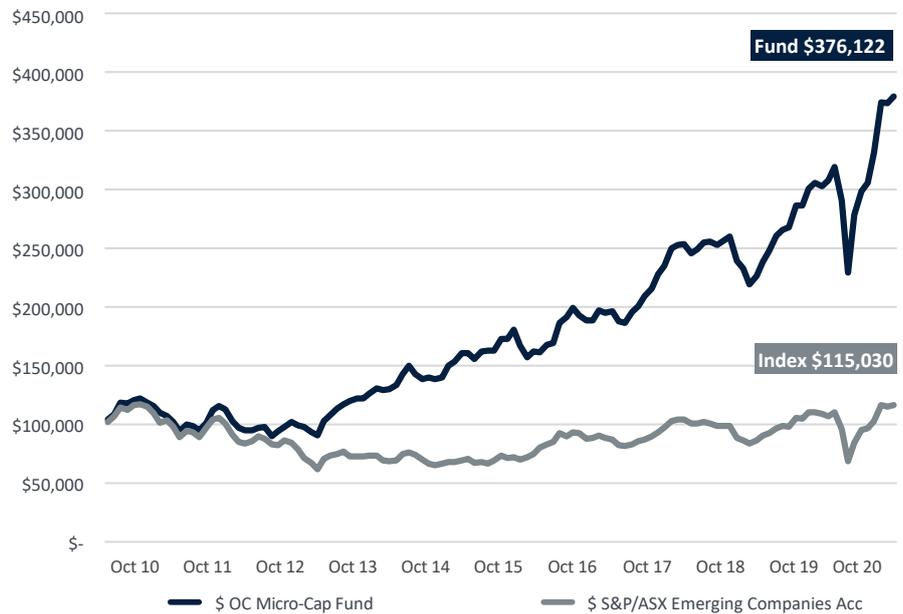


 Fund up 1.5% for the month
1.5%

 Returned 17.4% p.a. for the past 5 years
17.4%

 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 2020 [†]	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	1.5	14.7	24.7	18.9	17.4	18.8	14.2	14.8
S&P/ASX Emerging Comp. Accum	1.3	15.0	6.4	8.3	10.6	6.6	1.4	NA
Outperformance	0.2	-0.3	18.3	10.6	6.8	12.2	12.8	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. 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

October was a month that played out in two halves across the Australian micro-cap equities space with the S&P/ASX Emerging Companies Accumulation Index rallying sharply in the first two weeks of the month following the expansionary Federal budget laid out early in the month, before selling off later in the month as the US 10-year treasury yield spiked in anticipation of a Democrat clean sweep in the US elections. The OC Micro-Cap Fund mirrored this pattern, finishing the month up +1.5%. This was marginally ahead of the S&P/ASX Emerging Companies Accumulation Index which returned +1.3% for the month.

Linen and homewares retailer **Adairs (ADH; +16.6%)** rose in anticipation of strong trading and subsequent earnings upgrades post the September quarter. At its AGM in late October, ADH did indeed release a bullish trading update for the first 17 weeks of FY21. Online ANZ furniture business Mocka, purchased in December 2019, performed strongly with sales up 48% on the prior corresponding period. In addition, as consumers spent

more time confined to their houses, and in many cases received government stimulus, they choose to beautify their abode with merchandise from Adairs; both from its physical stores and also from its comprehensive online offering. The Adairs website reported sales growth of +134% on the prior corresponding period, with the physical stores (excluding the shutdown Melbourne stores) growing like for like revenue +17% versus the prior corresponding period. We remain holders of ADH as it has a comfortable balance sheet, increasing online exposure and is a continued beneficiary of the structural changes to consumer discretionary spending patterns triggered by the enforced period at home many of its customers have recently endured. With the evolution of the Adairs online offering, and the acquisition of the Mocka business, we believe that ADH now warrants a higher valuation multiple than it deserved prior to the lockdown.

Primero Group (PGX; +27.3%) continued to rally off its March lows as the market began to appreciate the robust pipeline of opportunity the company has in front of it. PGX is a small but highly regarded engineering firm

operating in the minerals, energy and infrastructure sectors which we have owned since its IPO in July 2018. Since this time, PGX has largely executed according to its strategy although its perceived specialisation in the lithium mining sub-sector has been a headwind to share price performance as sentiment toward the space has been subdued. The other drag on the share price during the early part 2020 was the dispute with its client, Wartsilla Australia, over the finalisation of payment for PGX's role as subcontractor in the construction of the Barker Inlet Power Station in South Australia. Whilst the construction of power station was completed on time and on budget, Wartsilla has so far refused to pay PGX for its work and the disputed amount is material to PGX (somewhere north of \$25m) as the company is presently capitalised at around \$75m. On the positive side of the ledger, the lithium mining space is rebounding strongly and PGX has recently been awarded additional contracts in other resources sub-sectors (including iron ore, mineral sands and graphene) to bring its FY21 contracted order book to a record level of \$285m. We continue to believe PGX represents outstanding value and have consistently added to our position over the last 12 months at lower levels.

AMA Group (AMA; +15.0%) which runs the largest national network of collision repair workshops was a key contributor again during the month following its strong recent share price performance. The company was sold off aggressively at the start of the pandemic as the market fretted over its stretched balance sheet which came under pressure as government imposed COVID-19 restrictions led to a significant reduction in kilometres travelled, both locally and interstate, and consequently a reduction in vehicle repair volumes. But with the winding back of COVID-19 restrictions, vehicles are returning to the road and there are also several other factors driving a stronger earnings outlook for AMA. Some of these factors include a reluctance by individuals to take public transport (meaning more overall vehicles on the road) and more costly repairs driven by the increased sophistication of vehicles which are now leading to higher average repair revenues following a recent renegotiation of agreements between AMA and key insurer clients. The easing of local travel restrictions in Victoria should further benefit AMA which now looks well placed to meet its bank facility obligations without any costly changes. At its full year result in August, AMA flagged potential non-core asset sales which would leave the company well placed from a balance sheet perspective to resume its greenfield rollout, as well as continue to consolidate the collision repair market.

McPherson's (MCP; -25.3%) had a dramatic fall during the month on the back of a one-off write-down of its hand sanitiser inventory and a trading update that left the market underwhelmed. The company then proceeded to raise capital for the acquisition of

Blackmore's Global Therapeutics business, a provider of Oriental and Western herbal and complementary medicines. While the circumstances that lead to a \$5.7m write down in hand sanitizer inventory are unlikely to repeat, the trading update did require a greater level of consideration. It appears that the first quarter trading was strong, as had been expected, with profit before tax up +84% on the prior corresponding period. Furthermore, guidance for the first half (+20-30% growth) reflects the expected ongoing strength. The outlook for H2, however, appeared conservative in our view, with analysts at the top end of market expectations having to pull back their forecast numbers in a material way as a result. The acquisition of the Global Therapeutics business should provide a worthy expansion of MCP's 'own brand' portfolio within the targeted health and beauty category. The brands can slot easily into MCP's existing distribution footprint, with the potential for increased market reach and are intended to provide a springboard into further expansions in this domain. While we were hoping for more from the trading update, we are supportive of the acquisition and the strategy and still believe the company provides a rare value opportunity in the micro-cap FMCG sector.

Infant formula ingredient producer, **Clover Corporation (CLV; -12.0%)** also released a disappointing trading update during the month with guidance for H1 revenue now expected to fall by 15-25% on the prior year. The company called out a significant increase in orders in the last quarter of last financial year which led to increased stock in the channel and a subsequent lack of follow on re-ordering from these clients. This is surprising to us as the magnitude would have implied that without these COVID-related stockpiling orders, underlying trading would have been negative last year, despite the company benefiting from increased minimum DHA requirement in EU infant formula. In addition, our channel checks and learnings from calls with companies downstream, tell us that the cause may have more to do with the wholesale exit of daigou from the Chinese infant formula importation channel. This change has been coming for some time with the Chinese government cracking down on informal importers but was delivered a death knell this year with 1) COVID-19 seeing an end to international travel for the key groups active in this market, 2) increased consumer preference in China for local Chinese brands and 3) the escalating stock positions for corporate daigou, who in some instances sought to cut prices to clear inventory leading to a complete removal of margin for any other daigou who had inventory positions. We see these problems as ongoing for now, and while one day it is likely China will increase their own minimum DHA requirement, with a flow through benefit to CLV, we do not think waiting for an uncertain one off event as a sensible investment strategy and have exited our long held and profitable position in CLV.

During November, OC participated in a number of IPOs and placements including new listings **Aussie Broadband (ABB; +83.0%)** and **Cleanspace (CSX; +56.5%)** and the secondary issue by **Frontier Digital (FDV; +0.0%)**. ABB provides NBN plans to homes and small businesses and, along with our existing position in Spirit Technology Solutions (ST1), is seen as good micro-cap exposure to the sector following the merger of Uniti and Opticomm (which has pushed the combined business up into the small cap space). Sydney based CSX designs and manufactures respiratory equipment for healthcare and industrial employers and, with the current COVID-19 pandemic, it perhaps has the ultimate structural tailwind for an IPO. FDV invests in online classifieds businesses in emerging markets and raised capital during the month to acquire stakes in entities operating in Tunisia, Morocco and Columbia. The Fund also participated in the successful IPOs of Mydeal (MYD) and Credit Clear (CCR) in October.

The pipeline of IPOs that OC has committed to for the balance of 2020 is high quality and we look forward to talking more about powerline contractor GenusPlus, telehealth specialist Doctor Care Anywhere, and online bookseller Booktopia, amongst others, in the coming months.

Outlook

There has been a tsunami of political, economic, geopolitical and COVID-19 related news flow in recent weeks and the market has consequently been extremely volatile. Throw in the seasonal AGM commentary and outlook statements and a continued wave of IPO activity and early signs that the M&A cycle is heating up with takeovers being lobbed for Link Administration Holdings and Coca Cola Amatil, as well as rumours of an impending bid for wagering giant Tabcorp Holdings and it has been an extraordinarily busy time in equity markets.

Garnering the most attention has been the knife's edge US election, the outcome of which will help shape the future of the world's largest economy for years to come at a time when the country remains deeply divided and mired in the biggest health crisis in a generation. Over the weekend, former Vice President Joe Biden of the Democratic Party claimed victory after the Associated Press and television networks declared him the winner in the state of Pennsylvania; he now looks set to be inaugurated as 46th President of the United States of America. The contest was far closer than either the polls or the so-called political experts predicted. As was widely anticipated, President Trump has refused to concede the election and has accused the Democrats of widespread electoral fraud, mounting lawsuits in several states and even threatening to challenge the validity of the result in the US Supreme Court.

President elect-Biden has pledged to unify and heal a deeply divided nation in a victory speech that laid out a mandate to control the coronavirus, secure better healthcare, achieve racial justice and root out systemic racism and to tackle climate change. But President elect-Biden will likely have to do so with a gridlocked government, with the Democrats controlling the House of Representatives, albeit with a slimmer majority than they previously had, and the tight Senate race likely not to be decided until early January when Georgia's two runoff races will be held, given that no candidate in either contest in the state reached the required 50% threshold of votes required under Georgia state law to win. The so called 'Blue Wave' of Democratic support failed to materialise across the US and the election result is so close that a recount is necessary in Georgia and President Trump is seeking legal avenues to either a recount or to invalidate certain ballots in Pennsylvania and Wisconsin.

Markets globally cast aside the uncertainty (which is typically a major bugbear for investors) and surged on what has been variously described as a 'nirvana' or 'goldilocks' type outcome with the gridlocked Congress close to the ideal scenario for many investors. A Biden presidency is likely to be more predictable but none of the Democrats' more progressive policies like tax hikes, large public spending and widespread regulatory reform are likely to pass into legislation.

The US 10-year Treasury yields had surged to over 0.9% on the prospect of a Democrat clean sweep but has fallen back towards 0.8% following the election. Long duration growth stocks such as technology and healthcare companies have been amongst the immediate beneficiaries. The Australian equity market was sold off into the election, but it too has rallied strongly with technology names leading the way.

With large government stimulus packages likely to be off the agenda in the US near term given the Democrats lack outright control of the Congress, markets remain heavily reliant on the US Federal Reserve (Fed) to continue to support them. Given the choice between large government stimulus and ongoing Fed liquidity, markets prefer the latter as they are more supportive of asset price inflation. Federal Reserve officials did not disappoint last week keeping interest rates near zero and making no change to asset prices and also signalling a willingness to provide further support to the economy should it be necessary.

Our own central bank, the Reserve Bank of Australia (RBA), fired its own \$100b 'monetary bazooka' in early November dropping the official cash rate to just 0.10% (and promising to keep it there for at least the next three years) and announcing that it will buy \$100b of bonds in the coming six months. This so called 'Quantitative Easing' by the RBA is designed to make the structure

of interest rates in Australia lower, to make it cheaper for businesses, households and governments to borrow and invest, and to keep the Australian dollar lower and support economic growth and jobs recovery. The domestic economy recovery remains extremely fragile and we face huge economic challenges as we seek to emerge from the second COVID-19 lockdown and wean ourselves off government stimulus programs like Jobkeeper and Jobseeker. The RBA's move has been widely applauded by business leaders and households alike and these measures, once considered to be highly unconventional, are now seen as critical to an ongoing economic recovery.

Unlikely to help our domestic economy is the rapidly deteriorating relationship with our most important trading partner China, which has lurched from strained to dismal in recent weeks. Beijing has accused Canberra of behaving like America's "roughnecks" and threatened to inflict even greater pain on several key export markets. "Australia will pay tremendously for its misjudgement" read a scathing critique in the state-sanctioned China Daily. The warning was stark: "With Australia mired in its worst recession in decades, it should steer clear of Washington's brinkmanship with China before it is too late". China looks set to be backing up the rhetoric with the Chinese state media reporting that a \$6 billion ban on several key Australian products is imminent including coal, barley, copper ore and concentrate, sugar, timber, wine and lobster. Indeed, lobster exporters have already felt the wrath of Beijing with tonnes of live lobsters left stranded for days at airports and clearance houses early last week waiting to be inspected by Chinese officials.

The breakdown of diplomatic relations with China poses a serious political and economic dilemma for the Morrison government which has been forthright in its condemnation of the Chinese handling of COVID-19 and been vocal about Chinese military posturing, particularly in the South China Sea. China currently accounts for over 30% of Australia's export markets and therefore further deterioration could be very painful for our economy. The Fund currently has limited direct exposure to Chinese export markets or Chinese trade, aside from Mineral Resources who exports iron ore to China, but which seems safe due to China's heavy reliance on Australian ore to fuel their growth engine. Nevertheless, we will continue to monitor developments closely because the second order impacts could clearly have broader reaching implications for our economy than at an individual stock level.

On a more positive domestic note, Australia is once again the envy of much of the world with COVID-19 cases tracking toward zero in most states and the summer weather approaching which may help subdue the virus.

This is in stark contrast to much of the rest of the world, including Europe and North America, where the virus continues to wreak havoc. We are at a critical juncture in the vaccine hunt with two companies in pivotal stage three trials expected to report critical findings in the coming month or so, namely Pfizer/BioNTech and Moderna. The University of Oxford/AstraZeneca trial is reportedly not far behind and CSL will this week commence production on the yet to be approved Oxford/AstraZeneca vaccine. The Federal government last week announced it has hedged its bets by investing in a further two vaccine projects (Pfizer/BioNTech and Novavax) to secure another 50 million doses.

We remain cautiously optimistic of some positive vaccine trial results near term but do not believe that a vaccine will be an immediate panacea to the economic damage caused by the pandemic which is now deeply entrenched and therefore difficult to remedy. We reiterate that an approved vaccine is unlikely to be 100% effective, it must be manufactured on a mass scale and distribution of it will likely be, at least initially, limited. Even if these challenges can be overcome many people are saying they will not take the vaccine fearing unknown side effects. Consequently, even if a vaccine is approved in the coming months, the range of potential economic outcomes is still quite broad.

The corporate pipeline, which only briefly slowed due to the US election uncertainty, is burgeoning once again with a wide array of companies making a run at the local bourse ahead of the summer lull. Leading the charge are some of the year's largest prospective floats including software analyst business Nuix, a company that produces a software platform for indexing, searching, analysing and extracting knowledge from unstructured data and Queensland coal terminal owner Dalrymple Bay Infrastructure, both of whom the OC team has already met. Of late, we have been quite selective about which IPOs we support, particularly in light of the early stage of many of the offerings and the scant financial details that we are being shown with the majority of prospectuses either containing no or just six months of financial forecasts.

Despite the uncertainty around the economic recovery and the likely success of a Coronavirus vaccine, the OC team remains confident that the portfolio will continue to deliver strong investment returns over the long-term. We thank our investors for their ongoing support through what has been an incredibly busy and at times wildly volatile year in financial markets.

Top 5 holdings[#]

Company	ASX code
Adairs Limited	ADH
AMA Group	AMA
Cedar Woods Properties	CWP
Rhipe Ltd	RHP
Telix Pharmaceuticals	TLX

[#]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 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.