

Ophir High Conviction Fund



ASX: OPH

www.ophiram.com

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INVESTMENT UPDATE AND NAV REPORT – JANUARY 2023

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.

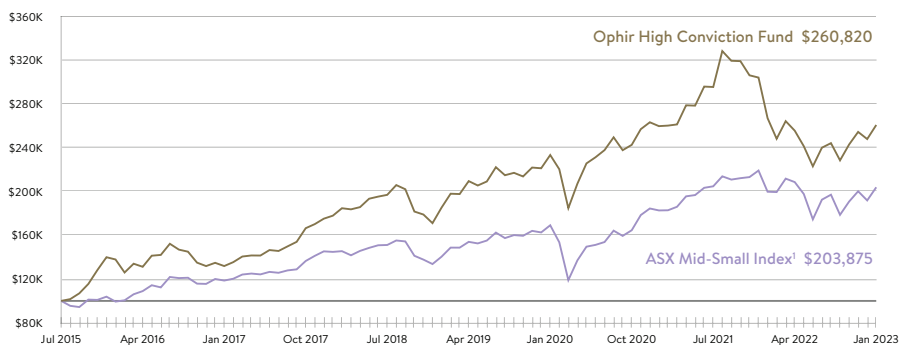
ASX Code	Net Return Since Inception (p.a.) (to 31 January 23)	Net Return Since Inception (to 31 January 23)	Fund Size (at 31 January 23)
ASX:OPH	13.6%	160.8%	\$600.5m

JANUARY 2023 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 31 January 2023	Amount
NAV	\$2.73
Unit Price (ASX:OPH)	\$2.53

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
Fund Return (Net)	13.6%	7.9%	3.8%	-2.3%	7.4%	5.2%
Benchmark	10.0%	7.1%	6.4%	2.0%	6.9%	6.3%
ASX:OPH Unit Price Return			2.9%	-12.2%	-0.4%	1.6%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 January 2023, not the market price. Benchmark is the ASX Mid-Small Accumulation Index. Inception date of the Fund is 4 August 2015. The figures in the table above assumes reinvestment of distributions. Past performance is not a reliable indicator of future performance.

TOP 5 PORTFOLIO HOLDINGS (Alphabetical) (as at 31 December 2022)

Company	Industry	ASX Code
AUBGroup	Insurance	AUB
IDP Education Ltd	Consumer Discretionary	IEL
NIB Holdings	Insurance	NHF
RESMED	Health Care	RMD
Seven Group Holdings	Industrials	SVW
Average Portfolio Market Cap		\$7.3bn

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	\$600.5M
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 January 2023)

Sector	31 January 2023
Materials	8.3%
Financials	18.7%
Health Care	10.4%
Communication Services	5.6%
Consumer Staples	6.1%
Information Technology	10.2%
Industrials	14.8%
Consumer Discretionary	9.5%
Utilities	0.0%
Real Estate	0.0%
Energy	2.1%
Cash	14.3%
	100%

MARKET COMMENTARY

After an uncharacteristically bad December for stocks around the world, equity markets rose strongly in January. The Australian market provided very robust returns with the ASX 200 and ASX Small Ords indices returning +6.2% and +6.6% respectively, whilst the U.S. market delivered even better returns with the Russell 2000, S&P 500 and Nasdaq returning +9.7%, +6.3% and +10.7% respectively. The European and Japanese markets also rose significantly, with the MSCI Europe and Nikkei returning +6.8% and +4.7% respectively.

The most likely catalyst for the gains was softer inflation data in advanced economies which drove long term bond yields lower, an earlier than expected reopening from covid restrictions of the Chinese economy and a mild European winter which lowered recession risks there.

Leading the gains were lower quality companies which are unprofitable or exhibit more debt outperforming those profitable businesses with cleaner balance sheets.

In Australia, the cash rate has now increased to 3.1% with most economists expecting a further 25 basis point hike in February (at the time of writing). In our view we are nearing the end of the tightening cycle as these rate hikes are beginning to weigh more clearly on the economic growth backdrop, including house prices, with the unemployment rate no longer falling and retail sales growth declining in December.

As China emerges out of lockdown, we expect economic activity to accelerate there, providing upside to key Australian commodity exports. Chinese authorities have made it a focus to promote the accelerated recovery of consumption and make it the main engine of economic recovery. Australian companies exposed to household consumption and residential real estate investment in China should benefit from China's reopening.

Looking at the ASX Small Ords Index, the Consumer Discretionary (+11.3%), Health Care (+8.3%) and Materials (+7.9%) sectors were the best performers whilst the Industrials (+3.3%), Consumer Staples (+3.6%) and Energy (+3.8%) sectors were the worst relative performers.

PORTFOLIO COMMENTARY

During January, the Ophir High Conviction Fund's investment portfolio returned +5.2% (net of fees) versus the index which returned +6.3%. Since its inception in August 2015, the Fund has returned +13.6% p.a. (net of fees) while the index has returned +10.0% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of +1.6% for the month.

In terms of portfolio positioning, the number of holdings reduced slightly from 28 to 27 and cash levels fell to 14.3%.

We maintained our overweight position in stocks that are (1) growing earnings which are less correlated to macroeconomic factors and (2) have relatively low levels of debt. This created a headwind for the Fund's relative performance given riskier companies which are unprofitable or exhibit more debt outperformed those profitable businesses with cleaner balance sheets over the month. However, we believe our positioning is the right call given the prevailing macroeconomic uncertainties.

One of the largest stock contributors to performance for the month was IDP Education (ASX:IEL). IEL assists placement of students in educational institutions globally, is the co-owner of IELTS English language test and operates English teaching schools in Asia. Its share price rose +14.8% during the month as testing volumes in Australia continued to recover strongly post Covid with an expected boost following the reopening of China.

One of the largest detractors to performance in January was EBOS Group (ASX:EBO). EBO is in the business of marketing and distributing healthcare and pharmaceutical products in Australia and New Zealand. Its share price fell -2.5% over the month and in the absence of stock specific news, we believe short-term traders sold out of the business post its expected index inclusion.

OUTLOOK

We don't expect the macroeconomic environment to continue to steer share markets as much as it has over the last year however we expect market volatility to remain as we see more earnings downgrades as the impact of higher interest rates begins to bite on economic activity globally.

Whilst the probability of an economic soft landing this year in the key U.S. and European economies has increased over the month, it remains highly uncertain and therefore we are resisting making any outsized macroeconomic calls.

We will maintain our investment process in finding companies that are growing earnings faster than market expectations with clean balance sheets and strong management teams and believe that over the long term, this should yield the best results.

Whilst valuations for smaller companies in Australia have increased over the last month, many are still trading at attractive valuations which suggests to us attractive medium to long term expected returns.

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

Automic Group (Registry)
T: 02 8072 1478
E: ophir@automicgroup.com.au

INVESTOR & ADVISER INFORMATION

George Chirakis (Chief Executive)
T: 02 8006 5476
E: george.chirakis@ophiram.com

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.



CONTACT DETAILS

George Chirakis (Chief Executive)
T: 02 8006 5476
E: george.chirakis@ophiram.com