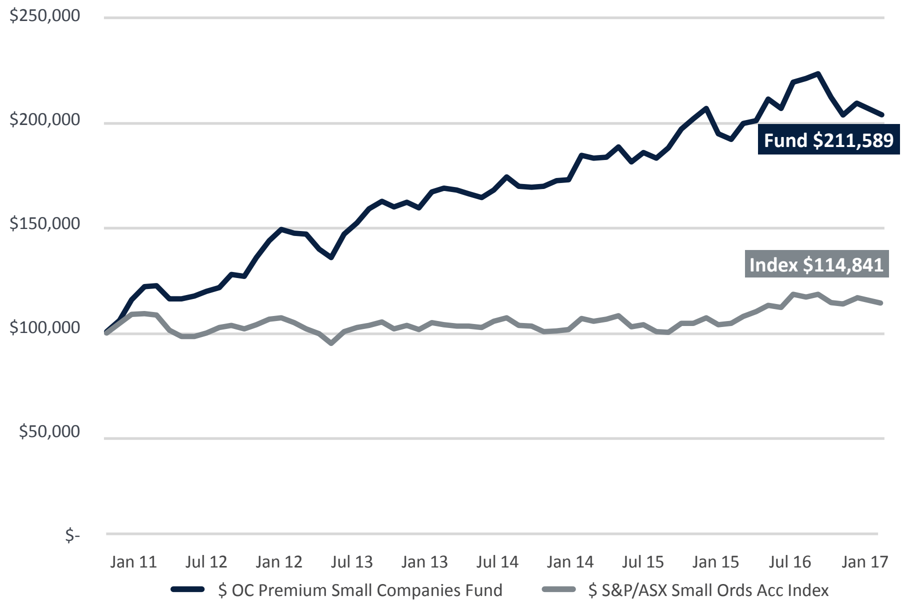
2.4% Fund down 2.4% for the month

16.2% Returned 16.2% 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 January 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	-2.4	-4.2	5.3	9.6	16.2	12.6	3.3	10.9
S&P/ASX Small Ords Accum	-2.4	-0.1	16.4	6.4	2.8	2.5	-0.7	5.3
Outperformance	**0.0**	**-4.0**	**-11.1**	**3.3**	**13.4**	**10.1**	**4.1**	**5.6**
S&P/ASX Small Ind Accum	-3.8	-1.2	7.7	7.6	10.8	7.5	1.2	5.8
Outperformance	**1.4**	**-3.0**	**-2.4**	**2.0**	**5.5**	**5.1**	**2.2**	**5.2**

Performance review

The new calendar year started on a negative note with domestic small-cap stocks coming under pressure in the month of January. The OC Premium Small Companies Fund finished the month down 2.4%, in line with the S&P/ASX Small Ordinaries Accumulation Index but ahead of the S&P/ASX Small Industrials Accumulation Index, which was down 3.8%. Despite having a challenging 12 months, the Fund has a strong long-term track record having returned 16.2% p.a. over the past five years. This is well ahead of both the S&P/ASX Small Ordinaries Accumulation Index and the S&P/ASX Small Industrials Index, which have returned 2.8% p.a. and 10.8% p.a., respectively, over the same time horizon. We remain confident in our investment process, which is unchanged, and in our ability to outperform the market.

News flow was limited during January ahead of the February reporting season, which has just kicked off.

IVE Group (IGL, +14.6%) - diversified marketing and print communications provider, IVE, advised that its newly acquired subsidiary, Franklin Web, has secured a catalogue printing contract with major supermarket chain, Coles. In December, IGL announced the acquisition of Franklin Web and AIW Printing, the number three and four players in the large-format web offset sector. The acquisition makes strategic sense, bridging a gap in its customer offering, while improving the structure of an industry that has been plagued by overcapacity. Despite the share price re-rating during the month, IGL still looks attractively priced, trading on a PE of 6.9x FY18 earnings and offering a fully franked yield of 8.6%.

Pacific Current Group (PAC, +25.2%) - enjoyed a strong re-rating after reaching an in principle agreement with various stakeholders that will result in the simplification of its corporate structure and a deleveraging of the balance sheet of the Aurora Trust. We are supportive of the transaction which will result in a reduction in complexity and uncertainty, simplify the ownership structure and reduce the overall gearing of the group. Indeed, the complexity of the company's structure following the merger of Treasury Group and Northern Lights in November 2014 had been a key factor in poor share price performance as the stock was de-rated by investors who put it in the 'too-hard' basket. A cleaner structure with less gearing will allow investors to refocus on the underlying assets, many of which continue to perform strongly, including flagship boutique managers, Investor Mutual and Aperio. We expect the stock to continue to re-rate in the coming months as investors focus on the underlying value of the equity in the fund managers held within the PAC portfolio.

IDP Education (IEL) - during the month we took advantage of share price weakness to establish a position in IEL, a quality provider of international student placement services and English language testing services. IEL operates three related businesses: a) it co-owns IELTS, one of the leading 'high stakes' English language tests for students, migrants and employees, b) it is one of the largest student placement agents globally with a strong presence in Asia, and c) it operates 10 English language teaching campuses in SE Asia. IEL has a strong history of revenue and earnings growth which, to date, has largely been organically driven through volume and pricing in both student placement and English language testing. The company recently acquired Hotcourses which owns and operates a portfolio of education search websites that help prospective students make more informed study choices and connect with universities and colleges around the world. The acquisition is complementary to the existing student placement division and is expected to be EPS accretive. IEL has a market-leading position in a growing industry and the management has a clearly articulated growth strategy and the recent share price pull-back provided us with an attractive entry point.

Aconex (ACX, -40.4%) - disappointed investors with a material downgrade to its guidance and the stock was heavily sold down. Management cited several contributing factors including: a) weakness in the Americas due to a slower-than-expected ramp-up in user-based enterprise agreements and softer sales due to uncertainty relating to the US Presidential election, b) weakness in the UK due to Brexit uncertainty and underperformance from the recently acquired Conject business, and c) lower incremental short-term revenue due to a mix shift toward long-dated contracts. The update was disappointing and the stock price reaction was understandably severe given investors' high expectations, albeit the business continues to have solid growth prospects and retains a global market-leadership position. Pleasingly, the operating performance of the business in ANZ, Asia, Europe (ex UK) and the Middle East remains on track and in line with expectation. The Fund has reduced its holding in ACX but has retained a position given our view the share price excessively discounts the long-term potential of the business model and its market position.

Servcorp (SRV, -19.8%) - serviced and virtual office provider, SRV, also tempered its earnings guidance citing weak second quarter trading conditions in the US and SE Asia. It seems a combination of poor management decisions in those regions and lower business confidence over the US election period contributed to a weak second quarter. The company has moved swiftly to address the issues and relocated Chief Operating Officer, Marcus Moufarrige, to New York City. CEO, Alf Moufarrige, will take over supervision of SE Asia. SRV has executed its strategy well in recent years and although this hiccup is disappointing, the longer-term investment thesis remains intact. On a positive note, SRV continues to generate strong cash flow that will result in a four cent per share increase in the dividend to 26 cents per share. The company has reduced its investment in new floors and the existing floor maturity profile means SRV ought to generate very strong free cash flow in the coming years. The stock remains attractively priced trading on about 11x FY18 earnings (ex-cash).

Outlook

The domestic economy remains fragile as evidenced by the high number of earnings revisions for Australian small companies, a theme that has continued unabated into the new year. At its recent February meeting, the RBA board noted the weak economic data but stated it expects the economy to return to "reasonable" growth. Economic performance continues to vary markedly by state. The Victorian and New South Wales economies are robust and there are signs of improvement in WA, which is beginning to benefit from ongoing strength in commodity prices.

Domestic inflation continues to be well contained, tracking at around 1.5%. Subdued growth in labour costs means inflation is expected to remain low for some time. Importantly, this leaves scope for the RBA to cut rates further should the domestic economy fail to bounce back in coming quarters.

From a global perspective, little has changed with the US economy on track in the early days of the Trump presidency, despite an elevated level of civil unrest and ongoing uncertainty about several key policy areas including protectionism and immigration. In the Chinese economy, a key to Australia's ongoing prosperity, growth has accelerated in the second half of 2016 driven by higher spending on infrastructure and construction which has helped to underpin commodity price rises. Nevertheless, a rapid increase in borrowing in the Chinese economy could present challenges and is something we continue to monitor particularly if it requires central government intervention which could put the brakes on the economy.

The Fund is conservatively positioned ahead of reporting season with the cash level approaching 10%. We have several stocks we do not own that are screening positively under our process and the recent market pull-back has presented a more attractive entry level. We expect we may deploy some of this cash in the coming months after we meet with management and assuming the outlook remains unchanged.

February is a busy month for the team and we will be meeting with the management of all of our core holdings that are releasing results over the coming weeks and many others. We look forward to reporting back to investors again in March and we remain upbeat on the prospects of the portfolio over the coming year.

Top 5 holdings#

Company	ASX code
Bapcor Ltd	BAP
Blue Sky Alternative Investments Ltd	BLA
Mineral Resources Limited	MIN
Speedcast International Ltd	SDA
Webjet Limited	WEB

CONTACT COPIA 1800 442 129 | clientservices@copiapartners.com.au | copiapartners.com.au

John Clothier	General Manager, Distribution	0408 488 549 | jclothier@copiapartners.com.au
Adam Tweedale	State Manager, Southern Region	0425 804 727 | atweedale@copiapartners.com.au
Angela Vincent	State Manager, Northern Region	0477 347 260 | avincent@copiapartners.com.au
Sean Paul McGoldrick	Account Manager, Northern Region	0421 050 370 | spmcgoldrick@copiapartners.com.au
Iain Mason	Director, Institutional Business	0412 137 424 | imason@copiapartners.com.au

* 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.