

# Ophir High Conviction Fund

ASX: OPH



Figures as at 31 August 2023

Date of Issue: 14 September 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.)

+13.2%



Fund Size

\$612.0m

## 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

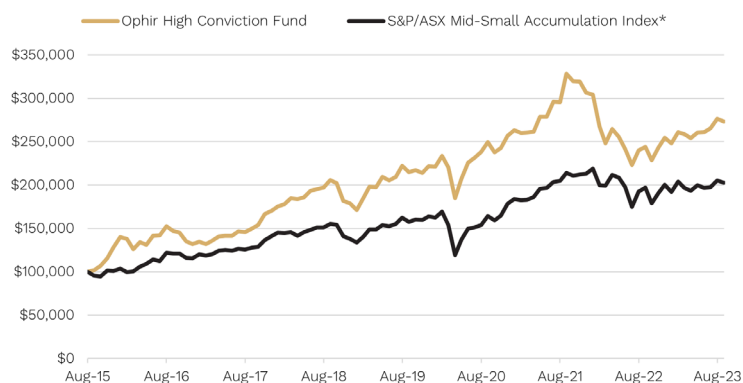


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.  
\*The Fund's benchmark is the S&P/ASX Mid-Small Index, being the composite benchmark of 50% of the S&P/ASX MidCap 50 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>	13.2%	5.8%	3.1%	11.9%	4.7%	-1.2%
<b>Benchmark*</b>	9.1%	5.5%	7.3%	2.9%	3.2%	-1.3%
<b>ASX: OPH Unit Price Return</b>	N/A	N/A	2.1%	0.6%	12.1%	-3.1%

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 August 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

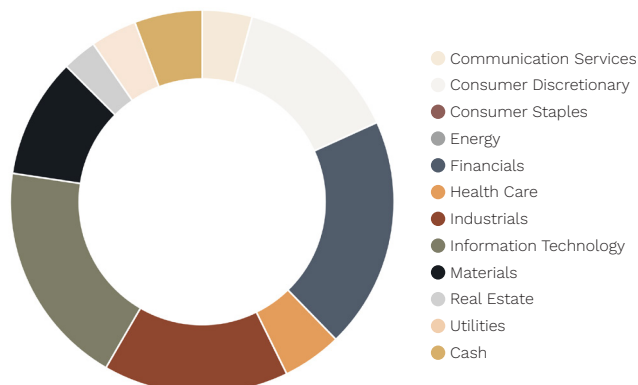
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

## 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 August 2023	Amount
NAV	\$2.75
Unit Price (ASX:OPH)	\$2.54

## Market Commentary

Following a strong month in July on the back of strong earnings reports and positive messaging coming out of the Federal Reserve, equity markets took a step backwards in August. The Australian stock market was one of the most resilient though, with the ASX 100 and ASX Small Ordinaries indices returning -0.4% and -1.2% respectively, whilst the Japanese market fell a little further with the Nikkei 225 retracing by -1.6%. There was a material divergence in returns in the U.S. for large and small stocks, with the S&P 500 (-1.6%) outperforming the Russell 2000 (-5.0%) by 3.4%. The Nasdaq and MSCI Europe indices returned -2.1% and -2.5% over the month.

In Australia, Growth stocks outperformed Value stocks over the month, with the MSCI Australia Growth Index (+0.9%) outperforming its Value (-1.3%) counterpart by 2.2%. However, over the last quarter Value stocks have outperformed Growth stocks by 3.3%.

During the month, the Reserve Bank of Australia (RBA) noted in its Statement on Monetary Policy that inflation in Australia is easing but still remains too high, particularly in services prices. The RBA expects wages growth to strengthen in the second half of the year due to ongoing

tightness in the labour market and household consumption remains a key source of uncertainty. This rather hawkish note coupled with the Federal Reserve Chair Powell's hawkish speech at the recent Jackson Hole Economic Policy Symposium has dampened investor sentiment more recently.

Australian June full year reporting season concluded in August and at an aggregate level saw upgrades to FY24 revenue for the market but downgrades to earnings as wages growth and interest expense expectations increased. Unlike the U.S., earnings expectations continue to be downgraded in Australia though there is some hope they may bottom late this year or early next year.

Looking at the ASX Small Ords Index, the Energy (+4.7%), Consumer Discretionary (+3.0%) and Communication Services (+1.9%) sectors were the best performers whilst the Health Care (-4.9%), Financials (-4.5%) and Real Estate (-4.4%) sectors were the worst performers.

## Portfolio Commentary

During August, the Ophir High Conviction Fund's investment portfolio returned -1.2% (net of fees) versus the index which returned -1.3%. Since its inception in August 2015, the Fund has returned +13.2% p.a. (net of fees) while the index has returned +9.1% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of -3.1% for the month.

In terms of portfolio positioning, the number of holdings increased to 29 and cash levels reduced to 5.7%.

In the Australian June full year reporting season, 61% of the Fund beat expectations, 26% provided results in line with expectations and 13% missed expectations. In terms of guidance, 10% of the Fund raised, 43% maintained, 31% downgraded and 15% didn't provide guidance. These figures have been reweighted to only include stocks that reported in the latest reporting season.

Some of the key insights we've gathered from the reporting season include: (1) margins decline driven by wage pressure and interest costs; (2) no material demand fall off; (3) capex spend maintained or upgraded; and (4) bounce back of some stocks with previous earnings concerns.

One of the largest contributors to performance for the month was Life360 (ASX:360). 360 is a San Francisco based company that offers a mobile application for multi-channel messaging and tracking platform for family communication, lost item retrieving and medical treatment services. 360 performed well, gaining +20.7% over the month after beating estimates and raising EBITDA guidance for calendar year 2023.

One of the largest detractors to performance for the month was Resmed (ASX:RMD). RMD develops and manufactures medical devices and cloud-based software applications that diagnose, treat and manage respiratory disorders. RMD sold off by -25.2% during the month on the back of its latest earnings result where margins disappointed and investor concern grew around competition from a new wave of weight loss drugs.

# Outlook

As noted in the RBA's latest Statement of Monetary Policy, "global growth is forecast to remain well below its historical average over the next two years, as the lagged effects of monetary policy tightening continue to weigh on demand". It remains yet to be seen whether central banks will be able to pull off a soft landing and the extent of the slowdown will largely depend 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. The main bias is currently towards businesses with greater earnings visibility over the next 6-12 months given the uncertain macro backdrop.

Whether soft or hard landing eventuates in key advanced economies over the next year we believe we are in for below trend economic growth. With interest rates largely having normalised from their COVID induced lows, the environment should be more conducive to our style of investing where companies we have traditionally looked for that can outgrow the market's earnings estimates and maintain or grow margins are likely to find favour.

## 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

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### Investment Enquiries

#### George Chirakis (Chief Executive)

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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.