

Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

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INVESTMENT UPDATE AND NAV REPORT – DECEMBER 2022

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.

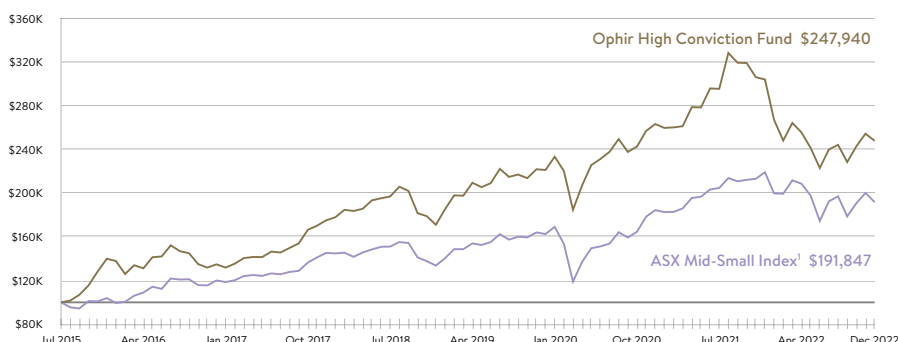
ASX Code	Net Return Since Inception p.a. (to 31 December 22)	Net Return Since Inception (to 31 December 22)	Fund Size (at 31 December 22)
ASX:OPH	+13.0%	+147.9%	\$571.1m

DECEMBER 2022 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 31 December 2022	Amount
NAV	\$2.60
Unit Price (ASX:OPH)	\$2.49

To access NAV prices for the Ophir High Conviction Fund (ASX:OPH), historical ASX announcements and performance history, please visit www.ophiram.com



INVESTMENT PERFORMANCE

	Since Inception (p.a)	5 Years p.a.	3 Years p.a.	1 Year	3 Month	1 Month
Fund Return (Net)	13.0%	7.2%	3.9%	-18.5%	8.5%	-2.6%
Benchmark	9.2%	5.7%	5.7%	-12.5%	7.4%	-4.2%
ASX:OPH Unit Price Return			5.4%	-28.9%	10.7%	5.5%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 December 2022, not the market price. Benchmark is the ASX Mid-Small Accumulation Index. Inception date of the Fund is 4 August 2015. Past performance is not a reliable indicator of future performance.

TOP 5 PORTFOLIO HOLDINGS (Alphabetical) (as at 31 December 2022)

Company	Industry	ASX Code
AUB Group	Insurance	AUB
IDP Education Ltd	Consumer Discretionary	IEL
NIB Holdings	Insurance	NHF
RESMED	Health Care	RMD
Seven Group Holdings	Industrials	SVW
Average Portfolio Market Cap		\$5.5bn

KEY INFORMATION

Responsible Entity	The Trust Company (RE Services) Limited
Manager	Ophir Asset Management Pty Ltd
Portfolio Managers	Andrew Mitchell & Steven Ng
Fund Inception	4 August 2015
Fund Size	\$571.1M
Number of Stocks	15-30
Cash Distributions	Annually
Investment Objective	Outperform benchmark (after fees) over long term (5+ yrs)

ALLOCATION OF INVESTMENTS

PORTFOLIO SECTOR EXPOSURES (as at 31 December 2022)

Sector	31 December 2022
Materials	8.0%
Financials	18.3%
Health Care	9.9%
Communication Services	4.1%
Consumer Staples	6.4%
Information Technology	8.9%
Industrials	14.9%
Consumer Discretionary	7.6%
Utilities	0.0%
Real Estate	0.0%
Energy	2.1%
Cash	19.8%
	100%

MARKET COMMENTARY

December tends to be a strong month for stock markets but perhaps unsurprisingly given the year that was 2022 panned out a little differently. Equity markets took a significant step back during the month giving back some of the gains from October and November. The Australian and European markets were able to preserve capital better than others with the ASX 200 (-3.2%), ASX Small Ordinaries (-3.7%) and MSCI Europe (-3.5%) indices relative outperformers. The U.S. and Japanese markets found themselves deeper in the red with the S&P 500 (-5.8%), Nasdaq (-8.7%), Russell 2000 (-6.5%) and Nikkei (-6.6%) indices some of the poorer performing key markets.

Over the calendar year, the ASX Small Ordinaries (-17.8%), S&P 500 (-18.1%), Nasdaq (-32.5%), Russell 2000 (-20.5%), MSCI Europe (-9.0%), Nikkei (-7.4%) indices all closed in the red. The ASX 200 (+0.5%) and the UK's FTSE100 (+4.6%) were two of a very limited number of developed market indices to finish the year in the green. The ASX was bolstered by the value based Resources and Financials sectors that dominate the bourse with the MSCI Australia index up 3.6% for the year.

Value stocks continued rallying in Australia and the U.S. in December compared to Growth stocks with the MSCI Australia Value and S&P 500 Value indices outperforming their Growth counterparts by 2.9% and 3.7% respectively. Over 2022, Value stocks in Australia and the U.S. materially outperformed Growth stocks by 23.7% and 24.1% respectively.

During the month the Reserve Bank of Australia ("RBA") raised its Cash Rate by 25 basis points to 3.1% which was in line with consensus expectations. The central bank has raised rates by a historic 300 basis points in 2022. Market pricing expects the RBA to continue to hike rates throughout 2023 to a peak this cycle of 3.9% by November.

Looking at the ASX Small Ords Index, the Consumer Staples (-0.8%), Communication Services (-1.5%) and Real Estate (-2.0%) sectors were the best relative performers whilst the Consumer Discretionary (-5.7%), Information Technology (-4.8%) and Health Care (-4.8%) sectors were the worst performers.

PORTFOLIO COMMENTARY

During December, the Ophir High Conviction Fund's investment portfolio returned -2.6% (net of fees) versus the index which returned -4.2%. Since its inception in August 2015, the Fund has returned +13.0% 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 +5.5% for the month.

The outperformance of Value over Growth stocks continued to be a headwind for the Fund's performance. The silver lining is that the expected return of Growth stocks continues to increase as valuations compress further.

In terms of portfolio positioning, the number of holdings reduced from 31 to 28 as we rotated capital from some of our smaller/lower-conviction positions into our bigger/higher-conviction names. Cash levels remained elevated and we maintained our overweight position in stocks that are growing earnings which are less correlated to macroeconomic factors.

One of the largest stock contributors to performance for the month was EBOS Group (ASX:EBO). EBO is in the business of marketing and distributing healthcare and pharmaceutical products in Australia and New Zealand. The stock price rose +8.1% and in the absence of stock specific news, we believe the business has been garnering attention from investors due to its defensive earnings characteristics.

One of the largest detractors to performance in December was Omni Bridgeway (ASX:OBL). OBL is a litigation funder that's quite unique in that it provides financing for legal cases to plaintiffs in which it either receives a fee and/or a share of settlement amounts for any cases it is able to resolve. It narrowly missed out on inclusion into the ASX 200 Index during the month and fell 15.8%. While the short-term fall is disappointing, we are very excited about the prospects for OBL over the coming year, in particular the likelihood that some of their funds will begin to return significant capital to investors.

OUTLOOK

2022 has been about as "macro" as it gets for share markets. Inflation and higher interest rates to combat it has dominated headlines all year, determining the year's winning and losing stocks and sectors. Assuming inflation prints continue not to surprise on the upside, we don't expect such a macro driven share market to be repeated in 2023.

The impact of higher interest rates should slow down economic activity and whilst it will become more difficult to find companies that are able to grow their earnings through this environment, investors that can should be rewarded on a relative basis. We will maintain our style and continue to look for companies that can grow through this sort of environment as we did through Covid and the Global Financial Crisis.

We expect volatility to remain at elevated levels, at least for the first half of 2023, which should continue to bring forward opportunities to invest in great businesses at now cheaper valuations.

INVESTMENT PHILOSOPHY

INVESTMENT OBJECTIVE

The Fund seeks to provide Unitholders 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. The Fund aims to generate long-term returns in excess of the Benchmark (after fees and before tax) and provide consistent, sustainable returns for Unitholders.

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 12 investment professionals drawn from a diverse range of backgrounds working across all Ophir funds.

ABOUT THE PORTFOLIO MANAGERS

Senior Portfolio Managers Andrew Mitchell and Steven Ng co-founded Ophir Asset Management in 2012 after previously managing capital together at Paradise Investment Management from 2007-2011. At Ophir, Andrew and Steven are Senior Portfolio Managers for the Ophir Opportunities Fund, Ophir High Conviction Fund and Ophir Global Opportunities Fund.

KEY INVESTOR CONTACTS

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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 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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