

6 July 2022

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

Dear Investor,

On Wednesday 6th July 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 insights & Fund performance

The Australian stock market had been holding up well relative to other major stock markets, with the ASX 300 index outperforming the S&P 500 and Nasdaq by 6.4% and 17.6% over the 12 months ending 31 May 2022. In June however the Australian stock market bucked the trend and was one of the worst performers, with the ASX Small Ordinaries and ASX 200 indices falling -13.4% and -8.9% respectively. On the topic of bucking trends, Growth stocks finally outperformed Value stocks with the MSCI Australia Growth index outperforming the MSCI Australia Value index by 2.4% in June.

The macroeconomic environment remains uncertain due to persisting issues such as supply chain problems and the war in Ukraine and thus investors are cautious of riskier assets. In this environment, to avoid valuation downgrades companies must at least hit earnings consensus expectations and surprises have generally not been tolerated by the market. Valuations have fallen significantly this year, especially in certain pockets of the market, but we are seeing great opportunities emerge from this derating.

For the month ending 30 June 2022, the Net Asset Value (NAV) of the Fund was down -7.6% (net of fees) with the OPH ASX unit price down -17.0%, compared to the benchmark which was down -11.7%.

2. OPH trading at a discount

After trading at a premium for almost 2 years, OPH has started trading at a discount to its Net Tangible Asset per share (NTA) since mid-June (at the time of writing).

In general, the Listed Investment Trust market has seen premiums shrink (of the few that trade on premiums) and discounts widen during the recent equity market sell off.

As indicated previously, to the extent we can, we seek to have the Fund trade as close as possible to NTA over time. We like the ability to invest in the Fund at discounts to NTA for our personal investments through the cycle.

3. Stock updates

Current Top Holdings:

AUB Group (ASX:AUB) is an insurance broker located in Australia. AUB is a key holding in the Fund given insurance (alongside accounting) is a critical part of small businesses and is one of the last things to get cut during an economic downturn. This business was one of the top performers during the GFC as its earnings are less impacted by the state of the economy.

EBOS Group (ASX:EBO) is in the business of marketing and distribution of healthcare and pharmaceutical products in Australia and New Zealand. EBO's current debt levels are elevated due to a recent acquisition

which we're highly supportive of. This company is a key holding because, similarly to AUB, its earnings are less correlated to the broader economy.

NextDC (ASX:NXT) is Australia's largest independent data centre provider, building and developing new facilities in Sydney, Brisbane, Perth & Melbourne and should continue to grow given the strong demand for data centres globally.

Lower weight holding:

Lovisa (ASX:LOV) designs, develops, sources and merchandises fast fashion jewellery for the younger age demographic. We consider LOV a global grower with a clean balance sheet and fantastic economics in terms of floor footprints and paybacks. The market has derated this business on the back of anticipations of a slow down that is yet to eventuate. If this doesn't materially pan out as expected or bottoms out earlier than forecasted, we will increase our weights in this company (and similar consumer discretionary companies) to take advantage of the currently attractive valuations.

4. 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 have 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