

Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

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INVESTMENT UPDATE AND NAV REPORT – AUGUST 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 31 August 22)	Net Return Since Inception (to 31 August 22)	Fund Size (at 31 August 22)
ASX:OPH	13.4%	144.2%	\$562.2m

AUGUST 2022 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 31 August 2022	Amount
NAV	\$2.56
Unit Price (ASX:OPH)	\$2.63

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
Benchmark	10.1%	9.0%	7.8%	-7.8%	-0.3%	2.4%
Fund Return (Net)	13.4%	10.3%	4.4%	-25.6%	1.2%	1.7%
ASX:OPH Unit Price Return	n/a	n/a	n/a	-25.9%	-3.1%	-7.7%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 August 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 30 June 2022)

Company	Industry	ASX Code
AUB Group	Insurance	AUB
RESMED	Health Care	RMD
EBOS Group	Health Care	EBO
NIB Holdings	Insurance	NHF
Omni Bridgeway	Financial Services	OBL
Average Portfolio Market Cap		\$6.8bn

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	\$562.2m
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 31 August 2022)

Sector	31 August 2022
Materials	10.2%
Financials	19.1%
Health Care	9.6%
Communication Services	2.7%
Consumer Staples	2.9%
Information Technology	12.4%
Industrials	15.6%
Consumer Discretionary	7.0%
Utilities	0.0%
Real Estate	0.0%
Energy	2.3%
[Cash]	18.1%
	100%

MARKET COMMENTARY

It was a mixed bag of returns for the major stock markets in August. Australian and Japanese companies performed relatively well, with the ASX 200 (+1.4%), ASX Small Ordinaries index (+0.7%) and Nikkei (+1.1%) posting positive returns. The U.S. market didn't fare as well, with the S&P 500, Nasdaq and Russell 2000 returning -4.1%, -4.5% and -2.0% respectively. European stocks were comparably the worst performers, with the MSCI Europe index receding by -4.9%.

Small cap companies outperformed large caps in the U.S. but this result was reversed in Australia as per the results of the ASX Small Ordinaries vs. ASX 200 and Russell vs. S&P 500 above. There is reason to believe small caps may outperform over the next few years given Australian and Global large cap businesses have outperformed their smaller counterparts by 12.8% and 35.0% respectively over the last 5 years, resulting in cheaper starting valuations for small caps.

Growth companies underperformed Value companies in August, with the MSCI World Growth index finishing behind the MSCI World Value index by 2.2%. When looking at Growth vs. Value for the major stock markets separately, this theme was seen across the board except for U.S. small cap companies. The Russell 2000 Growth index outperformed the Russell 2000 Value index by a surprising 2.2% and we think this speaks to the particularly harsh derating U.S. small cap growth companies have experienced over the last three quarters.

In key news, the Jackson Hole Economic Policy Symposium held towards the end of August grabbed headlines. Chairman Jerome Powell delivered a speech with quite a hawkish undertone which did not bode well for stock markets. Powell made it clear that the Fed's agenda is inflation first and the economy and share markets second, stating that "while higher interest rates, slower growth and softer labour market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain". Whilst this may create some short term pain, in our view this is the right decision for the long term as a stagflation-like environment will likely result in a "greater evil" for economies and share markets.

Looking at the ASX Small Ords Index, the Energy (+6.5%), Materials (+4.3%) and Industrials (+4.0%) sectors were the

best performers whilst the Real Estate (-4.9%), Information Technology (-4.5%) and Healthcare (-3.1%) sectors were the worst performers.

PORTFOLIO COMMENTARY

During August, the Ophir High Conviction Fund's investment portfolio returned +1.7% (net of fees) versus the index which returned +2.4%. Since its inception in August 2015, the Fund has returned +13.4% p.a. (net of fees) while the index has returned +10.1% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of -7.7% for the month.

Reporting season was in full swing during the month with companies reporting their full year results and outlook. The results in Australia were not as bad as feared with ASX 200 stocks revising EPS down by only -0.6% for the next 12 months. Notably, there were issues surrounding materials, labour and debt costs for many companies.

Of the 86.5% of the companies in the portfolio that reported earnings, only 2.1% of the Fund by weight missed its earnings expectations by 2% or more. The majority (61.1%) of investee companies reported in line (plus or minus 2%) with expectations whilst a healthy 36.7% of companies beat expectations by at least 2%. We believe this demonstrates that our stock picking ability remains sound and given stock prices follow earnings growth over the long term, we are confident that performance will turn around if we can continue to find companies that are growing faster than market expectations.

In terms of our portfolio positioning, the number of holdings remained stable at 30 and cash levels increased slightly in August. We remain overexposed to growing companies with earnings that are not correlated to the broader economy and have a raft of stocks sitting on our watchlist to invest in when investors start focusing back on company fundamentals and the macroeconomic picture becomes clearer.

One of the largest contributors to performance for the month was AUB Group (ASX:AUB). AUB provides insurance broking, underwriting and risk services in Australasia. The company's share price rose +14.7% in August on the back of a strong FY22 result and positive guidance moving forward.

One of the largest detractors to performance in August was NextDC (ASX:NXT). NXT provides data centre outsourcing solutions, connectivity services and infrastructure management software. It reported at the top end of guidance but silence on major contract wins disappointed the market. The company's share price fell -11.0% over the month.

OUTLOOK

As we head into September, we are weary of the dreaded "September Effect". People have coined the term for good reason: in terms of the S&P 500, September is the only month that has (1) a negative median monthly return and (2) provided a negative return more than half the time since 1941. While you can point the finger at different data points as evidence of this trend, there is often no consistent reason for this occurrence.

The Jackson Hole Economic Policy Symposium certainly did not help stop the September Effect this year. The chances of a 'soft landing' looks to have reduced however at this point in time company earnings still have not been impacted significantly.

As noted in prior updates, we have increased the flexibility of our Funds and remain comfortable with the portfolio holdings and their more resilient earnings characteristics as we make our way through this period of heightened uncertainty and volatility.

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 \$2.0bn in capital on behalf of institutional superannuation funds, family offices, private wealth groups and individual investors. The investment team comprises 12 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 Paradise Investment Management from 2007-2011. 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

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The Trust Company (RE Services) Limited ABN 45 003 278 831 AFSL 235150 (Responsible Entity) is the responsible entity of Ophir High Conviction Fund (the Fund). This document has been prepared by Ophir Asset Management Pty Ltd ABN 88 156 146 717 AFSL 420 082 (Ophir), the investment manager of the Fund and is authorised for release by The Trust Company (RE Services) Limited as responsible entity and the issuer of units in the Trust. The information is of general nature only and has been prepared without taking into your account your objectives, financial situation or needs. Before making an investment decision, you should consider obtaining professional investment advice that takes into account your personal circumstances and should read the current product disclosure statement (PDS) of the Fund. Neither the Responsible Entity nor Ophir guarantees repayment of capital or any particular rate of return from the Fund. All opinions and estimates included in this document constitute judgements of Ophir as at the date of the document and are subject to change without notice. Past performance is not a reliable indicator of future performance. Ophir accepts no liability for any inaccurate, incomplete or omitted information of any kind or any losses by using this information.



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