

Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

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INVESTMENT UPDATE AND NAV REPORT – DECEMBER 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.

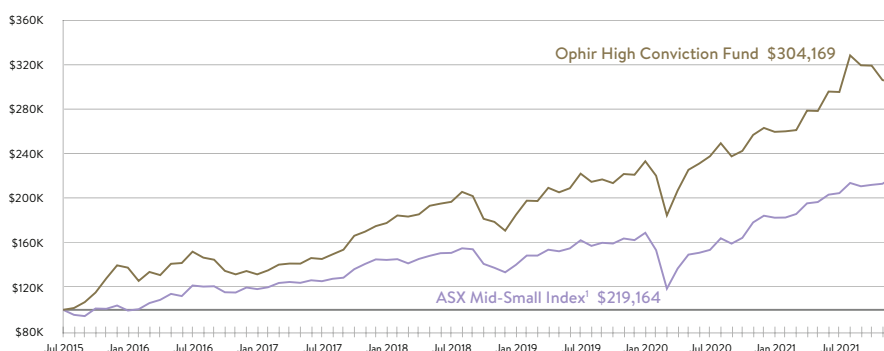
ASX Code	Net Per Annum Return Since Inception (to 31 December 21)	Net Return Since Inception (to 31 December 21)	Fund Size (at 31 December 21)
ASX:OPH	18.9%	204.2%	\$723.5m

DECEMBER 2021 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 31 December 2021	Amount
NAV	\$3.39
Unit Price (ASX:OPH)	\$3.73

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

¹ 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
Ophir High Conviction Fund	23.3%	20.8%	24.9%	17.6%	-4.8%	-0.5%
Benchmark	13.0%	12.8%	17.9%	19.1%	3.9%	2.8%
Value Add (Gross)	10.3%	8.0%	7.0%	-1.6%	-8.7%	-3.4%
Fund Return (Net)	18.9%	17.7%	21.1%	15.5%	-4.8%	-0.7%
ASX:OPH Unit Price Return	n/a	n/a	n/a	5.4%	-7.0%	-0.3%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 December 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. *Does not include the return of any distributions from its listing in December 2018.

TOP 5 PORTFOLIO HOLDINGS (Alphabetical) (as at 31 December 2021)

Company	Industry	ASX Code
Corporate Travel Management	Consumer Discretionary Services	CTD
Domain Holdings Australia	Communications	DHG
Resmed Inc	Health Care	RMD
Seek Limited	Communications	SEK
Uniti	Communications	UWL
Average Portfolio Market Cap		\$9.0bn

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	\$723.5m
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 2021)

Sector	31 December 2021
Materials	5.7%
Financials	6.5%
Health Care	8.9%
Communication Services	15.5%
Consumer Staples	3.9%
Information Technology	23.9%
Industrials	12.9%
Consumer Discretionary	19.5%
Utilities	0%
Real Estate	0%
Energy	0%
[Cash]	3.2%
	100%

MARKET COMMENTARY

In December, most major equity markets around the world generated positive returns. The ASX Small Ords (+1.4%), ASX200 (+2.8%), S&P 500 (+4.5%), Nasdaq (+0.8%), MSCI Europe (+5.5%) and Russell 2000 (+2.2%) concluded the month in the green.

During the last few months of 2021, these equity markets moved almost in unison with most generating positive returns in August, October and December and negative returns in September and November. In our view this is because the biggest variables currently impacting equities (COVID-19 and forecasted rate hikes) are steering the way for share markets all around the world.

During the 2021 calendar year, the ASX Small Ords (+17.6%), ASX200 (+18.7%), S&P 500 (+28.7%), Nasdaq (+22.2%), MSCI Europe (+25.8%) and Russell 2000 (+14.8%) all generated well above average returns, driven primarily by a rebound in corporate profitability.

Notably, there was a significant divergence of returns for 2021 when looking at “growth” vs. “value” for US small cap companies. The Russell 2000, which tracks small cap companies in the US, returned 14.8% for the calendar year as noted above while the growth and value sides of the index returned 2.9% and 28.2% respectively over the same period – the most value had outperformed by since the tech wreck in 2000. This phenomenon did not apply to large cap companies, with the S&P 500 Growth and Value indices returning 32.0% and 24.9% respectively.

As noted above the two biggest variables currently impacting share markets are COVID-19 and the expectation of interest rate hikes in 2022 – and its precursor – the threat of sustained inflation. The Omicron variant of COVID-19 swept across the world during the month resulting in record level daily infections in many parts of the world. This variant seems to be very

transmissible, but records indicate the variant is less deadly. Daily positive cases domestically here in Australia has exploded and we are conscious of the added pressure to our hospital system, with states such as Victoria putting a hold on elective surgeries to relieve some of this pressure. Turning to the Fed, before Christmas they forecasted three rate hikes in 2022 and Chairman Powell also talked about quantitative tightening starting shortly after the end of tapering in early 2022. Markets have had to digest this hawkish pivot as it was only a few months ago many forecasters didn't see rates lift-off until 2023 or 2024.

Looking at the ASX Small Ords index, the Real Estate (+7.2%) and Consumer Staples (+5.6%) sectors contributed the most to performance in December whilst Technology (-5.1%) detracted the most. Over 2021, the Energy (+34.6%) and Communication Services (+29.9%) sectors contributed the most to performance whilst Industrials (-6.5%) led the laggards.

PORTFOLIO COMMENTARY

During December, the Ophir High Conviction Fund's investment portfolio returned -0.7% (net of fees) versus the index which returned +2.8%. Since its inception in August 2015, the Fund has returned +18.9% p.a. (net of fees) while the index has returned +13.0% p.a.

During December, the Ophir High Conviction Fund's ASX listing provided a total return of -0.3% for the month.

In terms of our portfolio positioning, cash remains relatively low at sub 4% throughout the month and there have been no changes to the Fund's core positions. We remain exposed to good quality companies that are delivering strong growth with healthy balance sheets and note our exposure to beneficiaries of economies reopening has increased.

The biggest contributor to performance for the month was Mineral Resources (ASX:MIN) for the second month in a row. MIN is a mining services and processing company operating in Australia and parts of Asia. The company rose +23.7% over the month alongside iron ore prices which rose circa 16% on the month.

One of the biggest detractors to performance in December was Seek (ASX:SEK). SEK provides online employment marketplace services in Australia and many parts of the world. The company fell 5.8% in the absence of any stock specific news.

The recent remarks by the Fed have negatively impacted equity markets, particularly the most expensive growth orientated parts of markets and we have updated our valuation models accordingly. In the last few months, we have met with all our portfolio companies' management teams, and we remain confident in the businesses we own. We look forward to the upcoming earnings season here in Australia where the market will focus more on the underlying operating conditions of businesses than trading off broader macroeconomic news.

In terms of COVID-19, the spread of Omicron has been astounding. In New South Wales alone, daily recorded cases have risen to over 38,000 at the time of writing, up from approximately 5,700 cases a fortnight earlier. We see the risk of lockdowns increasing as the burden on Australia's hospital system worsens although the silver lining is that the new variant seems to be less deadly than its predecessors. We believe this will delay the recovery of some companies leveraged to economies reopening, though only temporarily as the current wave of cases may only be short lived.

We anticipate 2022 will be a year of navigating interest rate normalisation, dealing with COVID-19 as an ongoing part of business (and the consequent disruptions), managing cost pressures (especially labour) and the rebalancing of the global economy as it returns to a more normal environment.

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 \$3.0bn 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

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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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