

1 August 2022

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

Dear Investor,

In early August 2022 we will be updating our investors in person and via video on our Funds, including the Ophir High Conviction (ASX:OPH, “the Fund”).

Please find below the key points we will convey in these updates.

### 1. Market insights & Fund performance

Most major stock markets were finally able to deliver positive returns for the month of July after several months of falls. Whilst this was a welcome change, given the increasingly uncertain economic environment we believe there is a strong possibility this is a relief rally rather than the start of a sustained market recovery.

July is typically a quieter month on the news front for Australian listed companies as they go into ‘black out’ to prepare for financial year 2022 earnings announcements. With inflation levels remaining elevated and central banks globally hiking interest rates to reduce aggregate demand, we expect company earnings to be negatively impacted for many companies, particularly those whose earnings are more cyclical in nature.

Domestically, in July small caps outperformed large caps, with the ASX Small Ordinaries Index up 11.4% compared to 5.8% for the ASX200 Index (albeit large caps haven’t sold off as significantly as their small counterparts over the last 9 months). Growth stocks outpaced Value stocks over the month (MSCI Australia Growth index +8.0% compared to MSCI Australia Value index +1.9%).

For the month ending 31 July 2022, the Net Asset Value (NAV) of the Fund was up 7.6% (net of fees) with the OPH ASX returning 18.8%, compared to the benchmark which was up 10.3%.

\*We note past performance is not a reliable indicator of future performance.

### 2. Stock updates

Omni Bridgeway (ASX:OBL) is a litigation funding business that provides financing for legal cases to plaintiffs in which it either receives a fee and/or a share of settlement amounts for any cases it is able to resolve. Importantly, we consider this business to be non-correlated to the broader economy. We believe the transition of its business model, from self-funding all of its cases to managing capital on behalf of others and earning a fee on that capital, has not yet been appreciated by the market. We also note that OBL was a very strong performer during the global financial crisis. OBL’s stock price was up 17.4% in July.

### 3. OPH trading at a premium

We note the OPH share price briefly traded at a discount in July 2022 but has since traded at a premium to its Net Tangible Asset per share (NTA).

#### **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

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