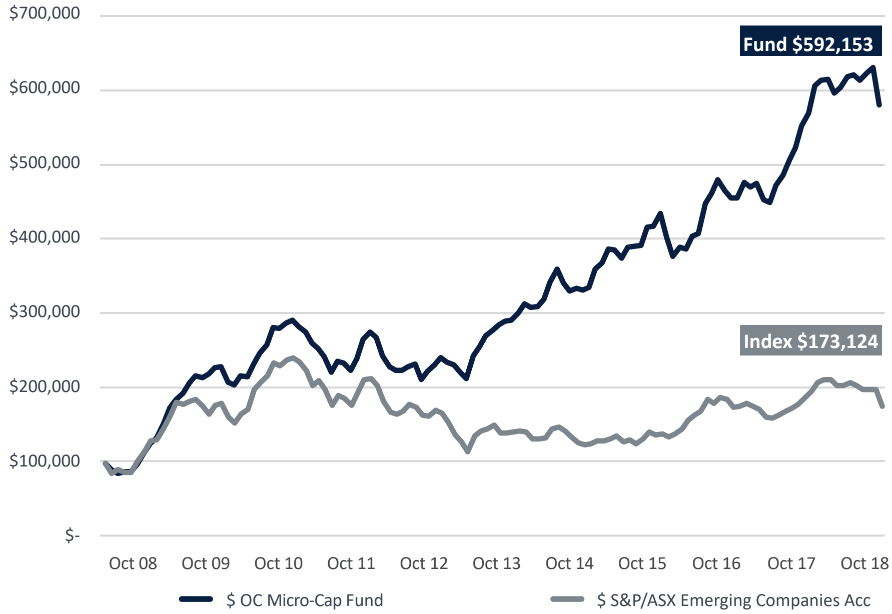
-8.1% Fund down -8.1% for the month

19.5% Returned 19.5% p.a. for the past ten years

We remain confident the Fund is well placed to deliver strong long-term returns

Performance comparison of $100,000 over 10 years[*]



Total returns

At 31 October 2018[†]	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. (Nov 2003)
OC Micro-Cap	-8.1%	-5.5%	5.2%	11.8%	15.9%	13.8%	19.5%	13.4%
S&P/ASX Emerging Comp. Accum	-10.9%	-11.3%	-5.7%	7.1%	3.0%	-1.1%	5.6%	NA
Outperformance	**2.8%**	**5.8%**	**10.9%**	**4.7%**	**12.9%**	**14.8%**	**13.9%**	**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 30 September 2016 and the performance of the OC Concentrated Equity Fund prior to that date. Performance is after fees applicable at the time.

Performance review

Global markets were sold down over the month of October as a series of macro-economic, political and geo-political factors conspired to undermine investor confidence resulting in a sharp equity market sell-off. The month started with investors cautious about rising US interest rates and bond yields and sentiment turned decidedly sour as US-Sino trade tensions further escalated and aggressive political posturing out of Washington invoked concerns of a potential 'cold war' between the US and China.

More broadly, investors were concerned with the growing stand-off between the Italian government and the EU over government spending, ongoing Brexit negotiations and uncertainty about the forthcoming US mid-term elections. Adding to these concerns were underwhelming third quarter earnings results from US industrial bellwethers, 3M and Caterpillar, and tech giants Amazon, Alphabet (Google's parent) and Facebook. All these factors combined to further erode investor confidence as the market went decidedly 'risk-off' as the month drew to a close.

Across the domestic micro-cap market, the sell-off was broad-based with the S&P/ASX Emerging Companies Accumulation Index down 10.9%. The Fund performed well ahead of the Index but was still down a disappointing 8.1% for the month. Whilst we try and preserve investors' capital as best we can in challenging markets by focussing largely on quality profitable and cashflow positive companies, posting a negative return will happen when there is a sharp correction such as the one seen in October.

Pleasingly, the Fund has still achieved a positive return for investors over the past 12 months, up 5.2%, despite the S&P/ASX Emerging Companies Accumulation Index being down 5.7% over that same time frame.

During the month, several of our core portfolio holdings suffered material share price corrections despite no negative news being delivered.

McPhersons (MCP, -10.4%) retreated during the month without any material news flow from the company. The drop in the consumer products wholesaler's share price comes as investors are concerned about the retail market that their domestic brands are sold into and also the longer term implications of a lower Australian dollar. As McPhersons has hedging in place, we are less concerned on near term moves in the AUD and remain comfortable that the valuation of the company adequately reflects these risks.

The share price of **Money3 (MNY, -23.6%)** was sharply lower during the month, with the only incremental company news being changes to the board. In our view, this is likely to enhance the corporate governance of the company. MNY is predominantly a secured non-prime consumer auto loan financier. Until recently, MNY had been capital constrained which had capped the ability of MNY to grow its loan book. Access to a A$150m funding facility provided by Fortress Investment Group has proven timely for MNY as the banking royal commission outcomes have driven a more conservative approach by the mainstream lenders which is beneficial for the market structure which MNY operates in.

MNY was sold off when a federal ALP senator proposed a parliamentary inquiry into parts of the finance sector not covered by the Hayne royal commission (including payday lending). MNY has a legacy “unsecured small amount credit contract” (SACC) loan book which it has announced it is exiting. This SACC book now represents less than 9% of total MNY receivables and therefore we are not overly concerned by the impact that a mooted senate inquiry may have on the core MNY business.

AMA Group (AMA, -18.0%) was lower during the month despite no material negative news being released to the market. In fact, the company announced incrementally positive news in October which included the extension of banking facilities and changes to the executive management team with the highly regarded Andy Hopkins being promoted to the role of Group CEO. There has been growing speculation in the press with respect to a large potential acquisition and an associated equity raising which may have impacted AMA during the month. We would see such an acquisition, at a sensible price, as a potential positive for the company and remain comfortable holders.

Noni B (NBL, -11.2%) is ladies apparel retailer which is undergoing a turn around under a high quality and experienced management team. The stock price was lower during the month on no new news which is possibly attributed to market participants rebalancing away from companies in the retail space. We took the opportunity to add to our position on the share price weakness and we look forward to further developments from the company including updates on cost reductions, gross margin improvements and the reduction of discounting.

We opportunistically exited our position in Capilano Honey during the month. CZZ is the subject of a takeover from a consortium of bidders at $20.06 however, competing interests from Bega Cheese are building a stake in the business and paying as much as $21.00 to secure a seat at the table in any negotiations around the potential transaction. We offloaded our stake “on market” at a premium to the takeover price and are subsequently looking to redeploy our capital into other Micro-cap stocks which are offering sweeter value in these sticky market conditions.

As is often the case at this time of the year, with AGM season upon us, there were numerous negative updates impacting micro-cap stocks during October. Some of the stocks in our stock universe delivering negative updates included household names such as Kogan.com, The Reject Shop, Adairs and Class. Fortunately, the Fund did not hold any of these companies.

Outlook

Investor anxiety reached fever pitch in October as market participants, who have become accustomed to low equity market volatility in recent years, were confronted by a host of macro-economic, political and geo-political factors which led to a swift re-evaluation of risk and a resulting sharp pull-back across global markets. As usual, much of the focus has been on the two global powerhouse economies, namely the US and China.

While the US economy still looks to be in good shape, the Chinese economy has been gradually slowing since 2014, as the central government in Beijing has tried to engineer a soft economic landing. After a long construction-led, debt fuelled period of prosperity, China is now pivoting toward a more consumption-led, services-based economy. In late October, Beijing reported that economic growth had slowed to 6.5%, the slowest reading since the 2009 GFC nadir. Weak Chinese manufacturing data and a stronger US dollar are offsetting the government’s efforts to stabilise the economy by injecting more liquidity into the banking system and ongoing trade tensions with the US are exacerbating weak sentiment. The heavily managed Chinese currency is down about 10% versus the US dollar and Chinese equity markets continue to remain under pressure, with the Shanghai Composite Index down more than 20% from its highs.

While the US economy remains strong, with robust economic growth, low unemployment and inflation seemingly in-check, there are increasing concerns that rising interest rates, fading fiscal stimulus and tariff pressures could lead to a material slow-down in growth in 2019. After years of seemingly unquestioned central bank support, stock and bond markets are transitioning away from a world where liquidity injections underpin asset prices and moving toward a greater reliance on economic fundamentals. Whilst the US economy looks robust enough to manage a careful transition away from the Fed's support, it will no doubt result in greater market volatility.

Rising trade hostilities between the US and China is undoubtedly a paramount market concern and seemed to reach an impasse during the month with neither side prepared to cede ground. While the Australian equity market initially took the trade dispute in its stride expecting compromise and a timely resolution, the likelihood of a tariff driven slow down in global growth now seems more real and commodity prices and many industrial growth stocks sold off as a result.

Compounding this, US-Sino political relations took a decided turn for the worse during October with hostilities in the South China Sea and aggressive rhetoric from US Vice President, Mike Pence, causing some commentators to foreshadow the beginning of a new 'cold war' between the modern day super powers.

Political ructions aside, little changed during the month from a domestic perspective with the sharp sell-off largely driven by offshore events. An abrupt change of Liberal party leadership, and the resultant by election loss in the seat of Wentworth, means we now have a hung parliament in Australia, although the independents have promised to allow the normal operation of government until the next election (which is to be held no later than May 2019). Of note, the unemployment rate dropped to a six year low of 5% in September, a level where several economists expect wages may begin to rise. The housing market slowdown looks to have accelerated with Melbourne and Sydney housing, in particular, under pressure as credit conditions continue to tighten, although, to date, the correction appears orderly.

In volatile markets such as these it is important to remain rational and not get caught up in the hysteria that can follow market corrections. Our investment process focusses on purchasing companies that are trading below their intrinsic value with a margin of safety and in sharp sell-offs, like the one experienced in October, fearful investors will often indiscriminately sell down good quality companies to attractive levels. This can provide a compelling entry point for OC Fund's to take new positions or to top up existing oversold positions. A recent example of this occurred in late 2016 following the election of Trump, when a series of events led to several high quality micro-cap stocks being excessively sold down thereby providing an attractive entry point for the Fund.

Following the October sell-off, there are some quality stocks which we had previously viewed as being too expensive which are now screening as attractive under our investment process. We are continuing to assess them for portfolio inclusion.

Overall the Fund remains conservatively positioned from a cash weighting perspective and will likely continue to do so until we get further clarity on significant macro events, including the US-Sino trade dispute, the US mid-term elections and the speed at which the US Federal Reserve is likely to raise rates.

Importantly, unlike during the GFC, corporate Australia is in a healthy position, particularly from a balance sheet perspective, and overall the OC Fund's portfolio is conservatively geared. Whilst investors are likely to see continued volatility in the coming weeks until we get some clarity on key issues highlighted above, the valuation equation for domestic small cap equities has become more attractive. We believe that investors who ride out the near-term volatility will be handsomely rewarded over the longer term and we thank you for your ongoing support.

Top 5 holdings#

Company	ASX code
Bravura Solutions Ltd	BVS
Jumbo Interactive	JIN
Pacific Current Group	PAC
Pivotal Systems	PVS
The Citadel Group	CGL

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 soft 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. Soft close unit prices are interim unit prices struck at month end before all transactions for the month have been completed. Performance data available on the OC website, ocfunds.com.au, however, is based on hard close unit prices which are struck after all transactions for the month have been completed.

* The performance comparison of $100,000 over 5 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.