

10 August 2023

Ophir High Conviction Fund (ASX:OPH) – Investor Update

Dear Investor,

In early August 2023 we will be updating our investors in person and via video on our Funds, including the Ophir High Conviction (ASX:OPH, “the Fund”).

Please find below the key points we will convey in the update relating to the Fund.

1. Market insights & Fund performance*

Australian equity markets took a major step forward in July, with the ASX 100 and ASX Small Ordinaries indices returning +2.8% and +3.5% respectively. Value stocks significantly outperformed over the month, with the MSCI Australia Value Index outperforming its Growth counterpart by 2.5%.

At the time of writing, the Reserve Bank of Australia (“RBA”) kept rates on hold for the third month in a row at 4.1%. In the RBA’s statement, it mentioned that “the recent data are consistent with inflation returning to the 2-3% target range over the forecast horizon and with output and employment continuing to grow”. This positive note was somewhat offset with the RBA also noting “some further tightening of monetary policy may be required to ensure inflation returns to target in a reasonable timeframe”.

For the month ending 31 July 2023, the Net Asset Value (NAV) of the Fund was up +4.2% (net of fees) with the OPH ASX returning +8.3%, compared to the benchmark which was up +4.0%.

*We note past performance is not a reliable indicator of future performance.

2. Financial year ending 30 June 2023 in review

For the year ending 30 June 2023, the Net Asset Value (NAV) of the Fund was up +19.0% (net of fees) with the OPH ASX returning +6.4%, compared to the benchmark which was up +13.2%.

We are pleased that the NAV of the Fund outperformed the benchmark by 5.8% over the year to 30 June 2023, although we are disappointed that the ASX share price return materially lagged that of the NAV of the Fund. The Fund’s discount moved from 3.5% to start the financial year to 13.0% to close the financial year, however at the time of writing (4 August 2023), the OPH ASX price closed at a 6.0% discount to the NAV.

The year saw significant changes to interest rates, with the Reserve Bank of Australia ("RBA") hiking interest rates from 0.85% to 4.10% over the financial year. This was a headwind for Growth orientated stocks, with the MSCI Australia Growth and MSCI Australia Value indices returning +13.9% and +20.7% respectively over the year. We are pleased to have outperformed in this environment given the Fund predominantly invests in businesses with higher than market levels of earnings growth.

Inflation started the financial year at 6.1% and peaked at 7.8% in December 2022. Since then, inflation has fallen to 6.0% to conclude the financial year. Most economists believe inflation has peaked in Australia and economic growth will continue to slow through the remainder of 2023, as prior interest rate hikes slow demand.

3. OPH trading at a discount

We note the OPH share price traded at a discount to its Net Tangible Asset per share (NTA) for July 2023.

We like the opportunity to buy low throughout the cycle, whether that is stocks in our own Funds, or OPH itself with our own personal investments.

During the month, Senior Portfolio Managers and Founders, Andrew Mitchell and Steven Ng, personally purchased units in the Fund at a discount.

4. OPH buy-back facility

We commenced utilising the buy-back facility for OPH during March 2020 as markets sold off during the early stages of COVID-19. We have renewed the facility and will continued to utilise this where we see good value on offer in the OPH unit price. We have a process and rules in place for when we use the facility in the market to buy back OPH units. We remain committed to this facility and process and will continue to use this mechanism where we believe it is in the best interests of all unitholders and accretive to performance of the Fund over the long term.

We remain as hard working as ever to find and allocate to those small and mid-cap businesses listed in Australia that we believe can significantly grow earnings and provide attractive risk-adjusted returns over the medium to long term.

Your sincerely,



Andrew Mitchell & Steven Ng

Co-Founders & Senior Portfolio Managers
Ophir Asset Management

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This information has been prepared by Ophir Asset Management (ABN: 88 156 146 717, AFSL 420082) the Investment Manager of the Ophir High Conviction Fund and is authorised for release by The Trust Company (RE Services) Limited (ABN: 45 003 278 831, AFSL 235 150) as responsible entity and the issuer of units in the Trust. It is general information only and is not intended to provide you with financial advice and has been prepared without taking into account your objectives, financial situation or needs. You should consider the product disclosure statement (and any ASX Announcements) prior to making any investment decisions. If you require financial advice that takes into account your personal objectives, financial situation or needs, you should consult your licensed or authorised financial adviser. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The PDS and target market determination can be obtained by calling +612 8188 0397 or visiting our website ophiram.com.au.

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