interest rate hike in Australia May 2022, a stance which Dr Lowe has dismissed as "a complete overreaction". The consensus of 28 economists undertaken by The Australian Financial Review is slightly more dovish than this and showed that the expectation for the first rate hike had been pulled forward to February 2023, which is still materially ahead of RBAs publicly stated expectations.

Anecdotally, we have been hearing of companies not only receiving price rises from their suppliers who are blaming supply disruptions and labour shortages, but more

recently some companies are starting to pass on these price rises to their customers or are planning to do so. The prospect of rising inflation has refocused our attention on identifying companies with strong market positions and pricing power who will not face a margin crunch from an inability to pass on price rises. The current AGM season has already thrown up several examples of companies that are struggling to pass on price rises to the detriment of their near-term outlook including chicken products company Inghams Group and Domino's Pizza Enterprises, neither of which are currently held in the Fund. Dominos called out rising energy prices, including electricity and gas in 2022, as well as expectations that global food prices will likely rise. Inghams, on the other hand, is facing higher input prices in the form of higher feed grain costs which are being exacerbated by increasing international shipping costs. Inghams has relatively poor near-term pricing power with its major supermarket chain client who will not permit the immediate pass through of higher costs and this will put pressure on margins until contracts are reset.

Inflationary concerns aside, the domestic economic recovery remains largely on track with the recovery from the COVID-19 Delta outbreak continuing with the NSW and Victorian economies no longer shackled by onerous COVID-19 restrictions. The jobs market remains vibrant and the RBA, in its quarterly statement on monetary policy released last week, expects the jobless rate to be a little below 5% at the end of 2021, before declining steadily to 4% by the end of 2023. Consumer spending seems to be solid into the important Christmas period and housing and business investment are both expected to be supportive of the economic recovery, as they had been prior to the COVID-19 Delta outbreak. Overall, the Australian economy seems to be tracking solidly from a demand perspective, with the key issues (discussed in recent monthly reviews) firmly on the supply side.

The months of October and November is the time most Australian listed companies host their Annual General Meetings (AGMs) and this typically involves management providing an operational update, either in the form of specific earnings guidance or commentary on trading conditions, including the outlook for the business. Commentary from companies to date has been relatively muted, although there has been more positive than negative surprises according to Macquarie Equities Research. Positive commentary has focused on reopening momentum and a robust consumer environment, although supply chain issues and inflationary pressures have provided a negative offset, particularly in the goods economy. We look forward to providing a more comprehensive wrap to investors at the end of November with most AGMs yet to be held.

We would like to thank our investors for their ongoing support of our Funds and wish you all good health as we enter the summer months with a positive outlook to the future.

Top 5 holdings[#]

Company	ASX code
Booktopia Group	BKG
Cedar Woods Prop.	CWP
Lotus Resources Ltd	LOT
Propel Funeral	PFP
Viva Leisure Limited	VVA

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

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Greg Black	Distribution Manager	0407 063 433 gblack@copiapartners.com.au

[†]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 25, 360 Collins Street, 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.