

Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

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INVESTMENT UPDATE AND NAV REPORT – JANUARY 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 Per Annum Return Since Inception (to 31 January 22)	Net Return Since Inception (to 31 January 22)	Fund Size (at 31 January 22)
ASX:OPH	16.3%	167.1%	\$635.3m

JANUARY 2022 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 31 January 2022	Amount
NAV	\$2.98
Unit Price (ASX:OPH)	\$3.07

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	20.5%	18.2%	16.3%	4.7%	-16.0%	-12.1%
Benchmark	11.2%	11.0%	12.5%	9.4%	-5.8%	-8.8%
Value Add (Gross)	9.3%	7.3%	3.9%	-4.7%	-10.2%	-3.2%
Fund Return (Net)	16.3%	15.2%	12.9%	2.8%	-16.3%	-12.2%
ASX:OPH Unit Price Return	n/a	n/a	n/a	-3.6%	-21.9%	-17.7%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 January 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 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		\$7.4bn

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	\$635.3m
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 January 2022)

Sector	31 January 2022
Materials	6.4%
Financials	7.9%
Health Care	8.9%
Communication Services	15.6%
Consumer Staples	3.9%
Information Technology	20.2%
Industrials	12.4%
Consumer Discretionary	18.9%
Utilities	0%
Real Estate	0%
Energy	0%
[Cash]	5.8%
	100%

MARKET COMMENTARY

Equity markets plunged to start the 2022 calendar year. In January, the S&P 500 (-5.2%), Nasdaq (-9.0%), Russell 2000 (-9.6%), ASX 200 (-6.4%) and ASX Small Ords (-9.0%) took a nosedive and posted their worst monthly return since the onset of Covid-19 in March 2020. The MSCI Europe index held up relatively better falling by -3.2%.

The Federal Reserve's hawkish pivot towards the end of 2021 was on the forefront of investors' minds and was the key driver behind the negative returns. Specifically, this relates to interest rate hike expectations being brought forward and recent moves higher in longer term bond yields. This has impacted the valuation of businesses, particularly those reinvesting more of their cashflow for future growth (otherwise known as "growth" stocks).

In our view investors should not compare the recent pullback to an economic meltdown or a recession as the driver of inflation and interest rate increases has been strong economic growth.

Whilst most indices concluded the month in the red, there was a vast difference in performance in different sectors and investing styles. 'Value' companies outperformed 'Growth' significantly in most regions given the downwards pressure on valuations for the latter with the MSCI World Growth Index returning -9.3% during the month while the MSCI World Value Index returned -1.2% (in USD).

In other news, Covid-19 took a backseat from headlines although it continued to weigh on investor sentiment. Concerns over the severity of the Omicron variant waned however due to its reduced severity, and dealing with Covid-19 and its consequent disruptions has now become an ongoing part of business for most companies. New daily cases in Australia have fallen significantly from

the middle of January however parts of the world, including Europe, are beginning to see cases rise again on the back of the Omicron Ba.2 sub-variant. Early studies suggest the variant is more transmissible than Omicron but no more severe.

Looking at the ASX Small Ords index, the Energy (-0.1%), Communication Services (-5.2%) and Industrials (-6.5%) sectors were the best relative performers while the Health Care (-17.5%), Financials (-12.3%) and Information Technology (-11.2%) sectors led the laggards.

PORTFOLIO COMMENTARY

During January, the Ophir High Conviction Fund's investment portfolio returned -12.2% (net of fees) versus the index which returned -8.8%. Since its inception in August 2015, the Fund has returned +16.3% p.a. (net of fees) while the index has returned +11.2% p.a.

During January, the Ophir High Conviction Fund's ASX listing provided a total return of -17.7% for the month.

The key variable responsible for the Fund's soft performance in January was investors trading on macroeconomic news and distinct from stock specific news. With longer term bond yields rising, there has been an exodus of investors from "growth" style business which in turn has caused stock prices to fall. Value dominated sectors such as Real Estate, Utilities, Energy and Materials that have held up relatively better recently are underweight in the Fund and this has caused a relative headwind to performance. We are not about to change our spots however to chase the latest recent macro induced trend. Underlying operating fundamentals (i.e. revenue and profit growth) of portfolio companies in the Fund remain sound and in a very healthy condition.

Our ratio of investing in companies with earnings upgrades versus downgrades has remained high in recent months and in line with our long-term average. We think our companies will ultimately stand out during the current February and upcoming reporting seasons as they are the ones growing faster in an environment where overall economic growth remains high but slowing.

In terms of our portfolio positioning, cash remains relatively low, and the number of holdings reduced from 29 to 28 over the month with no changes made to the Fund's core positions. We continue to hold what we believe are good quality companies that are delivering strong growth with healthy balance sheets and with an overall modest bias to those exposed to reopening economies.

The biggest contributor to performance for the month was Seven Group Holdings (ASX:SVW). SVW are in the media, mining and construction industries and the stock price remained relatively flat, returning +0.4% in January. The business is benefiting from a strong advertising market at present and a fast-growing video-on-demand segment while trading on a cheap 6-7x forward price-to-earnings ratio.

The biggest detractor to performance in January was Pinnacle Investment Management (ASX:PNI). PNI is an investment management group based in Sydney and the stock price fell -27.7%. PNI announced their first half results just after January month end and whilst it showed inflows into its funds remain strong, the company sold off during January given the broader equity market falls and exposure of one of its key managers to the most impacted part of the market.

We note input cost inflation continues to dominate company conversations. Those in leading industry positions we are finding more capable of passing on these costs through one-off higher price increases. Where this is more challenging, we have been focussing on holding positions in businesses that can still grow earnings through operational leverage as they scale and take market share.

Ultimately, fundamentals matter for businesses and are recognized by the share market. Share prices follow earnings growth over the medium to long term and should we continue to get our earnings calls right, we believe share prices and in turn portfolio performance will follow.

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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