

Ophir High Conviction Fund

ASX: OPH



Figures as at 28 February 2023

Date of Issue: 14 March 2023

About The Fund

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

ASX: OPH



Net Return Since Inception (p.a.)

+13.4%



Fund Size

\$594.9m

Ophir Asset Management

- Privately owned investment management business established by founders Andrew Mitchell and Steven Ng in 2012
- Fundamental bottom-up research approach combining rigorous company visitation and detailed proprietary analysis
- Strict management of Fund capacity in order to protect performance
- Highly experienced investment team with extensive track record of high performance through all market cycles
- Complete alignment of interests - Senior Portfolio Managers are substantial investors in the Fund

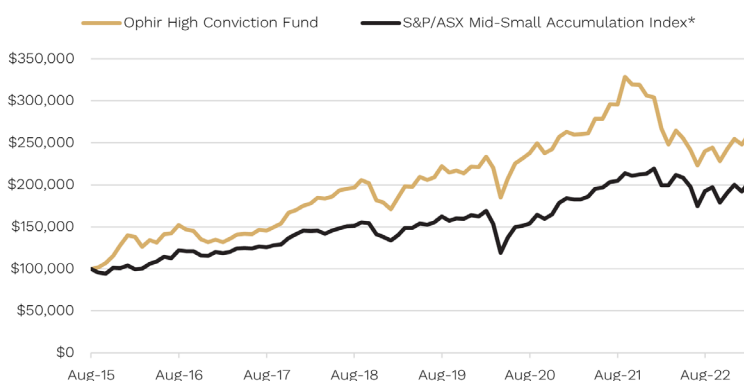


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.
*The Fund's benchmark is the S&P/ASX Mid-Small Index, being the composite benchmark of 50% of the S&P/ASX MidCap 50 Accumulation Index and 50% of the S&P/ASX Small Ordinaries Accumulation Index.

	Since Inception (p.a.)	5 Years (p.a.)	3 Years (p.a.)	1 Year	3 Months	1 Month
Fund Return (Net)	13.4%	6.9%	5.5%	4.1%	1.5%	-0.9%
Benchmark*	9.3%	6.2%	8.6%	-1.3%	-1.7%	-3.5%
ASX: OPH Unit Price Return	N/A	N/A	5.4%	-13.9%	1.7%	-5.1%

The figures in the table above assume reinvestment of distributions. Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 28 February 2023, not the market price. Past performance is not a reliable indicator of future performance.

*ASX Mid-Small Accumulation Index (Net) (AUD), 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.

Senior Portfolio Managers



Andrew Mitchell B Ec (Hons), MAppFin
Portfolio Manager
20+ years experience in financial markets, previously Paradise Investment Management and Commonwealth Treasury Department.



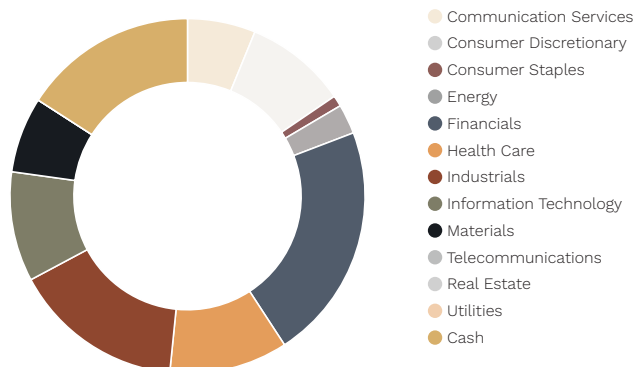
Steven Ng B Acc, CFA
Portfolio Manager
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

Key Information

Responsible Entity & Manager:	Ophir Asset Management Pty Ltd
Fund Inception:	August 2015
Number of Stocks:	15-30
Cash Distributions:	Annually
Redemptions:	Daily
Investment Objective:	Outperform benchmark (after fees) over long term (5+ yrs)

Allocation of Investments

Portfolio Sector Exposures



Top 5 Portfolio Holdings (Alphabetical) (as at 31 December 2022)

Company	Industry	ASX Code
AUB Group	Insurance	AUB
IDP Education Ltd	Consumer Discretionary	IEL
NIB Holdings	Insurance	NHF
RESMED	Healthcare	RMD
Seven Group Holdings	Industrials	SVW
Average Portfolio Market Cap		\$7.5bn

Net Asset Value (NAV) & Unit Price

As at 28 February 2023	Amount
NAV	\$2.71
Unit Price (ASX:OPH)	\$2.40

Market Commentary

After a roaring start in January equities got a reality check in February from higher-than-expected inflation numbers and a stronger-than-expected labour market in the U.S. In the U.S., the S&P 500, Nasdaq and Russell 2000 fell -2.4%, -1.0% and -1.7% respectively. The Australian market trailed most other developed markets with the ASX 200 and ASX Small Ords indices falling by -2.3% and -3.6% respectively. The standouts were the European and Japanese markets, with the MSCI Europe and Nikkei returning +1.8% and +0.5% respectively for the month.

As alluded to above the catalyst for the falls were economic data points from the U.S. suggesting that the interest rate hikes to date have not taken out enough demand from the economy. As a consequence, analysts are projecting U.S. interest rates to peak later and higher than previously expected. Whilst this does push back the expected recovery in share markets, interest rate hikes take time to impact the economy and the labour market is a lagged indicator of the state of the economy.

Portfolio Commentary

During February, the Ophir High Conviction Fund's investment portfolio returned -0.9% (net of fees) versus the index which returned -3.5%. Since its inception in August 2015, the Fund has returned +13.4% p.a. (net of fees) while the index has returned +9.3% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of -5.1% for the month.

In terms of portfolio positioning, the number of holdings increased slightly from 27 to 28 and cash levels increased to 15.9%.

February is an important month for the Fund as many portfolio companies announce their half yearly results to December 2022. In this reporting season, of those that reported, 46% of the Fund beat expectations, 37% provided results in line with expectations and 17% missed expectations. In terms of guidance, 30% of the Fund raised, 37% maintained, 4% downgraded and 28% didn't provide guidance. These figures are reweighted to only include stocks that reported in the latest reporting season.

We continue to identify companies that can still grow and exceed market expectations with nearly half of the portfolio beating expectations.

Growth stocks acted out of character and outperformed Value stocks in the face of higher inflation and rates with the MSCI World Growth Index beating the MSCI World Value Index by 10% in February.

In its latest Statement on Monetary Policy, the Reserve Bank of Australia ("RBA") noted that "global growth is forecast to remain well below its historical average over the next two years". Whilst we've witnessed inflation fall from their recent peaks in many developed countries, Australia's inflation numbers have been on an uptrend. However, the RBA noted that the last inflation print in Australia of 7.8% is expected to be the peak.

Looking at the ASX Small Ords Index, the Industrials (-0.2%), Information Technology (-0.3%) and Consumer Discretionary (-0.8%) sectors closed flat and were the best relative performers whilst the Materials (-7.9%), Health Care (-6.4%) and Energy (-6.1%) sectors were the worst performers.

However, the number of companies missing earnings are increasing too and this is not unexpected with economic growth slowing.

One of the largest stock contributors to performance for the month was AUB Group (ASX:AUB). AUB provides insurance broking and agency services in Australasia and is represented by approximately 135 businesses. AUB delivered on three fronts in its latest report: upgraded 1H earnings, upgraded full financial year earnings and upgraded medium term margin guidance. Mike Emmett (CEO) and the team continue to execute strong operational discipline in the Australian and NZ businesses, turning around underperforming brokers as well as investing in IT and services to improve existing brokers. The stock price rose +17.4% in February.

One of the largest detractors to performance in February was IDP Education (ASX:IEL). IEL engages in the placement of students into leading education institutions internationally with leading positions in Australasia, UK and Canada. IEL also administers the leading high stakes English language test IELTS throughout much of the world. The company delivered over 25% growth but this result was marginally lower than market expectations and IEL's share price fell -8.0% in February.

Outlook

We continue not to make major macroeconomic bets and have a skew towards growth stocks vs. cyclicals/resources companies in line with our style of investing. Our focus remains on earnings, valuations, balance sheets and resilience of demand given the uncertain macro backdrop.

We're still somewhat cautious and deploying capital carefully but we continue to find opportunities at valuations that are much more attractive than 12-18 months ago.

Going forward, we are likely to see two dynamics:

1. Increasingly tougher economic conditions as interest rates bite. The number of companies across the market downgrading guidance either prior to or at the time of their result is expected to increase.
2. A more uncertain environment means companies will be more reticent to provide guidance.

As a result, the team is working hard to analyse the changing macroeconomic backdrop and the impact on earnings for the companies we own in the portfolio. We continue to have a bias at present for those companies with more resilient earnings and that we believe have a higher probability of delivering on those earnings.

Investment Philosophy

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 11 investment professionals drawn from a diverse range of backgrounds working across all Ophir funds.

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.