

Ophir High Conviction Fund

ASX: OPH



Figures as at 31 May 2023

Date of Issue: 16 June 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

ASX: OPH



Net Return Since Inception (p.a.)

+13.0%



Fund Size

\$600.9m

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

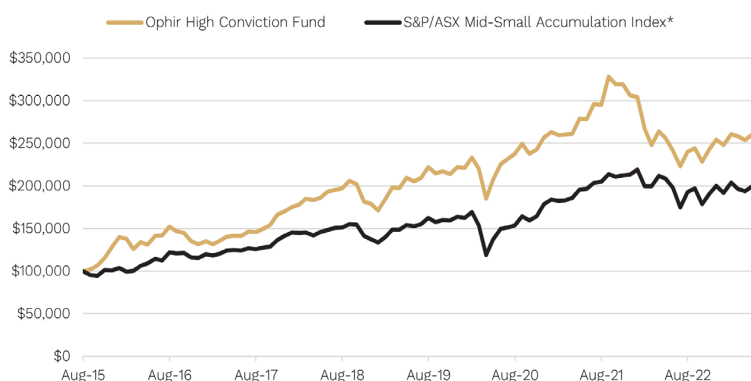


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.

*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)	13.0%	6.2%	5.0%	8.1%	1.0%	0.2%
Benchmark*	9.0%	5.8%	9.5%	-0.6%	-0.2%	-1.6%
ASX: OPH Unit Price Return	N/A	N/A	3.7%	-13.0%	-1.7%	-6.0%

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 May 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 Paradise Investment Management and Commonwealth Treasury Department.



Steven Ng B Acc, CFA
Portfolio Manager

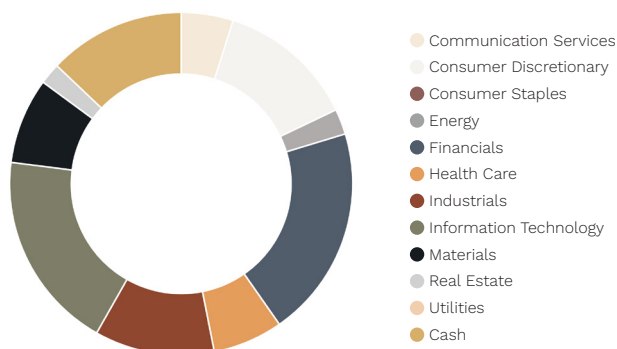
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

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 May 2023	Amount
NAV	\$2.73
Unit Price (ASX:OPH)	\$2.36

Market Commentary

There was a significant divergence of returns for global equity markets in May. The Japanese market led global markets with the Nikkei 225 surging by +7.0% over the month on the back of corporate reforms and cheap valuations, resulting in the index closing at new multi-decade highs. The tech-dominated Nasdaq closed just behind the Nikkei, returning +5.9%, whilst the S&P 500 and Russell 2000 returned a more muted +0.4% and -0.9% respectively. The Australian and European markets had the weakest month, with the ASX 100, ASX Small Ords and MSCI Europe indices returning -2.3%, -3.2% and -2.4% respectively.

Growth stocks outperformed Value stocks in the U.S. with the S&P 500 Growth and Russell 2000 Growth indices beating their Value counterparts by 4.4% and 2.0% respectively. The same theme played out in Australia over the month, with the MSCI Australia Growth index outperforming the MSCI Australia Value index by 2.0%.

One of the key topics being discussed in meetings with company management across industries is Artificial Intelligence (A.I.) and its immense disruptive potential.

Portfolio Commentary

During May, the Ophir High Conviction Fund's investment portfolio returned +0.2% (net of fees) versus the index which returned -1.6%. Since its inception in August 2015, the Fund has returned +13.0% 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 -6.0% for the month.

In terms of portfolio positioning, the number of holdings increased from 28 to 29 and cash levels decreased to 12.8%. We continue to have a skew towards companies with more resilient earnings in our portfolios which we believe is appropriate 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 strong focus on not overpaying for that growth.

One of the largest stock contributors to performance for the month was NextDC (ASX:NXT). NXT provides data centre outsourcing solutions, connectivity services and infrastructure management software. NXT continues to rally after announcing major contract wins and has been attracting investors given the potential benefits from generative A.I. for the business. NXT's stock price rose +11.8% in May.

In a recent interview, Stanley Druckenmiller said "A.I. is very, very real and could be every bit as impactful as the internet". Companies positively leveraged to A.I. materially outperformed during the month, with NVIDIA, Microsoft and Amazon making up almost half of the Nasdaq Composite's strong returns in May. This is an area we are tracking closely given the opportunity set.

In its latest Statement of Monetary Policy, the Reserve Bank of Australia (RBA) noted that inflation has passed its peak but remains elevated, driven by a decline in goods prices. Offsetting this, cost pressures and strong demand continued to contribute to strong price increases for many services. The RBA is expecting inflation to reach the 2-3% target range over the coming years, but further increasing in interest rates may be required this cycle.

Looking at the ASX Small Ords Index, the Information Technology (+7.1%), Industrials (+1.1%) and Health Care (-1.5%) sectors were the best relative performers whilst the Energy (-6.7%), Materials (-5.8%) and Consumer Discretionary (-5.7%) sectors were the worst performers.

One of the largest stock detractors to performance for the month was IDP Education (ASX:IEL). IEL engages in the placement of students into leading education institutions internationally with leading position in Australasia, UK and Canada. IEL also administers the leading high stakes English language test IELTS throughout much of the world. IEL have a 100% share of IELTS in Canada but now Canada has opened the doors to competition which weighed on its stock price. We believe student placement is still going strong. Longer term, we still like the business but we have resized the position given this additional risk.

Outlook

As noted by the RBA, “global growth is forecast to remain well below its historical average over the next two years, as high inflation and tighter monetary policy settings are expected to continue to weigh on demand”.

As global growth slows, more companies across the market are likely to miss their earnings guidance and we expect management teams to be more conservative with guidance. We are comfortable with the positioning of the portfolio in the current environment, being overexposed to more defensive and resilient growth stocks and underexposed to more cyclical growth stocks.

We continue to focus on identifying good businesses in our areas of expertise and have built a list of cyclical growth stocks that we think can surge when the market ultimately recovers. At these inflexion points, smaller companies tend to rally out of the market bottom at a faster pace than larger companies.

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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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.