

Ophir High Conviction Fund

ASX: OPH



Figures as at 31 January 2024

Date of Issue: 19 February 2024

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

+12.6%

\$615.0m

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

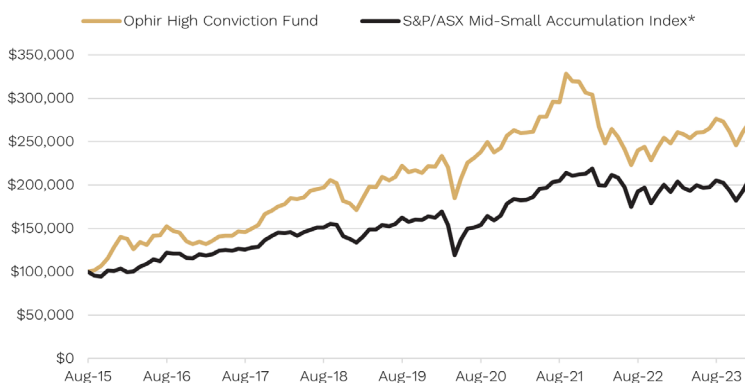


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance. *The Fund's benchmark is the S&P/ASX Mid-Small Index, being the composite benchmark of 50% of the S&P/ASX MidCap 50 Accumulation 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)	12.6%	8.2%	1.9%	5.3%	11.6%	0.9%
Benchmark*	8.8%	7.9%	4.0%	0.8%	13.0%	-0.6%
ASX: OPH Unit Price Return	N/A	6.0%	-4.0%	2.9%	12.1%	3.3%

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 31 January 2024, 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 Paradice Investment Management and Commonwealth Treasury Department.



Steven Ng B Acc, CFA
Portfolio Manager

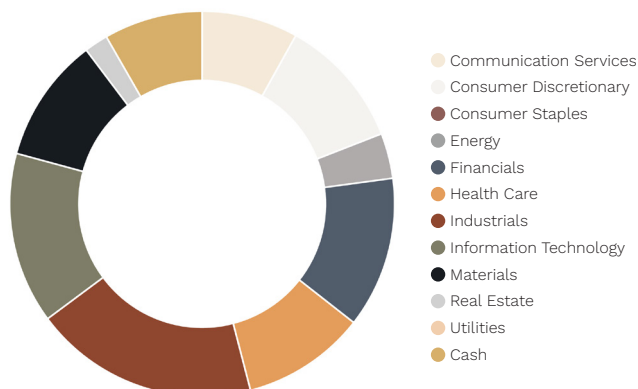
23+ years experience in financial markets, previously Paradice Investment Management and ING Investment Management

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 31 December 2023)

Company	Industry	ASX Code
AUB Group	Insurance	AUB
Mineral Resources	Materials	MIN
NEXTDC Ltd	Technology	NXT
Seven Group Holdings	Industrials	SVW
Webjet Ltd	Consumer Discretionary	WEB
Average Portfolio Market Cap		\$7.6bn

Net Asset Value (NAV) & Unit Price

As at 31 January 2024	Amount
NAV	\$2.76
Unit Price (ASX:OPH)	\$2.50

Market Commentary

Global share markets continued to rally to kick off 2024. Japanese stocks led the way in a big way with the Nikkei 225 returning +8.4% in January on the back of a weaker Yen and expectations of interest rates staying low. European (MSCI Europe, +1.6%) and Australian (ASX 100, +1.1% and ASX Small Ordinaries, +0.9%) stocks rose modestly whilst it was more of a mixed bag in the U.S. The large cap dominated S&P 500 and Nasdaq indices rose +1.7% and +1.0% respectively whilst the Russell 2000, which tracks U.S. small caps, fell -3.9% over the month.

In Australia, Growth outperformed Value stocks in January with the MSCI Australia Growth (+1.9%) index outperforming its Value (+1.3%) counterpart by 0.6%. Over the last year, Growth and Value stocks have performed in lockstep with both indices returning +10.7% to 31 January 2024.

At the time of writing, the Reserve Bank of Australia (RBA) held rates steady for the sixth time out of the last seven meetings. In its latest Statement on Monetary Policy, the RBA noted that they left the cash rate unchanged to support inflation returning to the 2-3% target range, which the RBA expects to see in 2025. Given most advanced economies judge their policy rates to

be restrictive, the RBA expects global growth to be soft in 2024 and 2025 contributing to slower growth in demand for Australian goods and services.

Looking at the ASX Small Ords Index, the Energy (+9.9%), Consumer Staples (+9.6%) and Financials (+4.0%) sectors were the best performers whilst the Materials (-4.9%), Real Estate (-0.0%) and Health Care (+0.1%) sectors were the worst performers.

Portfolio Commentary

During January, the Ophir High Conviction Fund's investment portfolio returned +0.9% (net of fees) versus the index which returned -0.6%. Since its inception in August 2015, the Fund has returned +12.6% p.a. (net of fees) while the index has returned +8.8% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of +3.3% for the month.

In terms of portfolio positioning, the number of holdings remained at 30 and cash levels rose to 8.3%. We continue to maintain our exposure to growing companies with good visibility into earnings at the top end of the portfolio.

One of the largest contributors to performance for the month was Resmed (ASX:RMD). RMD reported second quarter results which beat on sales and gross margins due to increasing pricing and improving manufacturing efficiencies. Earlier in the month RMD released a detailed study on its product and weight loss drugs with RMD identifying that despite some consumers using weight loss drugs, these consumers actually increased using RMD's product. RMD's share price rose +14.8% over the month.

One of the largest detractors to performance for the month was Mineral Resources (ASX:MIN). MIN reported its quarterly results and delivered good results in its iron ore division and improved efficiencies in its lithium division. One of its larger projects will be live soon which should significantly improve the economics of this business. MIN's share price fell -14.4% alongside the declining lithium price in January.

Outlook

As inflation continues to moderate in advanced economies, the key question now is whether the U.S. undergoes a hard or soft landing. Whilst the probability of a recession has fallen from peaks of 65% in July 2023 (according to Bloomberg's survey of economists), it still remains elevated (45% at the time of writing).

If inflation continues to fall this year, key central banks should be able to start cutting rates given real interest rates have continued to go deeper into restrictive territory recently. However, we expect the Fed will be very cautious as they lower rates in case inflation returns like during the 1970s.

We have recently been very incrementally increasing the allocation to more cyclically exposed businesses as soft landing probabilities increase. Overall, we remain comfortable with the positioning of the portfolio and when we believe the time is right, we will rotate further capital into more cyclical growth companies that should benefit significantly when liquidity returns to the small cap end of stock markets.

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.