

Ophir High Conviction Fund

ASX: OPH



Figures as at 30 September 2023

Date of Issue: 13 October 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.)

+12.5%



Fund Size

\$586.0m

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

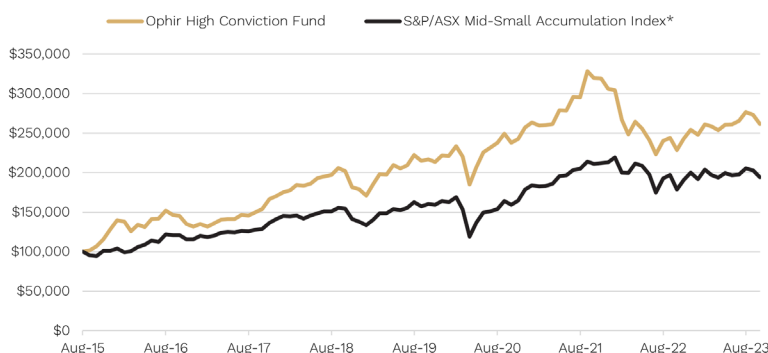


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.

*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)	12.5%	5.3%	3.2%	14.5%	-1.4%	-4.2%
Benchmark*	8.5%	4.7%	6.8%	8.6%	-1.8%	-4.3%
ASX: OPH Unit Price Return	N/A	N/A	0.4%	14.8%	2.5%	-2.4%

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 September 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

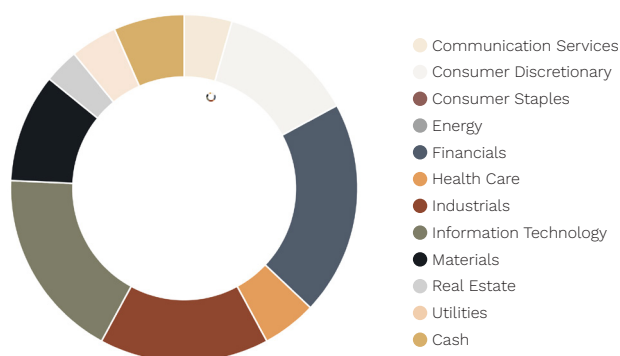
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

Key Information

Responsible Entity:	The Trust Company (RE Services) Limited
Investment 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 September 2023)

Company	Industry	ASX Code
AUB Group	Insurance	AUB
Hub24 Ltd	Financial Services	HUB
NEXTDC Ltd	Technology	NXT
REA Group	Communication Services	REA
Seven Group Holdings	Industrials	SVW
Average Portfolio Market Cap		\$6.8bn

Net Asset Value (NAV) & Unit Price

As at 30 September 2023	Amount
NAV	\$2.63
Unit Price (ASX:OPH)	\$2.48

Market Commentary

Equity markets fell out of bed in September, building on August falls, as sharply higher long term bond yields in the U.S. increased selling pressure. A combination of factors drove bond yields higher (and share markets lower) including increased bond supply, higher oil prices and a more resilient U.S. economy.

Only the UK (FTSE 100, +2.4%) and Indian (MSCI India, +2.0%) stock markets were spared, with Europe (MSCI Europe, -1.5%), Australian (ASX 100, -2.5%) and U.S. (S&P500, -4.8%) markets all finishing in the red. Small Cap and Growth stocks were particularly beaten up with the Russell 2000 falling an outsized -5.9% and the Nasdaq falling a similar -5.8%.

In Australia, Growth stocks also fell more than Value stocks over the month, with the MSCI Australia Growth Index (-3.8%) underperforming its Value (-0.7%) counterpart by 3.1%.

During the month, the Reserve Bank of Australia (RBA) held the Cash Rate steady at 4.10%, a move that it repeated at its early October meeting and at a level that it has now held since June. At writing the market is pricing in

a just over 40% chance of one final 0.25% hike this cycle by early next year but an almost 60% probability we have already seen the last hike. Don't expect swift cuts though with the market expecting the Cash Rate to be still around 4.1% by the end of 2024.

Higher oil prices with Brent up 9.7% in September and 27.2% across Q3, pushed headline inflation in key economies higher recently. If short lived, central banks are likely to look through the move but it adds to pressures on already strained household budgets, especially those least able to afford it.

Looking at the ASX Small Ords Index, the Energy (+15.1%) sector was the standout virtually sole gainer as uranium miners ripped higher. On the other side of the ledger, growth and bond proxy sectors fell the most, weighed down by higher rates with Real Estate (-7.8%), IT (-7.4%) and Consumer Discretionary (-7.0%) hit hardest.

Portfolio Commentary

PORTFOLIO COMMENTARY

During September, the Ophir High Conviction Fund's investment portfolio returned -4.2% (net of fees) versus the index which returned -4.3%. Since its inception in August 2015, the Fund has returned +12.5% p.a. (net of fees) while the index has returned +8.5% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of -2.4% for the month.

In terms of portfolio positioning, the number of holdings remained steady at 29 and cash levels inched up to 6.5%.

With little stock news to guide markets this month, equity market outcomes were mostly dictated by moves higher in bond yields which saw equity valuations compress. In Australian Small Caps it would have been hard to outperform without uranium or coal miners in the portfolio which comprised 7 of the top 10 performing stocks in the ASX Small Ordinaries Index. We spent much of the month travelling to go meet portfolio companies for 1 on 1 meetings and to seek out new ideas post August reporting season.

One of the largest contributors to performance for the month was Seven Group (ASX:SVW). Seven Group is a leading Australian diversified operating and investment group with market leading businesses and investments in

industrial services, media and energy. Seven's assets include WesTrac, the Caterpillar dealer in WA and NSW/ACT, Coates Hire, Boral, Beach Energy and Seven West Media. Its strong full year operating result in August continued to see strong buying support in September with the share price rising +12.3%

One of the largest detractors to performance for the month was AUB Group (ASX:AUB). AUB Group is the parent company for retail and wholesale insurance brokers and underwriting agencies operating in 570 locations across the globe. The share price fell -4.0% on no material news but is still up +33.3% this year.

Outlook

Recession risk remains elevated in Australia with Bloomberg consensus recession probability over the next 12 months currently standing at 50%. Earnings growth for FY24 for Corporate Australia was revised down at the most recent August reporting season as costs such as wages and interest rates bite into corporate profitability. The lagged impact of rate hikes is still yet to be fully felt in Australia and we continue to prize companies with resilient earnings growth.

We remain 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 main bias is currently towards businesses with greater earnings visibility over the next 6-12 months given the uncertain macro backdrop.

Whether soft or hard landing eventuates in key advanced economies over the next year we believe we are in for below trend economic growth. With interest rates largely having normalised from their COVID induced lows, the environment should be more conducive to our style of investing where companies we have traditionally looked for that can outgrow the market's earnings and maintain or grow margins are likely to find favour.

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.

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.

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