

# Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

DATE OF ISSUE: 19 NOVEMBER 2021



## INVESTMENT UPDATE AND NAV REPORT – OCTOBER 2021

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.

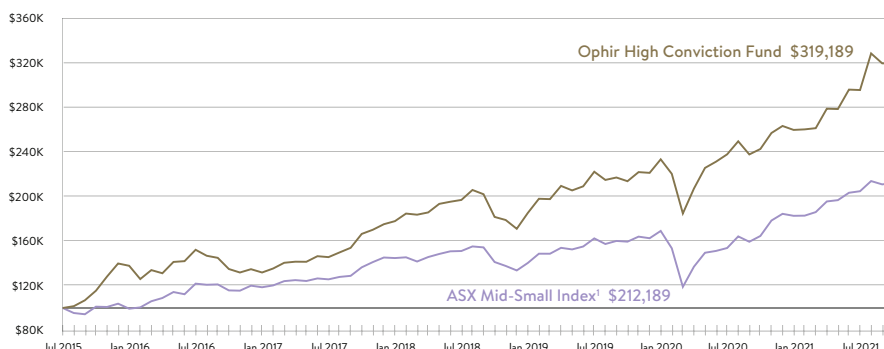
ASX Code	Net Per Annum Return Since Inception (to 31 October 21)	Net Return Since Inception (to 31 October 21)	Fund Size (at 31 October 21)
<b>ASX:OPH</b>	<b>20.4%</b>	<b>219.2%</b>	<b>\$759.3m</b>

### OCTOBER 2021 PORTFOLIO SNAPSHOT

#### NET ASSET VALUE (NAV) PER UNIT

As at 31 October 2021	Amount
<b>NAV</b>	\$3.56
<b>Unit Price (ASX:OPH)</b>	\$3.93

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



\* Chart represents the value of \$100,000 invested since inception after all fees and before tax and assuming distributions are reinvested in the Fund. Performance of the Fund is calculated using Net Asset Value (NAV), not the market price. Please note past performance is not a reliable indicator of future performance.

<sup>1</sup> 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.

### INVESTMENT PERFORMANCE

	Since Inception (p.a)	5 Years p.a.	3 Years p.a.	1 Year	3 Month	1 Month
<b>Ophir High Conviction Fund</b>	<b>24.9%</b>	<b>22.0%</b>	<b>24.4%</b>	<b>33.8%</b>	<b>8.8%</b>	<b>-0.3%</b>
<b>Benchmark</b>	12.8%	12.9%	14.5%	28.9%	3.6%	0.6%
<b>Value Add (Gross)</b>	12.1%	9.1%	9.9%	4.9%	5.2%	-0.9%
<b>Fund Return (Net)</b>	20.4%	18.8%	20.6%	31.5%	8.0%	-0.1%
<b>ASX:OPH Unit Price Return</b>	n/a	n/a	n/a	17.3%	4.2%	-2.0%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 October 2021, 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 30 September 2021)

Company	Industry	ASX Code
<b>City Chic</b>	Consumer Discretionary Services	CCX
<b>Corporate Travel Management</b>	Consumer Discretionary Services	CTD
<b>Dominos</b>	Consumer Services	DMP
<b>Mainfreight</b>	Industrials	NZX
<b>Uniti</b>	Communications	UWL
<b>Average Portfolio Market Cap</b>		<b>\$9.6bn</b>

#### KEY INFORMATION

<b>Responsible Entity</b>	The Trust Company (RE Services) Limited
<b>Manager</b>	Ophir Asset Management Pty Ltd
<b>Portfolio Managers</b>	Andrew Mitchell & Steven Ng
<b>Fund Inception</b>	4 August 2015
<b>Fund Size</b>	\$759.3m
<b>Number of Stocks</b>	15-30
<b>Cash Distributions</b>	Annually
<b>Investment Objective</b>	Outperform benchmark (after fees) over long term (5+ yrs)

## ALLOCATION OF INVESTMENTS

### PORTFOLIO SECTOR EXPOSURES (as at 31 October 2021)

Sector	31 October 2021
Materials	3.6%
Financials	9.9%
Health Care	8.3%
Communication Services	14.3%
Consumer Staples	3.9%
Information Technology	19.5%
Industrials	11.7%
Consumer Discretionary	23.2%
Utilities	0%
Real Estate	0%
Energy	0%
[Cash]	5.6%
	<b>100%</b>

## MARKET COMMENTARY

Most major equity markets turned the corner in October following September's sharp sell off, with most indices at or near all-time highs to end the month.

Short-term interest rates and longer-term bond yields have returned to the fore as key variables for share markets, as major central banks start thinking about winding back their ultra-accommodative programs they put in place during the COVID-19 crisis.

During the month, the ASX Small Ords (+0.9%), S&P 500 (+7.0%), Nasdaq (+7.3%), MSCI Europe (+4.7%) and Russell 2000 (+4.3%) generated positive returns while the ASX200 (-0.1%) detracted slightly from performance.

In the prior month in September, the U.S. stock market took a major hit with the S&P 500 (-4.7%), Nasdaq (-5.3%) and Russell 2000 (-3.0%) detracting significantly from performance. In October however, U.S. markets took a big leap forward and recovered all its losses from September. The consumer discretionary and energy sectors were the strongest performers albeit all sectors positively contributed to performance which was driven by a very strong start to the September quarter end reporting season in the U.S.

Turning to the U.S. economy more broadly, we are cognisant of inflation pressures driven by significant bottlenecks in the supply chain which is hampering the global recovering. These supply chain problems have been exacerbated by a surge in consumer spending through COVID-19 and now the 'revenge spending' phenomenon as people are freed from extended periods of lockdown. We are closely observing when these issues get resolved as this should alleviate a lot of the upwards pressure on inflation.

Domestically, the ASX didn't experience the same run as other major global stock exchanges with the ASX Small Ords and ASX200 returning +0.9% and -0.1% respectively as noted above. Looking at the ASX Small Ords index, the Materials sector was the best performer (+7.1%) and outlier in October, driven by many base metal prices moving higher. The Australian 10yr bond yield played catch up to the previous month's moves in the US, rising a massive 0.52% to 2.09% as the RBA stepped away from its yield curve target and we saw a stronger than expected inflation print domestically.

## PORTFOLIO COMMENTARY

During October, the Ophir High Conviction Fund's investment portfolio returned -0.1% (net of fees) versus the index which returned +0.6%. Since its inception in August 2015, the Fund has returned +20.4% p.a. (net of fees) while the index has returned +12.8% p.a.

During October, the Ophir High Conviction Fund's ASX listing provided a total return of -2.0% for the month.

The biggest contributor to performance in October was Hub24 (ASX:HUB). HUB is a financial services company and provides portfolio administration services to financial advisers, stockbrokers, accountants and direct clients through their wealth management platforms. The company rose on the back of strong first quarter net inflows to start the 2021-2022 financial year.

The biggest detractor to performance during the month was Domino's Pizza (ASX:DMP). Today, DMP has over 2,900 stores in over 10 countries around the world. The company suffered post its Annual General Meeting due to unforeseen weaknesses in some regions such as Japan.

In terms of our portfolio positioning, cash remains relatively low, and we have a modest bias towards businesses that are benefitting from economies reopening. We're also conscious of those companies that can manage cost input pressures to those that cannot in the Fund due to the risk of more persistent inflation through supply chains.

Higher bond yields have generally been a positive for 'value' style (cheap) companies and a headwind for 'growth' style (expensive) ones, particularly more recently. For us, this continues to mean avoiding the most expensive 'growth' style companies as we continue to see more upwards pressure on bond yields at present.

## 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 11 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. Under their stewardship, the fund managed by Andrew and Steven at Paradise was the top performing equities fund in Australia from 2007-2011 versus the fund manager surveys (inclusive of the GFC). 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

### INVESTOR ADMIN QUERIES

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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.



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