

Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

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INVESTMENT UPDATE AND NAV REPORT – SEPTEMBER 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.

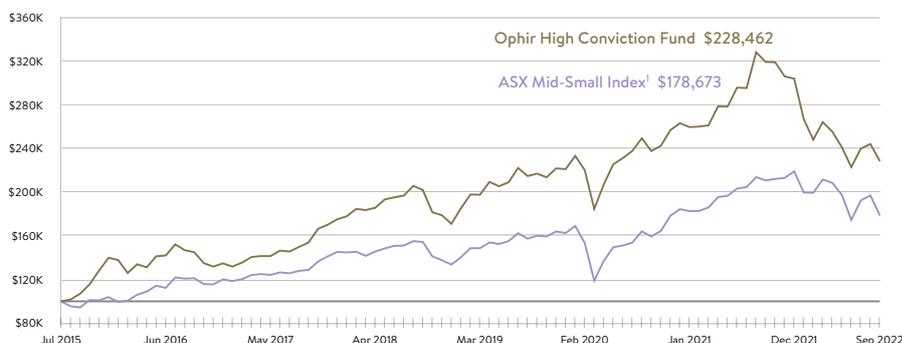
ASX Code	Net Per Annum Return Since Inception (to 30 September 22)	Net Return Since Inception (to 30 September 22)	Fund Size (at 30 September 22)
ASX:OPH	12.2%	128.5%	\$526.0m

SEPTEMBER 2022 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 30 September 2022	Amount
NAV	\$2.39
Unit Price (ASX:OPH)	\$2.25

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	8.4%	6.8%	3.7%	-15.3%	2.4%	-9.3%
Fund Return (Net)	12.2%	8.2%	1.7%	-28.5%	2.4%	-6.5%
ASX:OPH Unit Price Return	n/a	n/a	n/a	-40.2%	-6.3%	-14.4%

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

Company	Industry	ASX Code
AUB Group	Insurance	AUB
EBOS Group	Health Care	EBO
IDP Education Ltd	Consumer Discretionary	IEL
NIB Holdings	Insurance	NHF
RESMED	Health Care	RMD
Average Portfolio Market Cap		\$5.9bn

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	\$526.0m
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 30 September 2022)

Sector	30 September 2022
Materials	9.5%
Financials	17.9%
Health Care	11.2%
Communication Services	4.4%
Consumer Staples	5.8%
Information Technology	10.6%
Industrials	16.8%
Consumer Discretionary	6.9%
Utilities	0.0%
Real Estate	0.0%
Energy	2.1%
[Cash]	14.9%
	100%

MARKET COMMENTARY

Equity markets felt the full brunt of the “September Effect” this year. Larger companies in Australia fell meaningfully with the ASX 200 returning -5.7% whilst smaller Australian companies fared even worse with the ASX Small Ordinaries index falling by a significant -11.0% in September. Similarly in the U.S., the S&P 500, Nasdaq and Russell 2000 indices fell by -9.2%, -10.4% and -9.6% respectively. The Japanese and European markets held up better than the U.S. market, with the Nikkei and MSCI Europe indices returning -7.0% and -6.3% respectively for the month.

There was a notable divergence of returns for Growth vs. Value stocks in Australia with the MSCI Australia Growth index underperforming the MSCI Australia Value index by 4.3% over the month and in the U.S. large cap market, Growth also underperformed Value with the S&P 500 Growth index underperforming the S&P 500 Value index by 1.5%. This result was reversed for U.S. small caps, with the Russell 2000 Growth index beating the Russell 2000 Value index by 1.2%.

In early October, the RBA came out and raised interest rates by 25 basis points which surprised some market spectators who were expecting a 50 basis point increase. The RBA’s target rate is now 2.6% which is the highest level since 2013. This was a positive for the Australian share market which rallied on this news.

During the start of September, the Federal Reserve noted that on balance, economic activity was unchanged with five Districts reporting slight to modest growth in activity and five others reporting slight to modest softening. The Fed also noted that “the outlook for future economic growth remained generally weak, with contacts noting expectations for further softening of demand over the next six to twelve months”. Signs point to economic activity reducing as we head into the end of 2022 which should help inflation continue to fall from its highly elevated levels.

Looking at the ASX Small Ords Index, the Energy (-3.5%), Industrials (-6.3%) and Consumer Staples (-6.4%) sectors were the best relative performers whilst the Information Technology (-12.7%), Healthcare (-12.1%) and Real Estate (-12.1%) sectors were the worst performers.

PORTFOLIO COMMENTARY

During September, the Ophir High Conviction Fund’s investment portfolio returned -6.5% (net of fees) versus the index which returned -9.3%. Since its inception in August 2015, the Fund has returned +12.2% p.a. (net of fees) while the index has returned +8.4% p.a.

The Ophir High Conviction Fund’s ASX listing provided a total return of -14.4% for the month.

In terms of our portfolio positioning, the number of holdings increased from 30 to 31 and cash levels reduced slightly in September. We continue to retain a bias to growing companies with earnings that are less correlated to the broader economy as we navigate our way through this period of macroeconomic uncertainty. The core positions in the Fund remain unchanged.

As noted earlier, Australian Growth stocks significantly underperformed Australian Value stocks in September which did not bode well in light of our investment style. Given this, we are pleased to have outperformed the benchmark this month through stock selection and believe this is a reflection of the quality of the businesses we own.

One of the largest contributors to performance for the month was Mineral Resources (ASX:MIN). MIN operates as a mining services and processing company in Australia, China, and Singapore. It is one of the few resources companies we own, and we have been following the company since its IPO in 2006. MIN is a producer of iron ore and lithium, and its lithium result was very strong for FY22. MIN also announced plans for its Ashburton project which should increase the production rate of iron ore whilst also materially reducing average costs. MIN’s share price rose +4.5% in September.

One of the largest detractors to performance in September was Kelsian Group (ASX:KLS). KLS operates public infrastructure transport systems (land and marine) and tourism services in Australia, Singapore and the U.K. It delivered earnings in line with market expectations, but its margins were soft and its outlook was constrained mainly due to the lack of availability of labour. KLS’s share price fell -9.8% for the month.

OUTLOOK

The rhetoric from most major central banks has been hawkish since the Jackson Hole Economic Policy Symposium in August. However, with the RBA recently increasing rates by 25 basis points and not 50, it appears less willing to give up growth for lower inflation unlike the Fed. We believe this difference in central bank policy has clear implications for the Aussie dollar (lower for longer).

Signs point to economic activity reducing as we head into the end of 2022 which should help inflation continue to fall from its highly elevated levels. If this scenario plays out, company earnings will undoubtedly get impacted. With central bank rate moves likely to slow in the not-too-distant future we believe this will be an environment that should be more conducive for stock pickers.

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 until the macroeconomic picture becomes clearer.

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 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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