

Ophir High Conviction Fund

ASX: OPH



Figures as at 30 June 2023

Date of Issue: 25 July 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



Net Return Since Inception (p.a.)



Fund Size

ASX: OPH

+13.1%

\$611.1m

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

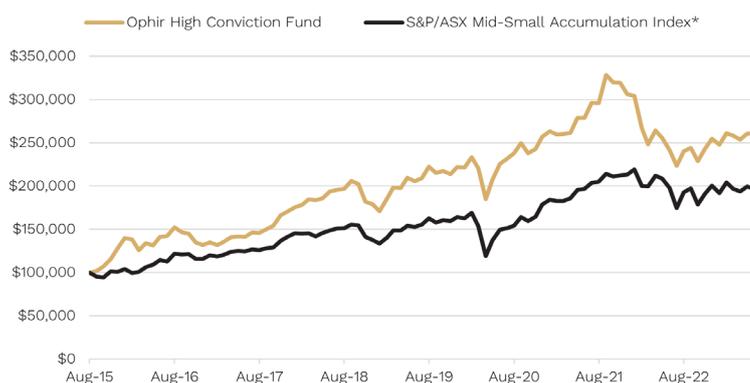


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.
*The Fund's benchmark is the S&P/ASX Mid-Small Index, being the composite benchmark of 50% of the S&P/ASX MidCap 50 Accumulation 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)	13.1%	6.3%	4.7%	19.0%	4.5%	1.7%
Benchmark*	9.0%	5.5%	9.3%	13.2%	2.0%	0.5%
ASX: OPH Unit Price Return	N/A	N/A	3.8%	6.4%	10.5%	8.2%

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 30 June 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

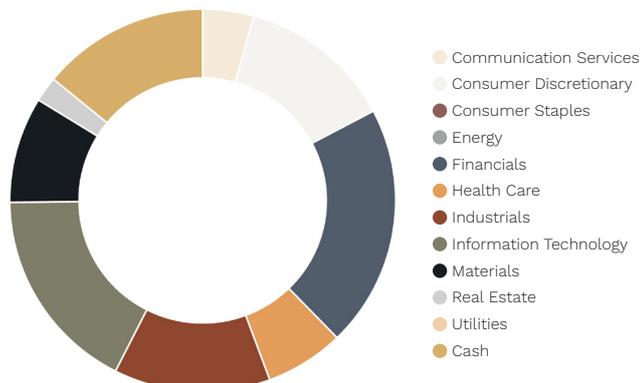
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

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 30 June 2023)

Company	Industry	ASX Code
AUB Group	Insurance	AUB
Kelsian Group	Industrials	KLS
NEXTDC Ltd	Technology	NXT
Seven Group Holdings	Industrials	SVW
Technology One	Technology	TNE
Average Portfolio Market Cap		\$7.7bn

Net Asset Value (NAV) & Unit Price

As at 30 June 2023	Amount
NAV	\$2.78
Unit Price (ASX:OPH)	\$2.42

Market Commentary

Equity markets marched forward in June to conclude the Financial Year. The Japanese equity market continued its surge with the Nikkei 225 returning +7.6% in June. The index has returned a very healthy +18.5% over the last quarter spurred by corporate reforms, a weak currency and increased foreign interest. The U.S. share market also made solid gains in June with the S&P 500, Nasdaq and Russell 2000 indices returning +6.6%, +6.7% and +8.1% respectively, with some greater breadth to returns shown. Gains in the Australian and European markets were muted in comparison, with the MSCI Europe, ASX 100 and ASX Small Ords indices returning +2.4%, +1.9% and +0.0% respectively.

During the month, the S&P 500 officially exited bear market territory and entered a new bull market (up +20% off its October 2022 lows). Tech behemoths positively leveraged to A.I. drove the index forward but the rally has started to broaden outside of these handful of companies. It is yet to be seen whether this is the start of a sustained bull market though, with the 2001 dot com bubble experiencing three bear market rallies of greater than +20% gains.

Portfolio Commentary

During June, the Ophir High Conviction Fund's investment portfolio returned +1.7% (net of fees) versus the index which returned +0.5%. Since its inception in August 2015, the Fund has returned +13.1% p.a. (net of fees) while the index has returned +9.0% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of +8.2% for the month.

In terms of portfolio positioning, the number of holdings decreased from 29 to 28 and cash levels increased to 13.2%. There have been no changes to the fund's key holdings and we remain overweight companies with more resilient earnings.

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. The company provided upgraded guidance driven by underlying performance and attractive trading conditions for the Tysers segment, with revenue exceeding projections and cost synergies on track. AUB's decision to retain 100% ownership of Tysers, along with the equity raise, strengthened its balance sheet with an aim to reduce leverage to <2.0x. Its share price rose +16.3% in June.

In terms of Growth vs Value stocks in June, there was very little divergence of returns for U.S. stocks of both the large and small cap variety. Value stocks in Australia significantly outperformed Growth stocks though, with the MSCI Australia Value and MSCI Australia Growth indices returning +3.7% and +0.8% respectively.

At the time of writing, the Reserve Bank of Australia (RBA) kept interest rates on hold at 4.1% for the second time since its hiking cycle started in May 2022. Inflation has peaked in Australian and economic growth is slowing, although the labour market remains very tight. The rates pause buys the RBA more time to observe the effect of earlier tightening, though market pricing suggest at least one further 0.25% hike this cycle. The June quarter CPI will be released before the next meeting (26 July) and this could be a catalyst for another hike if it is strong.

Looking at the ASX Small Ords Index, the Financials (+6.5%), Energy (+4.8%) and Industrials (+2.6%) sectors were the best performers whilst the Consumer Discretionary (-2.0%), Materials (-1.9%) and Consumer Staples (-1.9%) sectors were the worst performers.

One of the largest stock detractors to performance for the month was Technology One (ASX:TNE). TNE provides integrated enterprise business software solutions worldwide. TNE pulled back -4.2% for the month after a very strong run over the last year. TNE's recent SaaS Annual Recurring Revenue (ARR) guidance of circa 40% year-on-year growth in FY23, along with strong new business momentum in the U.K., has increased confidence in its ability to sustain 10-15% ARR growth post-cloud transition.

Outlook

While it looks like we may be getting closer to the end of the interest rate hiking cycles for many key central banks, the messaging coming out of these banks generally still sees more work to do. Recession probabilities in advanced economies remains high as the long and variable monetary policy lags make their way through the system.

The macroeconomic backdrop remains uncertain and with more rate hikes likely to take place this year, global economic growth should continue to slow, impacting earnings for many companies. The extent of the slowdown will depend in large degree on whether inflation continues to dissipate and whether rate cuts shortly follow.

We are comfortable with the balanced positioning of the portfolio for the current environment, which we believe is positioned well for a range of potential outcomes. The Fund is overweight businesses with more defensive and resilient earnings growth, given the heightened economic growth risks, whilst underweight more cyclically orientated companies.

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

Investor Services

Automic Group

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Investment Enquiries

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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.