

Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

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INVESTMENT UPDATE AND NAV REPORT – OCTOBER 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.

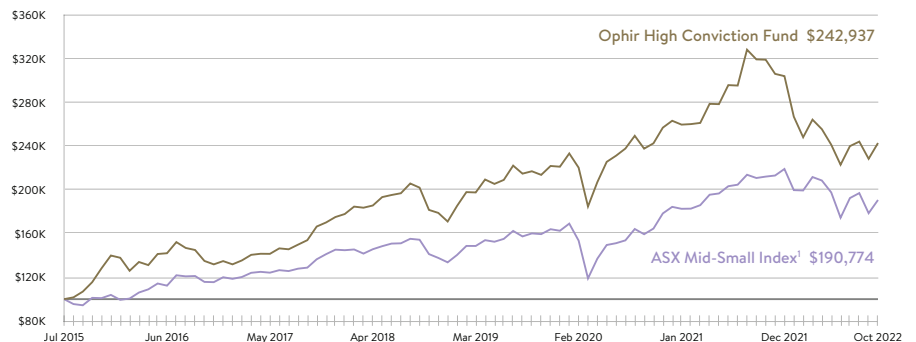
ASX Code	Net Per Annum Return Since Inception (to 31 October 22)	Net Return Since Inception (to 31 October 22)	Fund Size (at 31 October 22)
ASX:OPH	13.0%	142.9%	\$560.1m

OCTOBER 2022 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 31 October 2022	Amount
NAV	\$2.54
Unit Price (ASX:OPH)	\$2.54

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	16.9%	10.8%	7.4%	-22.8%	1.6%	6.5%
Benchmark	9.3%	6.9%	6.1%	-10.1%	-0.9%	6.8%
Value Add (Gross)	7.5%	3.8%	1.2%	-12.7%	2.5%	-0.3%
Fund Return (Net)	13.0%	7.8%	4.4%	-23.9%	1.2%	6.3%
ASX:OPH Unit Price Return	n/a	n/a	6.1%	-31.0%	-10.9%	12.9%

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

Company	Industry	ASX Code
AUB Group	Insurance	AUB
EBOS Group	Health Care	EBO
IDP Education Ltd	Consumer Discretionary	IEL
NIB Holdings	Insurance	NHF
RESMED	Health Care	RMD
Average Portfolio Market Cap		\$6.1bn

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	\$560.1M
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 October 2022)

Sector	31 October 2022
Materials	9.8%
Financials	19.2%
Health Care	10.6%
Communication Services	4.2%
Consumer Staples	5.7%
Information Technology	10.5%
Industrials	16.3%
Consumer Discretionary	7.3%
Utilities	0.0%
Real Estate	0.0%
Energy	2.1%
[Cash]	14.3%
	100%

MARKET COMMENTARY

Equity markets bounced back in October after falling materially in September. The ASX 200 (+6.1%), ASX Small Ordinaries (+6.5%), MSCI Europe (+6.2%) and Nikkei 225 (+6.4%) indices all rose +6%. The U.S. market was more of a mixed bag, with the S&P 500 returning +8.1%, the Nasdaq returning a more modest +3.9% and the Russell 2000 surging by +11.0%. Staggeringly the Dow Jones was up 13.9%, the most since January 1976!

Whilst there was little variance in returns for Growth and Value stocks domestically in Australia, Value stocks outperformed Growth in the U.S. with the S&P 500 Value and S&P 500 Growth indices returning +11.5% and +4.5% respectively, and the Russell 2000 Value and Russell 2000 Growth indices returning +12.6% and +9.5% respectively.

In early November, the RBA released their Statement of Monetary Policy and noted that “in Australia, inflation is very high and broadly based, and the labour market is tight. Growth in activity appears to have remained solid in the September quarter. Inflation is expected to peak around the end of the year and then decline over the forecast period towards the 2 to 3 per cent target range as upstream cost pressures ease and higher interest rates slow demand in the economy.”

The RBA also raised interest rates by 25 basis points to 2.85% at the end of October. This increase coincided with an increase in their inflation forecast, with year-end inflation now at 8% vs. their previous forecast of 7.8%. The RBA is increasing interest rates at a slower pace than the U.S. given the material impact on variable rate mortgage payments in Australia and a greater desire to not give up hard won labour market gains.

Looking at the ASX Small Ords Index, the Health Care (+12.3%), Real Estate (+11.7%) and Consumer Discretionary (+9.0%) sectors were the best performers whilst the Financials (+2.8%), Materials (+3.1%) and Energy (+4.1%) sectors were the worst relative performers.

PORTFOLIO COMMENTARY

During October, the Ophir High Conviction Fund's investment portfolio returned +6.3% (net of fees) versus the index which returned +6.8%. Since its inception in August 2015, the Fund has returned +13.0% p.a. (net of fees) while the index has returned +9.3% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of +12.9% for the month.

In terms of our portfolio positioning, the number of holdings remained stable at 31 and cash levels reduced slightly from 14.9% to 14.3%. The core positions in the Fund remain unchanged and we remain underweight consumer discretionary businesses and overweight growing industrials with earnings that are less correlated to the broader economy.

The overweight cash position detracted from performance during the month given the surge in share markets though we believe remains appropriate given we believe more downside than upside risk still exists. Moreover our structural underweight to REITs, whose sector was a top performer in the month detracted from performance.

One of the largest stock contributors to performance for the month was Omni Bridgeway (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's share price rose +19.6% in October in the absence of stock specific news, but in our view OBL is garnering investor support given its defensive earnings characteristics.

One of the largest detractors to performance in October was NIB Holdings (ASX:NHF). NHF is a provider of private health insurance in Australia and New Zealand. NHF's share price fell -10.3% in October on the back of the completion of a \$135 million institutional placement at a discount to its share price at the time.

OUTLOOK

As noted by the RBA, “The prospects of a significant slowing in the global economy have intensified over the past three months, fuelled by persistently high inflation and rising policy rates, the energy crisis in Europe and the various headwinds affecting China's recovery.”

Federal Reserve Chair Jerome Powell made it clear that he and the FOMC are primarily looking at inflation to determine the direction of interest rates. The Fed has been clear that they would rather overtighten to combat inflation, with the tools to pivot and support the economy if needed, than under-tighten and risk inflation becoming entrenched. Powell reiterated that the FOMC intends to have interest rates above inflation and thus we expect interest rate hikes to continue albeit there is a chance the pace of increases will fall.

We continue to focus on identifying good businesses in our areas of expertise and do not make large bets on the direction of markets. We remain comfortable with the diversification of stocks owned in the portfolio and their more resilient earnings characteristics.

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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