Ophir High Conviction Fund
ASX: OPH

Figures as at 31 March 2023
Date of Issue: 17 April 2023

About The Fund

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 Return Since Inception (p.a.)	Fund Size
ASX: OPH	+12.9%	$584.6m

Ophir Asset Management

- Privately owned investment management business established by founders Andrew Mitchell and Steven Ng in 2012
- Fundamental bottom-up research approach combining rigorous company visitation and detailed proprietary analysis
- Strict management of Fund capacity in order to protect performance
- Highly experienced investment team with extensive track record of high performance through all market cycles
- Complete alignment of interests - Senior Portfolio Managers are substantial investors in the Fund

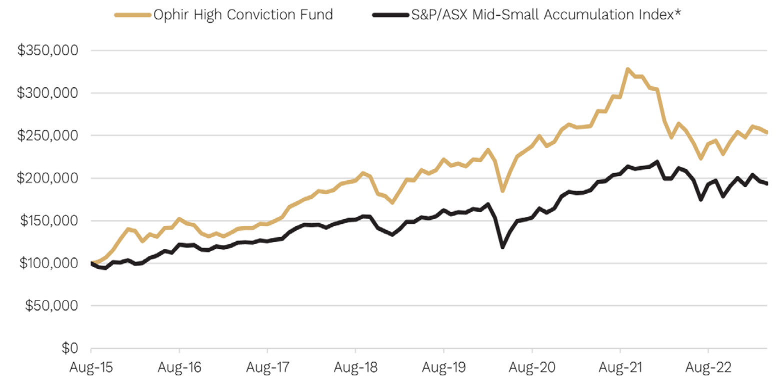


Chart represents net value of $100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.
*The Fund's benchmark is the S&P/ASX Mid-Small Index, being the composite benchmark of 50% of the S&P/ASX MidCap 50 Accumulation Index and 50% of the S&P/ASX Small Ordinaries Accumulation Index.

	Since Inception (p.a.)	5 Years (p.a.)	3 Years (p.a.)	1 Year	3 Months	1 Month
Fund Return (Net)	12.9%	6.7%	11.2%	-3.9%	2.4%	-1.7%
Benchmark*	9.0%	6.4%	17.6%	-8.6%	0.9%	-1.6%
ASX: OPH Unit Price Return	N/A	N/A	10.8%	-23.1%	-7.2%	-3.8%

The figures in the table above assume reinvestment of distributions. Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 March 2023, not the market price. Past performance is not a reliable indicator of future performance.
*ASX Mid-Small Accumulation Index (Net) (AUD), 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.

Senior Portfolio Managers

Andrew Mitchell B Ec (Hons), MAppFin
Portfolio Manager
20+ years experience in financial markets, previously Paradice Investment Management and Commonwealth Treasury Department.

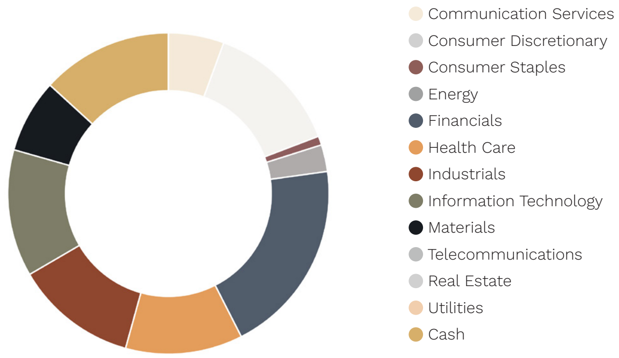
Steven Ng B Acc, CFA
Portfolio Manager
23+ years experience in financial markets, previously Paradice Investment Management and ING Investment Management

Key Information

Responsible Entity & Manager:	Ophir Asset Management Pty Ltd
Fund Inception:	August 2015
Number of Stocks:	15-30
Cash Distributions:	Annually
Redemptions:	Daily
Investment Objective:	Outperform benchmark (after fees) over long term (5+ yrs)

Allocation of Investments

Portfolio Sector Exposures



Top 5 Portfolio Holdings (Alphabetical) (as at 31 March 2023)

Company	Industry	ASX Code
AUB Group	Insurance	AUB
IDP Education Ltd	Consumer Discretionary	IEL
NIB Holdings	Insurance	NHF
Resmed	Healthcare	RMD
Seven Group Holdings	Industrials	SVW
Average Portfolio Market Cap		$8.0bn

Net Asset Value (NAV) & Unit Price

As at 31 March 2023	Amount
NAV	$2.66
Unit Price (ASX:OPH)	$2.31

Market Commentary

It was quite a mixed bag of results for global equity markets in March. It was a volatile month headlined by a U.S. regional banking crisis and a sharp drop in U.S. short and long term bond yields. Smaller companies fared the worst to close the month, with the Russell 2000 and ASX Small Ords indices returning -4.8% and -0.5% respectively. The ASX 200 (+0.2%) and MSCI Europe (+0.1%) closed largely flat whilst the Nikkei (+3.0%) and S&P 500 (+3.7%) posted very strong results. The tech-dominated Nasdaq took a major leap forward and returned +6.8% over the month.

Growth stocks underperformed Value stocks in Australia (MSCI Australia Growth vs Value) but this was reversed in the U.S. This was particularly pronounced in U.S. large caps, with the S&P 500 Growth index beating its Value counterpart by 4.5% in March.

In key news, two major banks in the U.S. (Silicon Valley Bank and Signature Bank) collapsed during the month, with them being the second and third largest bank failures respectively in U.S. history. Regulators made a swift decision to guarantee deposits at these institutions and provide a liquidity backstop for the U.S. banking sector which helped stem investor concerns around contagion. Analysts have increased the chances of a recession which ultimately saw the Financials sector provide a drag on share markets over the month.

At the time of writing, the Reserve Bank of Australia ("RBA") paused its historic interest rate hiking cycle, keeping the cash rate at 3.6%. This decision was made on the back of recent data showing a slowing in inflation and a stable labour market. In an act of caution, the RBA opted to wait for the effects of 10 consecutive interest rate increases to take effect on households before making any further changes.

Looking at the ASX Small Ords Index, the Health Care (+7.0%), Materials (+4.8%) and Communication Services (+1.7%) sectors closed up and were the best relative performers whilst the Real Estate (-5.9%), Financials (-8.0%) and Information Technology (-8.0%) sectors were the worst performers.

Portfolio Commentary

During March, the Ophir High Conviction Fund's investment portfolio returned -1.7% (net of fees) versus the index which returned -1.6%. Since its inception in August 2015, the Fund has returned +12.9% p.a. (net of fees) while the index has returned +9.0% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of -3.8% for the month.

In terms of portfolio positioning, the number of holdings remained stable at 28 and cash levels decreased to 13.1%.

Given the recent issues in the U.S. regional banking sector and the prospect for credit tightening, naturally investors have been asking questions of the gearing levels of our portfolio companies. In terms of the debt profile of our portfolio holdings, looking at Net Debt/EBITDA, the constituents of the Fund have a lower Net Debt/EBITDA ratio than the benchmark (ASX Mid-Small Accumulation Index (Net) (AUD), 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).

We also find it opportune to highlight some of the risk management practices embedded in our investment process. Our risk management consists of several factors beginning with a 'meltdown' score for each business of how they are likely to perform in an economic downturn.

The meltdown score is made up of 7 components, including balance sheet analysis, which is weighed against other factors before making an investment decision. In addition, we seek to protect the portfolio through (1) stock, sector and geographic diversification, (2) a quality bias in the companies we select, which typically sees them having lower levels of debt than average and with higher quality management teams, and (3) limiting the size of our funds which allows us to remain nimble which is especially important during volatile times to take advantage of opportunities and mitigate risk.

One of the largest stock contributors to performance for the month was Domain Holdings (ASX:DHG). DHG offers residential and commercial property marketing services through its listings portals on desktop and mobile devices. Despite a tough property market at present, in our view the market looked through to some signs of life on the other side, including a potential top in the interest rate hiking cycle by the RBA, with its stock price rising +13.2% over the month.

One of the largest stock detractors to performance for the month was Challenger (ASX:CGF). CGF is a publicly listed investment management business and Australia's largest provider of annuities. CGF received collateral damage from banking issues that have ensued in the U.S and Europe and its stock price fell -16.7% over the month.

Outlook

The chances of a recession in the U.S. have increased on the back of the recent U.S. regional bank collapses which is likely to see credit tightening impact demand, employment and inflation. We note we are not directly invested in any banks. Market pricing has also adjusted for future RBA rate moves and we may now have reached the peak of this hiking cycle. We believe the Fund is balanced and positioned well for a range of economic outcomes ahead.

We remain cautious and are deploying capital carefully but continue to find opportunities at attractive valuations. Our watchlist of cyclical stocks is continuing to grow and we look forward to deploying investments into these businesses when we think the time is right.

Our team is continuing to dedicate efforts to analyse the changing macroeconomic environment and its impact on the earnings of the companies within our portfolio. If economic conditions worsen as interest rate hikes start to take effect, we believe the defensive nature of our portfolio companies' earnings will protect earnings falls relative to the broader market.

Investment Philosophy

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 11 investment professionals drawn from a diverse range of backgrounds working across all Ophir funds.

Key Investor Contacts

Investor Services

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Investment Enquiries

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