

# Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

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## INVESTMENT UPDATE AND NAV REPORT – NOVEMBER 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.

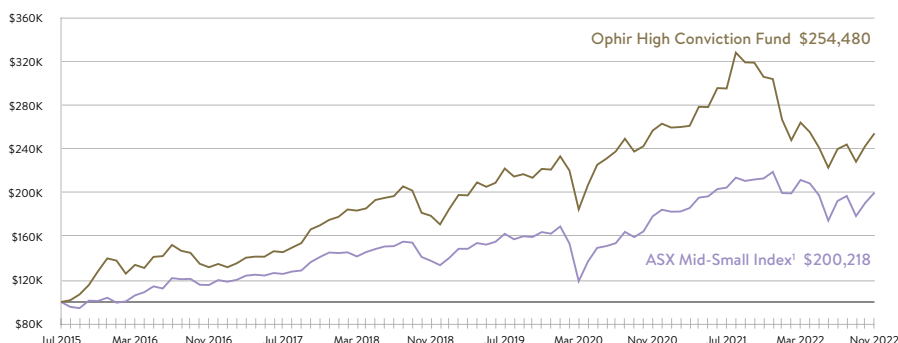
ASX Code	Net Per Annum Return Since Inception (to 30 November 22)	Net Return Since Inception (to 30 November 22)	Fund Size (at 30 November 22)
<b>ASX:OPH</b>	<b>13.6%</b>	<b>154.5%</b>	<b>\$586.4m</b>

### NOVEMBER 2022 PORTFOLIO SNAPSHOT

#### NET ASSET VALUE (NAV) PER UNIT

As at 30 November 2022	Amount
<b>NAV</b>	\$2.67
<b>Unit Price (ASX:OPH)</b>	\$2.36

To access NAV prices for the Ophir High Conviction Fund (ASX:OPH), historical ASX announcements and performance history, please visit [www.ophiram.com](http://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.

<sup>1</sup> 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
<b>Ophir High Conviction Fund</b>	17.4%	11.3%	7.7%	-15.6%	4.6%	4.9%
<b>Benchmark</b>	9.9%	7.2%	6.9%	-6.1%	1.6%	5.0%
<b>Value Add (Gross)</b>	7.5%	4.1%	0.8%	-9.6%	3.0%	-0.1%
<b>Fund Return (Net)</b>	13.6%	8.4%	4.7%	-16.9%	4.2%	4.8%
<b>ASX:OPH Unit Price Return</b>	n/a	n/a	3.4%	-32.8%	-10.3%	-7.1%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 30 November 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
<b>AUB Group</b>	Insurance	AUB
<b>EBOS Group</b>	Health Care	EBO
<b>IDP Education Ltd</b>	Consumer Discretionary	IEL
<b>NIB Holdings</b>	Insurance	NHF
<b>RESMED</b>	Health Care	RMD
<b>Average Portfolio Market Cap</b>		<b>\$6.2bn</b>

#### KEY INFORMATION

<b>Responsible Entity</b>	The Trust Company (RE Services) Limited
<b>Manager</b>	Ophir Asset Management Pty Ltd
<b>Portfolio Managers</b>	Andrew Mitchell & Steven Ng
<b>Fund Inception</b>	4 August 2015
<b>Fund Size</b>	\$586.4M
<b>Number of Stocks</b>	15-30
<b>Cash Distributions</b>	Annually
<b>Investment Objective</b>	Outperform benchmark (after fees) over long term (5+ yrs)

## ALLOCATION OF INVESTMENTS

### PORTFOLIO SECTOR EXPOSURES (as at 30 November 2022)

Sector	30 November 2022
Materials	11.0%
Financials	18.1%
Health Care	10.1%
Communication Services	3.9%
Consumer Staples	4.8%
Information Technology	8.7%
Industrials	15.9%
Consumer Discretionary	8.5%
Utilities	0.0%
Real Estate	0.0%
Energy	2.0%
[Cash]	17.0%
	<b>100%</b>

## MARKET COMMENTARY

Equity markets rallied strongly for the second month in a row as a softer U.S. CPI report raised hopes of a softer economic landing. Larger companies in Australia outperformed smaller companies with the ASX 200 and ASX Small Ordinaries indices returning +6.8% and +5.0% respectively in November. In U.S. markets, the S&P 500, Nasdaq and Russell 2000 indices returned +5.6%, +4.5% and +2.3% respectively. European stocks bounced back strongly with the MSCI Europe Index returning +6.9% whilst the Nikkei returned a more modest +1.4% for the month.

Value stocks continued to outperform Growth stocks in Australia with the MSCI Australia Growth Index underperforming the MSCI Australia Value Index by 5.0% for the month. Over the last quarter, the Value index has returned +12.8% compared to the Growth index which returned +3.1%. The same theme played out in the U.S. with Value stocks outperforming Growth stocks for the S&P 500 and Russell 2000 by 0.9% and 1.4% respectively in November.

During the month the Reserve Bank of Australia's ("RBA") Governor, Phil Lowe, outlined why he expects the end of low and stable inflation. Governor Lowe made it clear it is important to have a firm anchor for inflation between 2-3%, but he suggested actual inflation may spend longer periods outside of this band. At the time of writing the RBA hiked interest rates by 25 basis points to 3.1% which was in line with consensus expectations. The RBA has hiked rates by 300 basis points in total this calendar year.

Looking at the ASX Small Ords Index, the Materials (+12.6%), Financials (+5.1%) and Industrials (+4.3%) sectors were the best performers whilst the Consumer Staples (-1.3%), Communication Services (-0.3%) and Health Care (+2.3%) sectors were the worst relative performers.

## PORTFOLIO COMMENTARY

During November, the Ophir High Conviction Fund's investment portfolio returned +4.8% (net of fees) versus the index which returned +5.0%. Since its inception in August 2015, the Fund has returned +13.6% p.a. (net of fees) while the index has returned +9.9% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of -7.1% for the month.

The outperformance of Value stocks over Growth stocks continued to be a headwind for the Fund's performance. The silver lining is that the expected return of Growth stocks continues to increase as valuations compress further.

In terms of portfolio positioning, the number of holdings remained stable at 31 and cash levels increased to 17.0%. The positions in the Fund remain largely unchanged with one stock replacement and little movement in the portfolio's top holdings. We remain overweight in growing industrials with earnings less correlated to the broader economy and remain underweight in cyclical and bond proxy stocks.

One of the largest stock contributors to performance for the month was AUB Group (ASX:AUB). AUB provides insurance broking, underwriting and risk services in Australasia. In early November, AUB announced an upgrade to their FY23 guidance and the stock price rose by +11.6% for the month.

One of the largest detractors to performance in November was Elders (ASX:ELD). ELD is a provider of livestock, real estate, and wool services to rural and regional customers in Australia. Whilst ELD posted strong financial results, the CEO (Mark Allison) announced his upcoming retirement and the stock price fell -18.4% in November.

## OUTLOOK

As economic activity slows, we expect more companies will miss their earnings guidance. Although finding companies that surprise on the upside will become more difficult, we still maintain our style and continue to look for companies that can grow during any economic condition. We expect management to be more conservative with guidance which can impact share price returns, but this is to be expected at this point in the cycle.

The volatility that has ensued in small cap stocks should continue as the economy slows and this volatility should continue to bring forward opportunities to invest in great businesses at cheaper valuations. To this end we are working our hardest to find the next gem that will help propel the Fund's performance over the long term.

## 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

### INVESTOR ADMIN QUERIES

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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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