

4 May 2022

Ophir High Conviction Fund (ASX:OPH) – Investor Update

Dear Investor,

On Wednesday 4th May 2022, we will be providing a video update on our Funds, including the Ophir High Conviction (ASX:OPH, “the Fund”).

Please find below the key points we will convey in the update relating to the Fund.

1. Market & Fund performance

Towards the end of April, the Federal Reserve commented that economic activity had expanded at a moderate pace since mid-February. Consumer spending, specifically in retail and non-financial service firms, accelerated and whilst manufacturing activity was strong overall, ongoing issues such as supply chain backlogs, labour market tightness and elevated input costs continued to be an impediment. These factors are holding up inflation although there were some reports of early signs that the pace of wage growth had begun to slow. To combat these inflationary pressures, the Federal Reserve began its rate hiking cycle earlier in March and is expected to aggressively continue raising rates this year. The timing for rates lift off by the RBA is predicted by the market to have also been brought forward as inflation has been stronger than expected. Most major market indices fell in April although the Australian bourse fared better than most with major local headline indices providing small single digit losses.

For the month ending 30 April 2022, the Net Asset Value (NAV) of the Fund was down -3.3% (net of fees) with the OPH ASX unit price down -9.7%, compared to the benchmark which was down -1.5%.

2. Portfolio actions

In light of the recent short-term underperformance of the Fund, we’d like to reiterate that we are not changing our investment process in terms of how we pick stocks or the market segments we typically invest in. Our ratio of picking companies that are upgrading earnings remains strong and over the long term, we believe stock prices follow earnings growth.

All investment styles go through cycles and our style has faced strong headwinds in the current environment. Consequently, we have decreased our consumer discretionary exposure, increased our exposure to defensive growers at a reasonable price and have favoured companies further up the market cap spectrum.

3. Stock updates

Elders (ASX:ELD) is a provider of livestock, real estate, and wool services to rural and regional customers in Australia. The agricultural business has continued benefiting from good growing conditions and from investors looking for exposure to counter cyclical businesses to the broader economy.

Uniti Wireless (ASX:UWL) is a telecommunication products and services provider and is a competitor to the National Broadband Network. The company received a takeover bid last month from two competing sources and has now received an unconditional bid at \$5 from the Morrison-Brookfield group resulting in strength in UWL’s stock price.

City Chic (ASX:CCX) is a plus size women clothing company with sales occurring predominately online in Australia, the US, the UK and Germany. CCX delivered a solid update (25%+ revenue growth) but was sold off alongside other consumer discretionary names. The market also has concerns over CCX's high inventory levels, but we support this given ongoing supply chain issues more broadly.

Life360 (ASX:360) is a technology company in the business of tracking the mobility of family members. 360 delivered a strong update in Q1 but due to a misclassification of its cashflow and because it's considered a non-profitable tech company, the stock price underwent a material sell off even though it provided a solid operational update. We think the business has sufficient cash to breakeven on an EBITDA basis and will ultimately be profitable. Any perceived misses by the market however continue to be treated very harshly.

4. OPH trading at a premium

We note the OPH share price has continued to trade at a premium to its Net Tangible Asset per share (NTA), though the size of the premium has recently decreased.

5. OPH buy-back facility

We commenced utilising the buy-back facility for OPH during March 2020 as markets sold off during the early stages of COVID-19. We recently renewed the facility and will continued to utilise this where we see good value on offer in the OPH unit price. We have a process and rules in place for when we use the facility in the market to buy back OPH units. We remain committed to this facility and process and will continue to use this mechanism where we believe it is in the best interests of all unitholders and accretive to performance of the Fund over the long term.

We remain as hard working as ever to find and allocate to those small and mid-cap businesses listed in Australia that we believe can significantly grow earnings and provide attractive risk-adjusted returns over the medium to long term.

Your sincerely,

Andrew Mitchell & Steven Ng

Co-Founders & Senior Portfolio Managers
Ophir Asset Management

For further information, please contact:

George Chirakis

Chief Executive

Ophir Asset Management

george.chirakis@ophiram.com

This information has been prepared by Ophir Asset Management (ABN: 88 156 146 717, AFSL 420082) the Investment Manager of the Ophir High Conviction Fund and is authorised for release by The Trust Company (RE Services) Limited (ABN: 45 003 278 831, AFSL 235 150) as responsible entity and the issuer of units in the Trust. It is general information only and is not intended to provide you with financial advice and has been prepared without taking into account your objectives, financial situation or needs. You should consider the product disclosure statement (and any ASX Announcements) prior to making any investment decisions. If you require financial advice that takes into account your personal objectives, financial situation or needs, you should consult your licensed or authorised financial adviser. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. We note past performance is not a reliable indicator of future performance. The PDS and target market determination can be obtained by calling +612 8188 0397 or visiting our website ophiram.com.au.

The Trust Company (RE Services) Limited (Level 18, 123 Pitt St, Sydney, NSW, 2000) is a part of the Perpetual group of companies. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital.

Ophir Asset Management

Level 26, Governor Phillip Tower

One Farrer Place

SYDNEY NSW 2000

ophiram.com