Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

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INVESTMENT UPDATE AND NAV REPORT – FEBRUARY 2022

The Ophir High Conviction Fund seeks to provide investors with a concentrated exposure to a high quality portfolio of listed companies outside the S&P/ASX 50. Employing an extensive investment process that combines a rigorous company visitation schedule and fundamental bottom-up analysis, the Fund aims to identify businesses operating within structural growth sectors with the ability to meaningfully grow and compound earnings over time. Typically, the majority of businesses within the portfolio will already have well-established business models with large or growing end markets and a clearly identifiable pipeline of future growth opportunities. As a concentrated portfolio, the Fund seeks to identify the very best of these opportunities in order to ensure each portfolio position delivers a meaningful impact on overall portfolio returns.

ASX Code	Net Per Annum Return Since Inception (to 28 February 22)	Net Return Since Inception (to 28 February 22)	Fund Size (at 28 February 22)
ASX:OPH	**14.8%**	**148.2%**	**$590.4m**

FEBRUARY 2022 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 28 February 2022	Amount
NAV	$2.77
Unit Price (ASX:OPH)	$2.97

To access NAV prices for the Ophir High Conviction Fund (ASX:OPH), historical ASX announcements and performance history, please visit www.ophiram.com

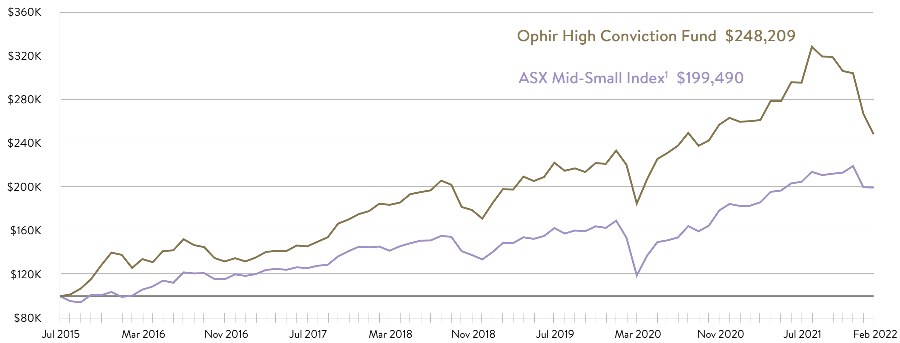

*Chart represents the value of $100,000 invested since inception after all fees and before tax and assuming distributions are reinvested in the Fund. Performance of the Fund is calculated using Net Asset Value (NAV), not the market price. Please note past performance is not a reliable indicator of future performance.

[1] The Fund's benchmark is the S&P/ASX Mid-Small Index, being the composite benchmark of 50% of the S&P/ASX MidCap 50 Accumulation Index and 50% of the S&P/ASX Small Ordinaries Accumulation Index.

INVESTMENT PERFORMANCE

	Since Inception (p.a)	5 Years p.a.	3 Years p.a.	1 Year	3 Month	1 Month
Ophir High Conviction Fund	**18.9%**	**15.9%**	**11.0%**	**-2.9%**	**-18.6%**	**-6.9%**
Benchmark	11.1%	10.6%	10.3%	9.1%	-6.4%	-0.2%
Value Add (Gross)	7.9%	5.3%	0.7%	-12.0%	-12.2%	-6.8%
Fund Return (Net)	14.8%	12.9%	7.8%	-4.6%	-18.9%	-7.1%
ASX:OPH Unit Price Return	n/a	n/a	n/a	-8.0%	-20.6%	-3.3%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 28 February 2022, not the market price. Benchmark is the ASX Mid-Small Accumulation Index. Inception date of the Fund is 4 August 2015. Past performance is not a reliable indicator of future performance.

TOP 5 PORTFOLIO HOLDINGS (Alphabetical) (as at 31 December 2021)

Company	Industry	ASX Code
Corporate Travel Management	Consumer Discretionary Services	CTD
Domain Holdings Australia	Communications	DHG
Resmed Inc	Health Care	RMD
Seek Limited	Communications	SEK
Uniti	Communications	UWL
Average Portfolio Market Cap		**$7.3bn**

KEY INFORMATION

Responsible Entity	The Trust Company (RE Services) Limited
Manager	Ophir Asset Management Pty Ltd
Portfolio Managers	Andrew Mitchell & Steven Ng
Fund Inception	4 August 2015
Fund Size	$590.4m
Number of Stocks	15-30
Cash Distributions	Annually
Investment Objective	Outperform benchmark (after fees) over long term (5+ yrs)

ALLOCATION OF INVESTMENTS

PORTFOLIO SECTOR EXPOSURES (as at 28 February 2022)

Sector	28 February 2022
Materials	8.3%
Financials	7.9%
Health Care	9.9%
Communication Services	14.3%
Consumer Staples	4.5%
Information Technology	16.1%
Industrials	13.8%
Consumer Discretionary	17.5%
Utilities	0.0%
Real Estate	0.0%
Energy	0.0%
[Cash]	7.7%
	100%

MARKET COMMENTARY

Most of the major indices fell over the month of February as geopolitics returned to the fore. The S&P 500 (-3.0%), Nasdaq (-3.3%), and MSCI Europe Index (-3.0%) all ended in the red. However, the ASX 200 (+2.6%) and ASX Small Ords (0.0%) provided a brighter spot after a better than expected reporting season overall.

In an unfortunate turn of events tensions between Russia and Ukraine boiled over towards the end of February with Russian troops invading Ukraine. Beyond the tragic human toll associated with war, the US stock market opened the day after the invasion in the red and prices surged for oil and other commodities on worries the conflict could disrupt supply chains – both countries are major producers of energy, grains and other commodities. These moves reverted after President Joe Biden said he wanted to limit any economic pain for Americans, and he also announced new sanctions on Russia. Whilst on a humanitarian side the outcomes to date in Ukraine are shocking, we believe markets are more likely to be influenced this year by the US Federal Reserve and their actions in seeking to keep inflation below the 2% target rate. If there is any material sell-off in share markets from the conflict in Eastern Europe, history suggests it may be a good time to be a buyer.

In its latest Statement of Monetary Policy, the Reserve Bank of Australia ("RBA") noted "the Australian economy has bounced back strongly from the lockdowns" with robust GDP growth recorded in 2021 and forecasted for 2022 and 2023. Unemployment also reduced to its lowest rate in 13 years and further improvement is expected as labour demand remains elevated. In terms of heightened inflation, Australia has been impacted to a lesser degree than other advanced economies to date and wage inflation grew at the same rates experienced pre-Covid.

Domestically, Value stocks continued to materially outperform Growth stocks on the back of interest rate hike expectations. Over the month, the MSCI Australia Value index returned +5.1% while the MSCI Australia Growth index return +1.0%.

Looking at the ASX Small Ords Index, the Energy (+10.2%), Materials (+7.1%) and Consumer Staples (+6.1%) sectors were the best performers while the Information Technology (-12.5%), Health Care (-10.0%) and Communication Services (-4.4%) sectors led the laggards.

PORTFOLIO COMMENTARY

During February, the Ophir High Conviction Fund's investment portfolio returned -7.1% (net of fees) versus the index which returned -0.2%. Since its inception in August 2015, the Fund has returned +14.8% p.a. (net of fees) while the index has returned +11.1% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of -3.3% for the month.

The rotation from Growth to Value continued into February and this was the key driver behind the Fund's soft performance during the month. Energy and Materials were the top performing sectors as they surged alongside commodity prices due to concerns over supplies from the Russia-Ukraine conflict. These are underweight sectors for the Fund which resulted in a headwind to performance. We reiterate that the underlying operating fundamentals of portfolio companies in the Fund remain sound and we will not change our spots to chase the latest macro induced trends.

Cost input pressures continue to be a common theme through the reporting season. We remain comfortable with the portfolio companies in the Fund and their ability to manage price rises and believe these pressures should alleviate over the year when supply chains for goods starts to catch up and spending on services builds. Our upgrades versus downgrades ratio for portfolio companies for the current reporting season remains high and in line with our long-term average.

In terms of our portfolio positioning, cash levels increased slightly during February albeit they remain at low levels. The number of holdings reduced from 28 to 26 over the month with no changes made to the Fund's core positions. We have rotated capital from our lowest conviction holdings to our highest conviction calls and the growth profile of the portfolio continues to remain strong while valuations have become even cheaper.

The biggest contributor to performance for the month was Lovisa (ASX:LOV). LOV designs, develops, sources and merchandises fast fashion jewellery for the younger age demographic. The company released its earnings and delivered 21% growth in like for like sales as economies reopened and, importantly, they rolled out 42 new stores.

Its share price rose +13.0% in February. The new CEO has invaluable experience in Asia which is a region that has exceptional capacity for growth and we believe the business has the potential of becoming a global brand as store rollouts continue to accelerate.

The biggest detractor to performance in February was Uniti Wireless (ASX:UWL). UWL is a telecommunication products and services provider and is a competitor to the National Broadband Network. The business reported their earnings which met expectations, however, analysts downgraded future earnings as UWL noted it expects construction to slow in the first half of 2022 on the back of labour shortages. We don't think there will be any earnings downgrades even with construction slowing and believe UWL will benefit over time from economies reopening. We topped up our holding in UWL after its stock price fell -21.3% in February.

OUTLOOK

We can expect the US Federal Reserve to be slightly more dovish given the uncertainty created by the Russian-Ukraine war. The Fed is poised to hike interest rates this month for the first time this cycle and we're closely watching how it manages inflation given it is arguably already behind in terms of normalising monetary policy.

We continue not to pick the macro or time its impact on markets and are maintaining our focus on stocks whose operational performance continue to excel that are cheaper than ever. We have a high level of concentration in our highest conviction positions and overall remain pleased with the operational performance of our core positions throughout the most recent reporting season during February.

Whilst growth orientated businesses have seen their valuations compress over the last few months which has been painful for shorter term performance, we believe as the year progresses the market will return to focusing more on the strong underlying fundamentals of the companies we own.

INVESTMENT PHILOSOPHY

INVESTMENT OBJECTIVE

The Fund seeks to provide Unitholders with a concentrated exposure to a high quality portfolio of listed companies outside the S&P/ASX 50. Employing an extensive investment process that combines a rigorous company visitation schedule and fundamental bottom-up analysis, the Fund aims to identify businesses operating within structural growth sectors with the ability to meaningfully grow and compound earnings over time. The Fund aims to generate long-term returns in excess of the Benchmark (after fees and before tax) and provide consistent, sustainable returns for Unitholders.

INVESTMENT PROCESS

Ophir employs a fundamental, bottom-up research approach aimed at identifying businesses with the ability to meaningfully grow and compound earnings over time. Typically, the investment process will look to uncover businesses that are operating within, or about to enter, a period of structural growth and are generating cash or have a clearly identifiable pathway toward free cash flow generation. In order to identify these opportunities, the Ophir investment team spend a considerable amount of time understanding the quality of the business and the environment in which it operates.

ABOUT OPHIR ASSET MANAGEMENT

Ophir Asset Management is a specialist small and mid-cap equities investment manager established by founders Andrew Mitchell and Steven Ng in 2012. The business currently manages approximately $3.0bn in capital across on behalf of institutional superannuation funds, family offices, private wealth groups and individual investors. The investment team comprises 11 investment professionals drawn from a diverse range of backgrounds working across all Ophir funds.

ABOUT THE PORTFOLIO MANAGERS

Senior Portfolio Managers Andrew Mitchell and Steven Ng co-founded Ophir Asset Management in 2012 after previously managing capital together at Paradice Investment Management. Under their stewardship, the fund managed by Andrew and Steven at Paradice was the top performing equities fund in Australia from 2007-2011 versus the fund manager surveys (inclusive of the GFC). At Ophir, Andrew and Steven are Senior Portfolio Managers for the Ophir Opportunities Fund, Ophir High Conviction Fund and Ophir Global Opportunities Fund.

KEY INVESTOR CONTACTS

INVESTOR ADMIN QUERIES

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