

Ophir High Conviction Fund

ASX: OPH



Figures as at 31 October 2023
Date of Issue: 17 November 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.)

+11.5%



Fund Size

\$550.9m

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

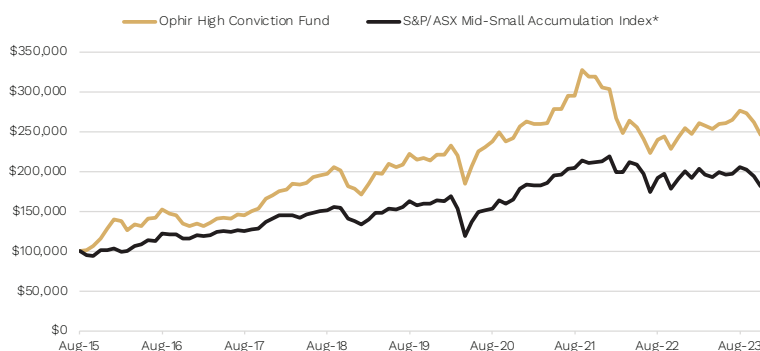


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance. *The Fund's benchmark is the S&P/ASX Mid-Small Index, being the composite benchmark of 50% of the S&P/ASX MidCap 50 Accumulation 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)	11.5%	6.2%	0.5%	1.2%	-11.0%	-6.0%
Benchmark*	7.5%	5.2%	3.4%	-4.6%	-11.4%	-6.2%
ASX: OPH Unit Price Return	N/A	N/A	-6.2%	-8.5%	-14.9%	-10.1%

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 October 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

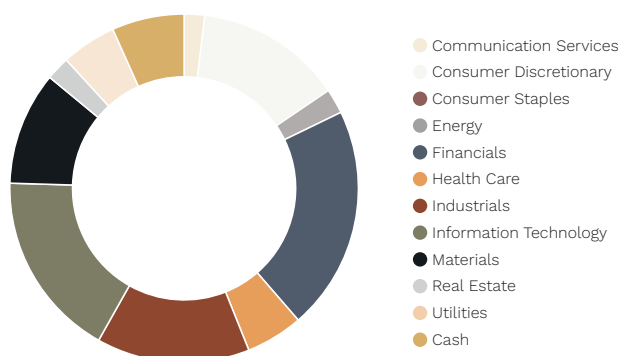
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

Key Information

Responsible Entity:	The Trust Company (RE Services) Limited
Investment 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 30 September 2023)

Company	Industry	ASX Code
AUB Group	Insurance	AUB
Hub24 Ltd	Financial Services	HUB
NEXTDC Ltd	Technology	NXT
REA Group	Communication Services	REA
Seven Group Holdings	Industrials	SVW
Average Portfolio Market Cap		\$5.7bn

Net Asset Value (NAV) & Unit Price

As at 31 October 2023	Amount
NAV	\$2.47
Unit Price (ASX:OPH)	\$2.23

Market Commentary

Global share markets continued to experience weakness in October, building on falls from September and August, as investor sentiment waned in response to even higher long term bond yields resulting in a clear risk-off tape. Indices tracking smaller companies felt the most selling pressure with the Russell 2000 and ASX Small Ords indices returning -6.8% and -5.4% respectively. European (MSCI Europe, -3.6%), Australian (ASX 100, -3.6%) and Japanese (Nikkei 225, -3.1%) stocks fell in the vicinity of -3% to -4% whilst the S&P 500 and Nasdaq returned -2.1% and -2.8% respectively over the month.

The Australian 10 year government bond rate increased from 4.49% to 4.93% in October, resulting in Growth stocks to continue to underperform Value stocks, with the MSCI Australia Growth Index (-4.5%) underperforming its Value (-2.2%) counterpart by +2.3%. Over the last 12 months, the MSCI Australia Growth Index (+1.3%) has underperformed its Value (+12.4%) counterpart by 11.1%.

At the time of writing, the Reserve Bank of Australia ("RBA") stated in its latest Statement on Monetary Policy that "inflation in Australia has passed its peak but is still too high and is proving more persistent than expected a few months ago". The expected moderation in goods inflation was offset by sharp price increases of many services, and recent indicators point to growth in the economy being stronger this year than anticipated. The RBA expects global growth forecasts to slow and remain well below historical averages in the year ahead, on the back of ongoing effects of tighter monetary policy globally and a softer Chinese economy.

Looking at the ASX Small Ords Index, the Consumer Staples (+2.0%), Materials (+1.0%) and Industrials (-3.2%) sectors were the best relative performers whilst the Financials (-13.1%), Health Care (-11.0%) and Information Technology (-8.0%) sectors were the worst performers.

Portfolio Commentary

During October, the Ophir High Conviction Fund's investment portfolio returned -6.0% (net of fees) versus the index which returned -6.2%. Since its inception in August 2015, the Fund has returned +11.5% p.a. (net of fees) while the index has returned +7.5% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of -10.1% for the month.

In terms of portfolio positioning, the number of holdings remained steady at 29 and cash levels crept higher to 6.7%. The Fund's key positions have remained stable throughout the month and we have maintained the skew to businesses with more resilient growth characteristics.

One of the largest contributors to performance for the month was SmartGroup Corporation (ASX:SIQ). SIQ rallied +3.6% over the month mainly because its major competitor, McMillan Shakespeare (ASX:MMS), upgraded its earnings for the first quarter driven by increasing sales of Electric Vehicles (EV) via novated leases. We believe the industry is experiencing a tailwind given novated leases are the most economic way of securing EVs.

One of the largest detractors to performance for the month was AUB Group (ASX:AUB). AUB Group is the parent company for retail and wholesale insurance brokers and underwriting agencies operating in 570 locations across the globe. The share price fell -7.6% on no material news but was likely just some profit taking after its strong share price run this year. We still remain excited about the business's long term growth prospects.

Outlook

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, and then ultimate rebound, 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. The main bias is currently towards businesses with greater earnings visibility over the next 6-12 months given the uncertain macro backdrop.

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

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.