

Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

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INVESTMENT UPDATE AND NAV REPORT – MAY 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.

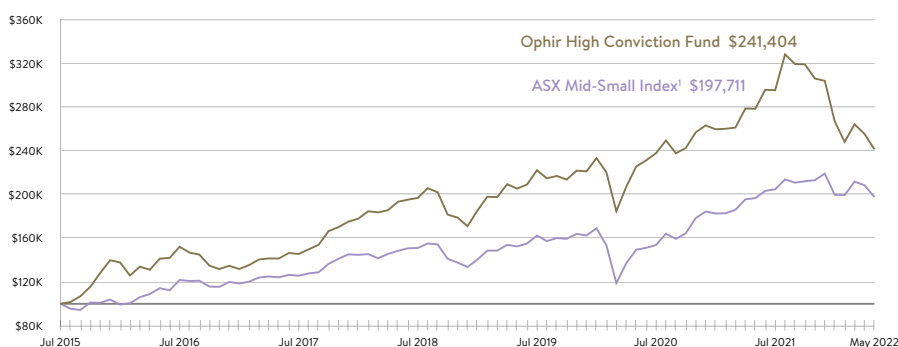
ASX Code	Net Per Annum Return Since Inception (to 31 May 22)	Net Return Since Inception (to 31 May 22)	Fund Size (at 31 May 22)
ASX:OPH	13.8%	141.4%	\$574.2m

MAY 2022 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 31 May 2022	Amount
NAV	\$2.69
Unit Price (ASX:OPH)	\$2.89

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	17.8%	14.3%	8.5%	-11.7%	-2.4%	-5.4%
Benchmark	10.5%	9.7%	9.0%	0.5%	-0.9%	-5.2%
Value Add (Gross)	7.3%	4.5%	-0.5%	-12.2%	-1.5%	-0.2%
Fund Return (Net)	13.8%	11.3%	5.5%	-13.3%	-2.7%	-5.6%
ASX:OPH Unit Price Return	n/a	n/a	n/a	-17.0%	-2.7%	0.0%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 May 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 March 2022)

Company	Industry	ASX Code
ALS	Industrial Services	ALQ
Corporate Travel Management	Consumer Discretionary Services	CTD
IDP Education	Consumer Discretionary Services	IEL
Seek Limited	Communications	SEK
Uniti Group	Communications	UWL
Average Portfolio Market Cap		\$6.2bn

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	\$574.2m
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 May 2022)

Sector	31 May 2022
Materials	10.6%
Financials	16.4%
Health Care	8.2%
Communication Services	6.7%
Consumer Staples	7.0%
Information Technology	10.1%
Industrials	14.8%
Consumer Discretionary	10.4%
Utilities	0.0%
Real Estate	0.0%
Energy	2.9%
[Cash]	12.8%
	100%

MARKET COMMENTARY

Most stock markets around the world held up better in May compared to recent months, albeit there was no shortage of volatility. The S&P 500 (+0.2%), Nasdaq (-1.9%), Russell 2000 (+0.1%), Nikkei (+1.6%) and MSCI Europe (-0.6%) indices didn't stray too far from break-even whilst the Australian market bucked the trend and returned relatively poorer results. Larger Australian companies held up significantly better than their smaller counterparts, with the ASX 200 and ASX Small Ords indices returning -2.5% and -7.0% respectively.

The ongoing uncertainties impacting markets such as inflation, supply chain issues and the conflict between Ukraine and Russia persisted during the month. These uncertainties remain fluid and are continuing to weigh on investor sentiment. Consequently, we are witnessing: (1) capital rotate out of small cap companies resulting in less liquidity in this part of the market; (2) value stocks continuing to outperform growth stocks; and (3) interest rate sensitive/bond proxy and resources/energy sectors continuing to materially outperform on a relative basis.

Growth stocks once again underperformed value stocks around the world with the MSCI World Growth and MSCI World Value indices returning -2.2% and +2.2% respectively (in USD). Over the 6 months ending 31 May 2022, the MSCI World Growth index has fallen short of the MSCI World Value index by 23.6%.

The Reserve Bank of Australia (RBA) released their latest Statement on Monetary Policy during the month and noted that while inflation in Australia remains lower than many advanced economies (headline inflation for the year was 5.1% to the end of March 2022), it has picked up faster and to a higher level than previously anticipated. The RBA are now expecting inflation to peak at 6% in the second half of 2022 before stabilising around 2% to 3% in 2024. The labour market showed further improvements and demand for labour remained strong. In terms of the Australian economy, the RBA commented that it remains resilient and is expected to grow strongly this year.

Looking at the ASX Small Ords Index, the Energy (+2.7%), Health Care (+0.0%) and Consumer Staples (-4.4%) sectors were the best relative performers while the Consumer Discretionary (-10.9%), Materials (-9.5%) and Real Estate (-8.0%) sectors led the laggards.

PORTFOLIO COMMENTARY

During May, the Ophir High Conviction Fund's investment portfolio returned -5.6% (net of fees) versus the index which returned -5.2%. Since its inception in August 2015, the Fund has returned +13.8% p.a. (net of fees) while the index has returned +10.5% p.a.

The Ophir High Conviction Fund's ASX listing ended the month where it started and was flat (0.0%).

As noted in the Market Commentary section, the major ongoing uncertainties are resulting in: (1) capital rotating out of small cap companies; (2) "value" stocks outperforming "growth" stocks; and (3) interest rate sensitive/bond proxy and resources/energy sectors relatively outperforming. The combination of these three phenomena is the key reason behind the Fund's underperformance over the month and so far in 2022.

In terms of our portfolio positioning, cash levels increased during May and the number of holdings increased to 33. We remain underweight in interest rate sensitive and bond proxy sectors (Real Estate, Utilities, Infrastructure). Over the month, we continued to focus on upgrading the liquidity and defensiveness of the Fund with the ultimate goal of navigating market volatility and preserving capital. This was achieved by continuing to decrease our exposure to consumer discretionary businesses and increase our exposure to defensive growers and companies further up the market cap spectrum (though still in the small/mid cap space).

One of the largest contributors to performance for the month was Mineral Resources (ASX:MIN). MIN operates as a mining services and processing company in Australia, China, and Singapore. It is one of the few resources companies we own and we have been following the company since its IPO in 2006. We do not consider MIN to be a speculative business as it owns operating mines, generates cash, has expansion plans and pays a dividend. During the month the company raised \$1.25bn USD via bonds overseas to fund expansion of its iron ore operations in Western Australia. As a result, we think this will alleviate any pressure on the company to raise further capital to fund its expansion. The company's share price rose +9.1%.

One of the largest detractors to performance in May was Corporate Travel Management (ASX:CTD). CTD provides corporate travel services to predominantly medium to large size corporations globally. During May, the company gave a trading update at the Macquarie Conference and noted that while travel continues to recover very quickly, it announced its full year earnings forecast which was lower than market expectations. However, we believe CTD can recover its earnings not only to pre-Covid levels, but exceed this given the contract wins over the last few years on the back of its superior service offering, technology and sound balance sheet position. The company's share price fell -15.5%.

OUTLOOK

We believe given the degree of contraction in valuations that has already occurred, the direction of markets from here will be determined more by the path of company earnings and on this score there are still many uncertainties that may crimp company revenues or constrain margins. However, given consumer spending and wage pressure is weakening as companies slow down their growth, we should see a slow down in demand and inflation should moderate. This in turn should put less pressure on the Fed and RBA to aggressively increase interest rates and if they are able to engineer a soft landing, corporate earnings should continue to increase, albeit at a slower rate.

We will continue to focus on identifying good businesses in our wheelhouse that we believe can grow in the current environment. We're continuing to get our earnings calls right in aggregate in line with historical levels and in the long term, we believe earnings growth will be the main driver of share prices.

Whilst this period of underperformance is painful, our experience tells us that vicious sell-offs create the best opportunities and ultimately lead to significant future returns when the market starts focusing back on company fundamentals.

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. 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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