

# Ophir High Conviction Fund

ASX: OPH



Figures as at 31 July 2023

Date of Issue: 17 August 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.)

+13.6%



Fund Size

\$618.0m

## 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

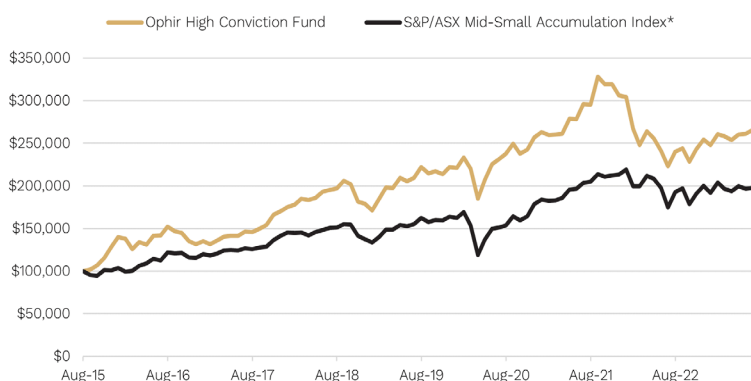


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.

\*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
<b>Fund Return (Net)</b>	13.6%	7.0%	5.1%	15.2%	6.2%	4.2%
<b>Benchmark*</b>	9.4%	6.3%	10.1%	6.7%	2.8%	4.0%
<b>ASX: OPH Unit Price Return</b>	N/A	N/A	6.9%	-3.0%	10.1%	8.3%

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 July 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

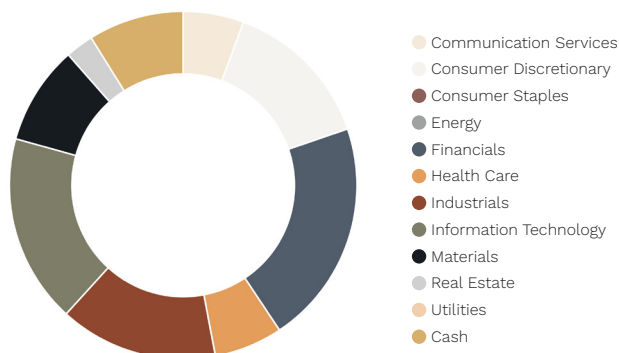
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

## Key Information

<b>Responsible Entity:</b>	The Trust Company (RE Services) Limited
<b>Investment Manager:</b>	Ophir Asset Management Pty Ltd
<b>Fund Inception:</b>	August 2015
<b>Number of Stocks:</b>	15-30
<b>Cash Distributions:</b>	Annually
<b>Redemptions:</b>	Daily
<b>Investment Objective:</b>	Outperform benchmark (after fees) over long term (5+ yrs)

# Allocation of Investments

## Portfolio Sector Exposures



## Top 5 Portfolio Holdings (Alphabetical) (as at 30 June 2023)

Company	Industry	ASX Code
AUB Group	Insurance	AUB
Kelsian Group	Industrials	KLS
NEXTDC Ltd	Technology	NXT
Seven Group Holdings	Industrials	SVW
Technology One	Technology	TNE
<b>Average Portfolio Market Cap</b>		<b>\$7.7bn</b>

## Net Asset Value (NAV) & Unit Price

As at 31 July 2023	Amount
NAV	\$2.78
Unit Price (ASX:OPH)	\$2.62

## Market Commentary

Equity markets took a major step forward in July with the exception of the Japanese market, with the Nikkei 225 remaining flat after surging +7.6% in June and +7.0% in July. The Australian and European markets delivered strong returns, with the ASX 100, ASX Small Ordinaries and MSCI Europe indices returning +2.8%, +3.5% and +2.0% respectively in July. The U.S. market also delivered stellar returns, with the S&P 500, Nasdaq and Russell 2000 indices returning +3.2%, +4.1% and +6.1% respectively.

During the month, Federal Reserve Chair Jerome Powell noted that the Fed staff are no longer forecasting a recession in the U.S. Powell still expects softening in the labour market but is encouraged by the low unemployment rate coupled with the decline in inflation. The real Fed Funds rate is now significantly positive and given market pricing suggest we are at the end of the tightening cycle, investors are increasingly turning to the question of how long rates remain elevated before the Fed has the confidence to start cutting.

## Portfolio Commentary

During July, the Ophir High Conviction Fund's investment portfolio returned +4.2% (net of fees) versus the index which returned +4.0%. Since its inception in August 2015, the Fund has returned +13.6% p.a. (net of fees) while the index has returned +9.4% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of +8.3% for the month.

In terms of portfolio positioning, the number of holdings decreased from 28 to 27 and cash levels reduced to 8.6%. There have been no changes to the Fund's key holdings and the Fund's liquidity remains strong. We have maintained the skew to businesses with more resilient growth characteristics.

Two of the largest contributors to performance for the month included travel businesses Flight Centre (ASX:FLT) and Webjet (ASX:WEB) which were up +22.7% and +14.0% respectively as they continued to benefit from a rebound in travel spend post Covid. During the month FLT upgraded its guidance range by +7% at the midpoint citing customer wins in their corporate travel business and a continued rebound in customer activity across the board.

In Australia, Value stocks significantly outperformed Growth stocks over the month, with the MSCI Australia Value Index (+4.0%) outperforming its Growth (+1.5%) counterpart by 2.5%. We are pleased to have outperformed in this environment given the Fund predominantly invests in businesses with higher than market levels of earnings growth.

At the time of writing, the Reserve Bank of Australia ("RBA") kept rates on hold for the second month in a row at 4.1%. In the RBA's statement, it mentioned that "the recent data are consistent with inflation returning to the 2-3% target range over the forecast horizon and with output and employment continuing to grow". This positive note was somewhat offset with the RBA also noting "some further tightening of monetary policy may be required to ensure inflation returns to target in a reasonable timeframe".

Looking at the ASX Small Ords Index, the Consumer Staples (+8.8%), Consumer Discretionary (+8.6%) and Information Technology (+8.2%) sectors were the best performers whilst the Materials (-0.4%), Health Care (+0.7%) and Industrials (+1.9%) sectors were the worst relative performers.

One of the largest stock detractors to performance for the month was Kelsian Group (ASX:KLS). KLS provides land and marine transport and tourism services in Australia, Singapore and the U.K. Its share price fell -4.5% for the month as it pulled back post a strong run in May and June.

# Outlook

It's becoming clearer that major advanced economy central banks around the world are getting closer to the end of their tightening cycles and are observing the effect of prior interest rate hikes. Recession probabilities in advanced economies remains elevated although the 'soft landing' scenario is becoming more of a possibility.

As the impact of interest rate hikes continue to bite, we expect global economic growth to slow which will impact company earnings. The extent of the slowdown will depend in large degree on whether inflation continues to dissipate and whether rate cuts shortly follow.

We remain comfortable with the balanced positioning of the portfolio for the current environment, which we believe is positioned well for a range of potential outcomes. We continue to focus on identifying good businesses in our areas of expertise and will not make large bets on the short-term direction of markets or macroeconomic outcomes.

## 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

#### Automic Group

☎ 02 8072 1478 @ ophir@automicgroup.com.au

### Investment Enquiries

#### George Chirakis (Chief Executive)

☎ 02 8006 5476 @ george.chirakis@ophiram.com

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.