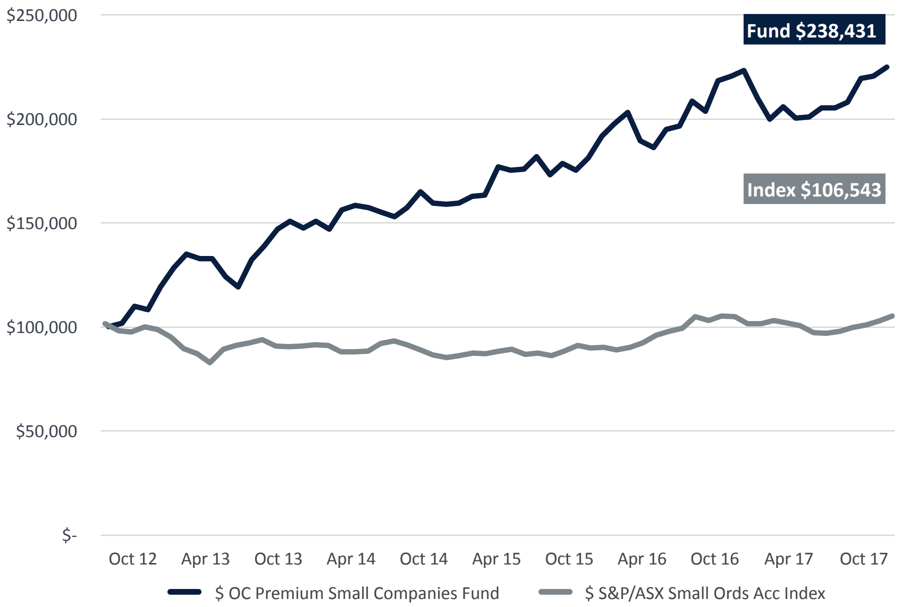
2.9% Fund up 2.9% for the month

14.4% Returned 14.4% p.a. for the past five years

We remain confident the Fund will continue to deliver attractive long-term returns

Performance comparison of $100,000 over 5 years*



Total returns

At 31 October 2017	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. (Dec 2000)
OC Premium	2.9	6.2	11.0	12.5	14.4	13.2	3.9	11.4
S&P/ASX Small Ords Accum	6.0	10.3	14.6	10.5	6.1	2.6	-1.3	5.9
Outperformance	**-3.1**	**-4.1**	**-3.6**	**2.1**	**8.4**	**10.6**	**5.3**	**5.5**
S&P/ASX Small Ind Accum	5.9	8.8	13.9	10.2	11.5	9.0	1.4	6.4
Outperformance	**-3.0**	**-2.6**	**-3.0**	**2.3**	**2.9**	**4.2**	**2.6**	**5.0**

Performance review

The Australian small-cap market had a very strong month with the S&P/ASX Small Ordinaries Accumulation Index up 6.0% and the S&P/ASX Small Industrials Accumulation Index up 5.9%. This was comfortably ahead of the OC Premium Small Companies Fund which was up 2.9%.

The strength in the Index was not broad-based with a number of 'hot' sectors driving the overall benchmark, in particular China-facing consumer stocks (**Bellamy's** +59.9%, **Blackmores** +35.4%, **A2 Milk** +30.0%, **BWX** +26.2%), cobalt and lithium stocks (**CleanTeQ** +52.9%, **Galaxy Resources** +32.7%, **Pilbara Minerals** +27.6%), and tech plays (**Wisetech Global** +34.1%, **Afterpay Touchcorp** +24.4%, **Aconex** +27.3%). In addition, a material constituent of the small-cap index, **Mantra Group**, received a takeover offer from global hotel group, **Accor**, and finished the month up 22.3%.

The prevailing mood in small caps at present is very much 'risk-on' and some stocks and sectors have become quite momentum driven with prices reaching new highs almost every day. In such an environment, it is not uncommon for the OC Premium Small Companies Fund to underperform the Index as was the case in October. Our long-term investors will be aware, our fundamental bottom-up process focuses more on long-term inherent value and operational risk and less on short-term price momentum. Consequently, in such markets, there may be periods where the Fund will underperform the market.

The father of value investing, Benjamin Graham, explained the equity market by saying that in the short run, it is like a voting machine, tallying up which firms are popular and unpopular. But, in the long run, the market is like a weighing machine, assessing the substance of a company. His message is clear: what matters in the long run is a company's actual underlying business performance and not the investing public's often fickle opinion about its prospects in the short-term.

The Fund's long-term track record remains strong with a five-year annualised return of 14.4% p.a. This is comfortably ahead of both the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which are up 6.1% and 11.5%, respectively, over the same time horizon.

Fortunately, the Fund holds a number of stocks that performed strongly over the month with **A2 Milk** (A2M, +30.0%) and **Blue Sky Alternative Investments** (BLA, +28.0%) the top performers in October.

The A2 Milk Company (A2M, +30.0%) – we have written much about this stock in recent months (including in both the July and September investor updates) and the company continues to re-rate. Several sell-side analysts upgraded their earnings forecasts during October citing higher-than-expected infant formula sales out of China and ongoing gross margin expansion, which aligns with our investment thesis on the stock. Management has consistently exceeded the financial expectations of both the overall market and our internal modelling and we have good reason to remain optimistic about the future. Notwithstanding this, the stock has become somewhat of a 'market darling' of late and is now well-owned by fund managers - something we are typically cautious of as it increases the risk of a sharp share price pull-back if the company does not continue to exceed market expectations. We anticipate A2M, in keeping with previous years, will release a first-quarter update some time in November which we expect will show the company continues to gain market share in the critical Chinese market and that it has also been able to achieve price rises in the Australian and Chinese infant formula markets. While we have reduced our holdings in the stock as it moves closer to our valuation, it remains a core portfolio holding.

Blue Sky Alternative Investments Limited (BLA, +28.0%) – continued to re-rate following an excellent FY17 result that came in at the top end of their guidance range. BLA had been largely under the radar of institutional investors but has become much better understood as a result of improved recent disclosure from management and a vastly increased market profile thanks to its rapidly growing assets under management and strong investment performance. Unlike typical ASX-listed funds management businesses that tend to focus heavily on equity investment, BLA has the bulk of its exposure in asset classes that typically have little correlation with the stock market, including real assets (e.g. water and agricultural assets), student accommodation in Australia and the US, retirement assets and US commercial property. We recently met with Kevin Hoo, the founder and managing partner of the US Cove property JV, and came away impressed with the progress on the current projects as well as being excited about the robust pipeline of potential opportunities in US commercial property which could add materially to BLA's earnings in the coming years. Rob Calnon, a member of our investment team, will be undertaking further due diligence on a number of BLA's US assets in New York later this month.

Baby Bunting (BBN, -12.5%) – the specialty retailer of baby goods was under pressure during the month in a difficult retail environment after flagging that competitor distress and subsequent store closures which have been impacting both the company's inventory position and creating short-term margin pressure due to clearance activity. Around 19 specialty baby goods stores have shut down in recent months with 15 inside the catchment area of a BBN store. Although most competitors have already ceased operations, we expect H1 FY18 gross margins to be adversely impacted. A similar event occurred in late 2015 when 'My Baby Warehouse' went into administration leading to the closure of 11 bricks-and-mortar stores and an online site. While this created near-term challenges, including margin pressure as inventory was cleared at discounted rates, it ultimately led to an improved industry structure for BBN over the longer term. We expect a similar scenario to play out in this instance with BBN likely to be in a stronger competitive position after the excess inventory from the discontinued operators is cleared.

Pacific Current Group (PAC, -8.7%) – was sold off early in the month after announcing it had sold its 40% stake in core Australian boutique fund IML to Natixis Global Asset Management for approximately $120m. While the sale leaves a hole from an earnings perspective and consequently reduces our valuation, it leaves the balance sheet in excellent shape (~$100m net cash) and management has reported it has a large pipeline of opportunities under active consideration. PAC management has shown an ability to make sensible and accretive acquisitions in the past and has commented that the subset of opportunities outstrips its available cash post the IML deal. The stock recovered somewhat over the balance of the month after the company subsequently reported strong Q1 FY18 fund flow, with total FUM of $69.6b, up 12.2% primarily driven by $7.0b of net inflows and market performance of $1.7b. Several of PAC's boutique managers are receiving strong fund inflows including GQG, Aperio, EAM and ROC and this is the key earnings driver of the stock. Management commented that the pipeline of institutional flows is robust and we therefore expect FUM flow to remain strong in the near term. PAC is currently trading on a cash-adjusted PE of ~12x and is well placed to re-rate should management deploy its excess cash in a sensible manner as they have done in the past.

Outlook

The Australian equity market shrugged off ongoing geopolitical tension and the latest round of political turmoil (the government losing its narrow majority after the Deputy Prime Minister, as well as others, were found to be ineligible for Parliament due to their dual citizenship status) and broke out of its narrow range to post its strongest gains for the year. Synchronised global economic growth, combined with low inflation and low interest rates, has strengthened investors' conviction that the global equity rally will continue to grind higher.

Furthermore, renewed confidence in Trump's tax plan and continued record low volatility underpinned ongoing strength in the US market from which we seem to be taking as our investment lead.

In the US, Trump has nominated Jerome Powell, a former private equity executive at Carlyle Group and current member of the Federal Reserve, as the new Chairman of the US Central Bank. The choice of Powell is a departure from a long tradition of reappointing 'Fed' chairs to a second term, regardless of party affiliation. Mr. Powell, a Fed governor since 2012, is a Republican with deep roots in the party's establishment and in the finance industry. He has steadily supported Ms Yellen's approach to monetary policy and financial regulation, creating an expectation he would be unlikely to attempt large or sharp changes in the Fed's course. He also seems to have more business-friendly instincts on financial regulation, which will put him in line with the Trump administration's overall view that Barack Obama's time in office was far too unkind to Wall Street. Overall, his appointment ought to continue to be supportive of financial markets and we would expect him to continue on the course of gradual monetary tightening set by Janet Yellen.

On the domestic front, the RBA kept interest rates unchanged at 1.5% at its November meeting. Overall, the economy remains a mixed bag with wage growth remaining low and consumer confidence subdued, whereas business conditions continue to improve, employment has grown strongly in recent months and inflation remains in-check. The housing market appears to have finally peaked with out-of-cycle rate hikes and macro prudential tightening finally starting to impact. Housing price growth was flat in October (the Sydney market actually down -0.5%) and we remain cautious on the outlook. The portfolio remains underweight domestic housing exposure.

Our key conviction calls at present remain in companies exposed to the large pipeline of east coast-based infrastructure projects, particularly in areas such as road, rail, transport, telecommunications and renewable energy. Our site visits and management meetings during the month heightened our conviction in that call and the portfolio is well represented by companies that ought to benefit from an uptick in spending in these areas with **RCR Tomlinson**, **Bingo Industries**, **Seven Group Holdings, NRW Holdings** and **MACA Limited** all expected to be beneficiaries to varying degrees.

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. Thus far, commentary from our portfolio holdings has been positive overall with our stocks seemingly trading broadly in line with our expectations. There have been, however, several earnings downgrades in the small-cap universe (e.g. **Fletcher Building**, **iSentia**, **Technology One**, **HT&E Limited**, **Vita Group**, **Thorn Group**), although the Fund has escaped AGM season thus far unscathed.

The IPO market has sprung back to life and there are several new investment opportunities we are analysing at present including Wagners, a Queensland-based building materials company, Riverlea, the largest domestic pork producer, New Energy, a solar company, and workforce provider, Tandem. In addition, the Fund recently subscribed for the upcoming Netwealth IPO, albeit we were heavily scaled back due to the overwhelming demand for stock. Netwealth is a rapidly growing independent wealth management business providing platform management tools to financial advisers and superannuation clients. OC is very familiar with the business being both a client of the company and having known the management team for many years. Netwealth has an outstanding growth profile and we are bullish about the long-term prospects of the business. We will talk more about this company following the listing.

The OC team is busy travelling most of November visiting current and prospective holdings, unlisted competitors and industry experts. One of the team will be heading to the US to meet with the local management of several of the Fund's holdings including **Blue Sky Alternative Investments**, **Pacific Current** and **Speedcast**. We would like to thank our investors for their ongoing support and look forward to reporting back to you again next month.

Top 5 holdings#

Company	ASX code
Bapcor Limited	BAP
Bingo Industries Ltd	BIN
Eclipx Group Ltd	ECX
Speedcast International	SDA
Webjet Limited	WEB

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* 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 Small Ordinaries 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. There is no guarantee these objectives will be met.

The top 5 portfolio holdings are in alphabetical order and may not be representative of current or future investments. The securities listed may not represent all of the portfolio's holdings and may represent only a small percentage of the strategy's portfolio holdings. Future portfolio holdings may not be profitable.

Past performance is not a reliable indicator of future performance. The total return performance figures quoted are historical, calculated using 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 indices do not incur these costs. This information is provided for general comparative purposes. Positive returns, which the OC Premium Small Companies Fund (the Fund) is designed to provide, are different regarding risk and investment profile to index returns. A performance fee of 20.5% is payable annually on any excess performance (after deducting the management fee) above the benchmark, S&P/ASX Small Ordinaries Accumulation Index, to 30 June. A performance fee is only payable where the Fund has returned 5% or more since the last performance fee was paid. 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 appropriateness of the information to 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 Premium Small Companies Fund (ARSN 098 644 976). A current PDS is available from Copia located at Level 25, 360 Collins Street, Melbourne Vic 3000, by visiting ocfunds.copiapartners.com.au or by calling 1800 442 129 (free call). A person should consider the PDS before deciding whether to acquire or continue to hold an interest in the Fund. Any opinions or recommendation contained in this document are subject to change without notice and Copia is under no obligation to update or keep any information contained in this document current.