

# Ophir High Conviction Fund

ASX: OPH



Figures as at 31 July 2024

Date of Issue: 26 August 2024

## About The Fund

The Ophir High Conviction Fund (the 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.)

+13.1%



Fund Size

\$660.0m

## 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

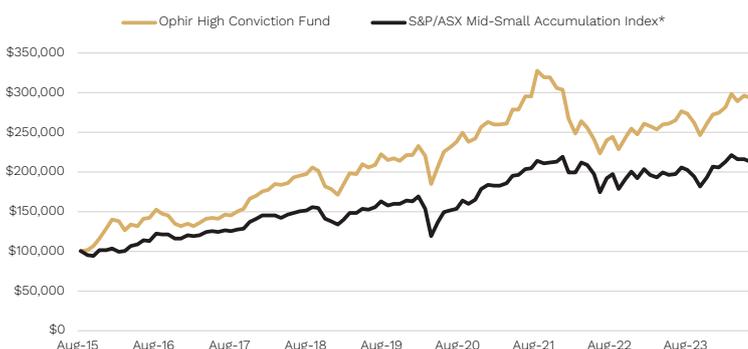


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.

\*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)	13.1%	6.3%	0.7%	9.2%	4.5%	2.8%
Benchmark*	9.2%	6.4%	2.6%	7.8%	2.6%	3.8%
ASX: OPH Unit Price Return	N/A	5.0%	-7.7%	2.1%	4.1%	-1.1%

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 31 July 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 Paradise Investment Management and Commonwealth Treasury Department.



**Steven Ng** B Acc, CFA  
Portfolio Manager

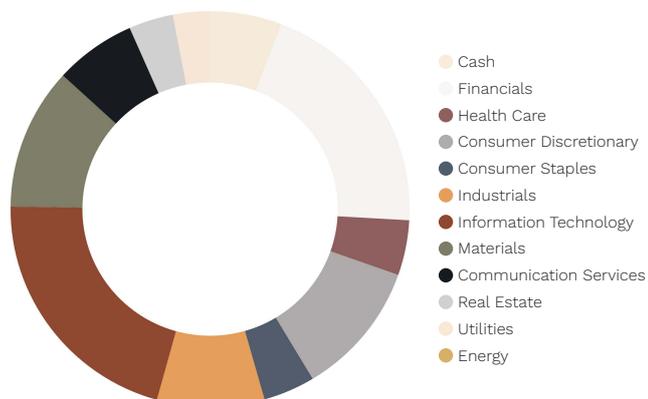
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

## Key Information

<b>Responsible Entity:</b>	The Trust Company (RE Services) Limited
<b>Investment Manager:</b>	Ophir Asset Management Pty Ltd
<b>Fund Inception:</b>	August 2015
<b>Number of Stocks:</b>	15-30
<b>Cash Distributions:</b>	Annually
<b>Redemptions:</b>	Daily
<b>Investment Objective:</b>	Outperform benchmark (after fees) over long term (5+ yrs)

# Allocation of Investments

## Portfolio Sector Exposures



## Top 5 Portfolio Holdings (Alphabetical) (as at 30 June 2024)

Company	Industry	ASX Code
AUB Group	Insurance	AUB
Infratil Ltd	Industrial	IFT
Life360 Inc	Software	360
NextDC Ltd	IT Services	NXT
Technology One	Software	TNE
<b>Average Portfolio Market Cap</b>		<b>\$7.7bn</b>

## Net Asset Value (NAV) & Unit Price

As at 31 July 2024	Amount
NAV	\$2.96
Unit Price (ASX:OPH)	\$2.60

## Market Commentary

In July, the global stock market experienced strong returns for the third consecutive month, continuing its gains in 2024. In Australia, larger companies outperformed smaller ones, with the ASX 100 returning +4.2% and the ASX Small Ordinaries Index returning +3.5% for the month. Over the past 12 months, larger Australian companies have also consistently outperformed their smaller counterparts.

In the U.S., July was notable for small-cap outperformance, with the Russell 2000 Index rising +10.2%, compared to the S&P 500's +1.2% gain. European stocks, as measured by the MSCI Europe Index, posted a modest gain of +1.2%, while Japan's Nikkei Index declined by -1.2% during the month.

Growth outperformed Value in the domestic market for the second consecutive month. The MSCI Australia Growth Index returned an impressive +5.2%, while the MSCI Australia Value Index returned +2.7%. Over the past year, growth stocks have outperformed value stocks in the Australian market by 8.7%.

## Portfolio Commentary

During July, the Ophir High Conviction Fund's investment portfolio returned +2.8% (net of fees) versus the index which returned +3.8%. Since its inception in August 2015, the Fund has returned +13.1% p.a. (net of fees), while the index has returned +9.2% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of -1.1% for the month.

In terms of portfolio positioning, the number of holdings remained unchanged at 30, while cash levels increased to 5.8%. Given the rising probabilities of a soft landing in Australia and the U.S. throughout much of this year, we have incrementally increased allocations to select cyclical holdings within our portfolio. Nevertheless, we are proceeding cautiously due to ongoing economic uncertainties. We will wait for further evidence before making significant increases to our cyclical allocations, as recent leading economic data globally has generally been somewhat disappointing.

June's CPI data, released at the end of July, showed that inflation in Australia is continuing to slow. The Consumer Price Index (CPI) rose by 3.8% over the 12 months to June, which is 0.2% lower than the previous quarter. The most significant price increases over the year were in Alcohol and Tobacco (+6.8%), Insurance and Financial Services (+6.4%), and Health costs (+5.7%).

This has been one of the sharpest tightening cycles in the RBA's history, but it has still not been sufficient for the central bank to achieve its inflation mandate. RBA Governor Michele Bullock stated at a press conference that the Board had considered both raising the Cash Rate and keeping it unchanged but did not discuss a rate cut, which she said was not 'on the agenda' for the near term. She noted that the Board does not expect to cut rates for at least the next six months but warned that another rate hike could occur if inflation does not return to the target band of 2-3 percent.

Looking at the ASX Small Ords Index, the Financials (+8.7%), Consumer Staples (+7.3%), and Consumer Discretionary (+6.2%) sectors were the best relative performers, while the Energy (-5.0%), Healthcare (+0.3%), and Materials (+0.4%) sectors were the worst performers.

One of the largest contributors to performance for the month was Genesis Minerals (ASX: GMD). The underlying gold price had a strong month, which boosted GMD's performance. The macroeconomic backdrop, including rallying markets and a rotation out of commodities such as copper, zinc, and lithium, helped the gold price outperform the market. Additionally, GMD's Q4 results highlighted an acceleration in their growth plans, driven by an earlier restart of the Laverton mill and a faster ramp-up of the Ulysses underground project. As a result, GMD's share price rose by +19.1% in July.

One of the largest detractors from performance this month was Infratil Ltd (NZX: IFT). The company's share price faced pressure due to its investments in AI and renewable energy. A global rotation out of these sectors, driven by the Trump trade, led to a sell-off in AI names, including NVIDIA. Consequently, IFT's share price fell by 5.0% in July.

# Outlook

As the U.S. economy continues to soften, economic data releases have been mixed; U.S. GDP and labour market data were weaker than expected, while housing starts, a leading indicator of growth, were higher than expected. Overall, markets are pricing in a Fed rate cut in September as U.S. inflation continues to decline. After the July FOMC meeting, Fed Chair Jerome Powell indicated that a September cut is possible if economic data meets expectations. According to current market pricing (Bloomberg), a reduction of approximately 1% in the Fed Funds Rate is expected by the end of 2024.

Globally, most advanced economies have experienced relatively stable inflation figures compared to emerging markets. This stability is partly due to the continued faster growth in service sector prices relative to goods. Sticky inflation keeps expectations around monetary policy somewhat fluid. Many advanced economies are now shifting towards easing monetary policy, with several already having started this journey. However, a notable exception is Japan, which raised its short-term interest rate from 0.10% to 0.25% in July.

Australia is expected to be slower in implementing rate cuts due to ongoing sticky inflation and subdued economic growth. Additionally, younger consumers are particularly feeling the pinch of elevated inflation and rental costs.

The portfolio remains balanced, comprising a mix of cyclical and defensive growth companies, which we believe is well-suited to the current market environment. With our emphasis on earnings growth, the portfolio is positioned to benefit from positive market developments. Additionally, smaller growth companies continue to be undervalued relative to large caps, which provides opportunity for the portfolio.

## 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

☎ 02 8072 1478 @ ophir@automicgroup.com.au

### Investment Enquiries

#### George Chirakis (Chief Executive)

☎ 02 8006 5476 @ george.chirakis@ophiram.com

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.