

Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

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INVESTMENT UPDATE AND NAV REPORT – JUNE 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.

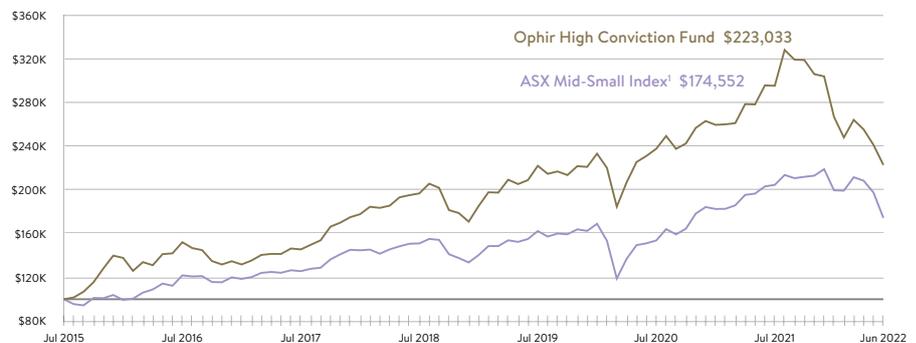
| ASX Code | Net Per Annum Return Since Inception (to 30 June 22) | Net Return Since Inception (to 30 June 22) | Fund Size (at 30 June 22) |
|----------------|---------------------------------------------------------|-----------------------------------------------|------------------------------|
| ASX:OPH | 12.3% | 123.0% | \$530.5m |

JUNE 2022 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

| As at 30 June 2022 | Amount |
|-----------------------------|--------|
| NAV | \$2.34 |
| Unit Price (ASX:OPH) | \$2.40 |

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 | 16.2% | 11.7% | 5.1% | -23.3% | -15.3% | -7.5% |
| Benchmark | 8.4% | 6.6% | 4.0% | -14.2% | -17.6% | -11.7% |
| Value Add (Gross) | 7.8% | 5.1% | 1.1% | -9.1% | 2.3% | 4.2% |
| Fund Return (Net) | 12.3% | 8.8% | 2.2% | -24.6% | -15.6% | -7.6% |
| ASX:OPH Unit Price Return | n/a | n/a | n/a | -17.0% | -25.0% | -17.0% |

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 30 June 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 30 June 2022)

| Company | Industry | ASX Code |
|-------------------------------------|--------------------|----------------|
| AUB Group | Insurance | AUB |
| RESMED | Health Care | RMD |
| EBOS Group | Health Care | EBO |
| NIB Holdings | Insurance | NHF |
| Omni Bridgeway | Financial Services | OBL |
| Average Portfolio Market Cap | | \$6.5bn |

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 | \$530.5m |
| 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 30 June 2022)

| Sector | 30 June 2022 |
|------------------------|--------------|
| Materials | 8.8% |
| Financials | 18.1% |
| Health Care | 10.2% |
| Communication Services | 5.7% |
| Consumer Staples | 3.8% |
| Information Technology | 10.5% |
| Industrials | 14.2% |
| Consumer Discretionary | 9.1% |
| Utilities | 0.0% |
| Real Estate | 0.0% |
| Energy | 3.6% |
| [Cash] | 16.1% |
| | 100% |

MARKET COMMENTARY

Most major share markets outside of China took a nosedive in June to conclude the Financial Year. The S&P 500 (-8.3%), Nasdaq (-8.7%), Russell 2000 (-8.2%) and MSCI Europe (-7.7%) finished the month deep in the red whilst the Nikkei (-3.1%) performed relatively better. The Australian stock market had been holding up well compared to other markets however the ASX 200 fell -8.8% in line with other major stock markets during June. Notably, small caps in Australia had a dreadful month with the ASX Small Ordinaries index falling -13.1%.

Covid-19, inflation and the war in Ukraine were the biggest factors to impact markets during the Financial Year ending 30 June 2022. Large caps weathered these uncertainties relatively better, with the S&P 500 and ASX 200 returning -10.6% and -5.2% respectively, whilst small caps were more heavily hit with the Russell 2000 and ASX Small Ordinaries indices returning -25.2% and -19.0% respectively. Increasing interest rates unsurprisingly impacted growth stocks more than value stocks during the financial year, with the MSCI ACWI World Value index outperforming the MSCI ACWI World Growth index by 15.9%.

At the start of June, the US Federal Reserve commented that economic activity had expanded moderately since April albeit a third of the Districts noted that the pace of growth had slowed. The biggest challenge for most Districts was labour market difficulties followed by supply chain disruptions. Worker shortages forced many firms to operate under capacity and in response, firms continued to deploy automation, offer better job flexibility and raise wages. The majority of Districts reported strong price increases, especially for input prices, resulting in inflation in the US to rise to a four-decade high of 8.6%.

Growth stocks, which have felt the full brunt of increasing interest rates, finally delivered returns better than Value stocks, with the MSCI Australia Value and MSCI Australia Growth indices returning -9.4% and -7.0% respectively in June.

Looking at the ASX Small Ords Index, the Communication Services (-4.4%), Consumer Staples (-7.2%) and Health Care (-7.4%) sectors were the best relative performers while the Materials (-23.5%), Financials (-12.7%) and Information Technology (-12.4%) sectors led the laggards.

PORTFOLIO COMMENTARY

During June, the Ophir High Conviction Fund's investment portfolio returned -7.6% (net of fees) versus the index which returned -11.7%. Since its inception in August 2015, the Fund has returned +12.3% p.a. (net of fees) while the index has returned +8.4% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of -17.0% for the month.

In terms of portfolio positioning, the number of holdings remained stable whilst cash levels reduced marginally during June. Although valuation multiples for some of our favourite businesses have contracted meaningfully, we note that we are only just starting to see earnings expectations moderate more broadly in the market and anticipate that more material earnings revisions might be warranted. To this end, we continue to focus on increasing the defensiveness of the Fund with the ultimate goal of navigating market volatility and preserving capital. We have increased our exposure to companies we consider to be "defensive growers", that is, growing companies with earnings less reliant on strong macroeconomic growth.

One of the largest contributors to performance for the month was Omni Bridgway (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. Importantly, we consider this business to be uncorrelated to the broader economy as it mainly operates on legal cases which can rise due to misbehaviour during more difficult times. We believe the transition of its business model, from self-funding all of its cases to managing capital on behalf of others and earning a fee on that capital, has not yet been fully appreciated by the market. OBL was a very strong performer during the GFC, evidenced by share price resilience during more difficult times. There was no significant news during the month however OBL's share price rose +5.3% in June.

One of the largest detractors to performance in June was Corporate Travel Management (ASX:CTD). CTD provides corporate travel services to predominantly medium to large size corporations globally. The company recently provided an update at the Macquarie Conference and noted its full year earnings forecast was lower than market expectations. We believe however that CTD will benefit from its superior service offering, technology and sound balance sheet position and its earnings can exceed pre-Covid levels. There was no significant company specific news released during the month although CTD's share price fell -16.5% in June, likely on a general increase in recession fears in the US and Europe.

OUTLOOK

We think there are two broad scenarios that could play out from here driving global equity markets over the next year:

Soft Landing: The Federal Reserve in the US is able to take enough demand out of the economy and supply side issues resolves sufficiently to tame inflation without tipping the US economy into a deep recession and instead no or a mild recession in the US ensues. In this instance, any cuts to global earnings growth should be more moderate and a nearer term recovery in markets seems more likely.

Hard Landing: The Fed is not able to take enough demand out of the economy and supply side issues continue to put upward pressure on inflation, forcing the Fed to continue to hike rates even further than expected. In this scenario, it is likely the US economy would enter a deeper recession and corporate earnings would be more materially impacted. If this is to eventuate, we believe the recent changes we have made to the portfolio will help protect against deeper contractions in earnings and hence portfolio performance.

We continue to focus on identifying good businesses in our areas of expertise and do not large make bets on the direction of markets. Whilst this period of underperformance is painful, our experience tells us that vicious sell offs create the best opportunities and ultimately leads 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 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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