

Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

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INVESTMENT UPDATE AND NAV REPORT – JULY 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.

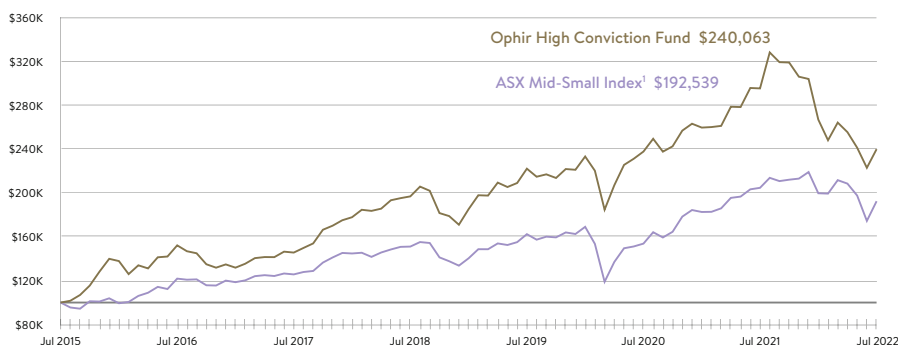
ASX Code	Net Per Annum Return Since Inception (to 31 July 22)	Net Return Since Inception (to 31 July 22)	Fund Size (at 31 July 22)
ASX:OPH	13.3%	140.1%	\$552.7m

JULY 2022 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 31 July 2022	Amount
NAV	\$2.51
Unit Price (ASX:OPH)	\$2.85

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	17.3%	13.5%	5.4%	-17.3%	-5.7%	7.7%
Benchmark	9.8%	8.9%	5.8%	-6.0%	-7.7%	10.3%
Value Add (Gross)	7.4%	4.6%	-0.4%	-11.3%	2.0%	-2.6%
Fund Return (Net)	13.3%	10.5%	2.6%	-18.8%	-6.1%	7.6%
ASX:OPH Unit Price Return	n/a	n/a	n/a	-19.5%	5.0%	18.8%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 July 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		\$7.6bn

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	\$552.7m
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 July 2022)

Sector	31 July 2022
Materials	9.1%
Financials	19.8%
Health Care	11.2%
Communication Services	2.8%
Consumer Staples	1.8%
Information Technology	12.6%
Industrials	14.7%
Consumer Discretionary	10.3%
Utilities	0.0%
Real Estate	0.0%
Energy	2.4%
[Cash]	15.3%
	100%

MARKET COMMENTARY

Major stock markets started the new financial year delivering strong returns in July, albeit off low levels after a significant pullback in June. Large caps delivered good returns with the S&P 500 (+9.2%), Nikkei (+5.3%), ASX 200 (+5.8%) and MSCI Europe (+7.6%) returning more than 5% whilst small caps delivered even better returns with the Russell 2000 (+10.4%) and ASX Small Ordinaries index (+11.4%) returning over 10% in July. The Nasdaq was the best performer returning +12.4% over the month.

Growth stocks outperformed Value stocks for the second month in a row with the S&P 500 Growth Index outperforming the S&P 500 Value Index by 6.9% and the MSCI Australia Growth Index outperforming the MSCI Australia Value Index by 6.1%. July was a “risk on” month with growth and small caps outperforming value and large caps respectively but in our view this could just be a relief rally given some leading economic indicators continue to deteriorate.

In its latest Statement of Monetary Policy, the Reserve Bank of Australia (RBA) noted that inflation in Australia is at the highest level it has been since the early 1900s (at 6.1%) and is expected to peak at a higher level than previously anticipated. The RBA also noted that the Australian economy is expected to grow strongly over 2022, before slowing the following year albeit global growth forecasts for 2022 and 2023 have been revised down in response to the weaker outlook for real incomes and faster increases in policy rates.

Turning to the U.S., the U.S. Federal Reserve announced that inflation peeled off its 41-year high of 9.1% down to 8.5%, surprising most economists. Although this is a positive datapoint for stock market participants, President Joe Biden warned that the ongoing challenges such as the war in Ukraine and disruptions to supply chains could continue to be a headwind for inflation falling. In any case, the lower-than-expected inflation figure should be a temporary tailwind for stocks.

Looking at the ASX Small Ords Index, the Health Care (+22.7%), Information Technology (+17.7%) and Financial (+14.5%) sectors were the best performers whilst the Consumer Staples (-2.8%), Communication Services (+7.6%) and Energy (+9.3%) sectors were the worst relative performers.

PORTFOLIO COMMENTARY

During July, the Ophir High Conviction Fund’s investment portfolio returned +7.6% (net of fees) versus the index which returned +10.3%. Since its inception in August 2015, the Fund has returned +13.3% p.a. (net of fees) while the index has returned +9.8% p.a.

The Ophir High Conviction Fund’s ASX listing provided a total return of +18.8% for the month.

In terms of portfolio positioning, the number of holdings and cash levels reduced marginally during July. We believe we have the right skew towards companies with more resilient earnings in our portfolios for the current economic environment. We continue to invest in line with our style seeking business with faster than market levels of top and bottom line growth with a stronger focus on not overpaying for that 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. OBL was a very strong performer during the GFC and provides defensive earnings characteristics to the Fund. OBL’s share price rose +17.3% in July on a positive market update, following its +5.3% rise in June.

One of the largest detractors to performance in July was Elders (ASX:ELD). ELD is a provider of livestock, real estate, and wool services to rural and regional customers in Australia. There was no significant company specific news released during the month however ELD’s share price fell -10.4% in July. As of writing in early August a little over two-thirds of the July fall had been recouped.

OUTLOOK

We are pleased to see stock markets rally off their recent lows however as noted above, there is a chance this is more of a relief rally rather than the start of a sustained market recovery. The U.S. Federal Reserve noted that “the outlook for future economic growth was mostly negative among reporting Districts, with contacts noting expectations for further weakening of demand over the next six to twelve months” and the RBA’s comments were also not so rosy, noting that “forecasts for global growth in 2022 and 2023 have been revised down since the May Statement, in response to the weaker outlook for real incomes and faster increases in policy rates”.

Nevertheless, the lower than expected inflation print and markets pricing in Fed rate cuts in 2023 have benefited stock markets. The chances of the Federal Reserve taking out enough demand from the economy without tipping the U.S. economy into a deep recession (or a “soft landing”) has also increased.

During these times of uncertainty, we have increased flexibility within our Funds and remain comfortable with the portfolio holdings and their more resilient earnings characteristics as we make our way through the current earnings season.

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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