

Ophir High Conviction Fund

ASX: OPH



Figures as at 30 June 2024

Date of Issue: 24 July 2024

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.)

+12.9%



Fund Size

\$658.2m

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

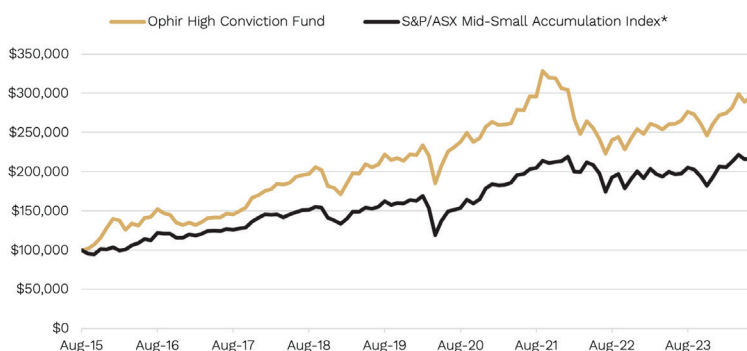


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.

*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%	7.0%	-0.2%	10.7%	-1.7%	-0.8%
Benchmark*	8.9%	6.6%	1.6%	8.0%	-3.7%	-1.4%
ASX: OPH Unit Price Return	N/A	5.6%	-10.1%	8.7%	-2.6%	1.2%

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 30 June 2024, 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

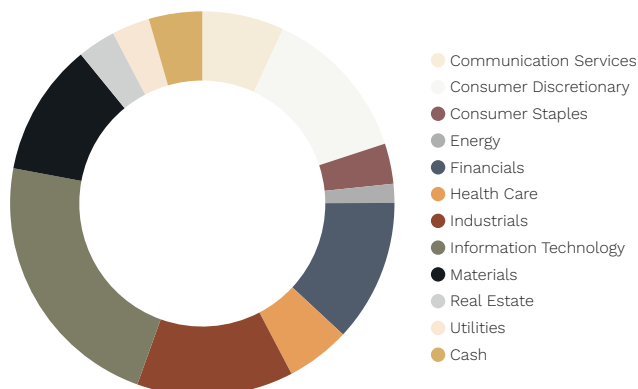
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

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 June 2024)

Company	Industry	ASX Code
AUB Group	Insurance	AUB
Infratil Ltd	Industrial	IFT
Life360 Inc	Software	360
NextDC Ltd	IT Services	NXT
Technology One	Software	TNE
Average Portfolio Market Cap		\$7.7bn

Net Asset Value (NAV) & Unit Price

As at 30 June 2024	Amount
NAV	\$2.96
Unit Price (ASX:OPH)	\$2.63

Market Commentary

In June, the global stock market marched forward for the second consecutive month continuing to add gains in 2024 led by the S&P 500 and Nasdaq up 3.6% and 6% respectively. Larger companies in Australia outperformed smaller companies, with the ASX 100 returning +1.2%, while the ASX Small Ordinaries index returned -1.4% for the month. Larger companies in Australia are still outperforming smaller companies in the last 12 months. European stocks (MSCI Europe) ended the month slightly down returning -1.0% as election worries in France weighed, while Japan's Nikkei index had a strong month adding +2.9% in June.

Growth outperformed Value in the domestic market, bucking the trend of the last two months. The MSCI Australia Growth index returned +3.3% while the MSCI Australia Value index returned -0.1%. Growth stocks are outperforming value stocks in the Australian market over the last year by 2.9%.

May CPI data released in June highlights the slowing progress on inflation in Australia. The monthly CPI indicator rose 4.0% in the 12 months to May. The most significant price rises were Tobacco (+13.4%), Rents (+7.4%), Automotive Fuel (+9.3%) and Insurance and Financial Services (+7.8%).

The acceleration in inflation raises the prospect the rate hiking cycle by the RBA is not yet done with, at writing, an almost 50% chance of a further 0.25% RBA Cash Rate increase this year. This stands in contrast with other major developed economy central banks which have either already started cutting rates or are predicted to shortly.

Looking at the ASX Small Ords Index, the Financials (+4.9%), Consumer Staples (+2.6%) and Consumer Discretionary (+1.8%) sectors were the best relative performers whilst the Energy (-9.6%), Materials (-6.0%) and Real Estate (-1.6%) sectors were the worst performers.

Portfolio Commentary

During June, the Ophir High Conviction Fund's investment portfolio returned -0.8% (net of fees) versus the index which returned -1.4%. Since its inception in August 2015, the Fund has returned +12.9% p.a. (net of fees) while the index has returned +8.9% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of +1.2% for the month.

In terms of portfolio positioning, the number of holdings increased to 30 and cash levels decreased to 4.5%. In response to rising soft landing probabilities, we have incrementally increased over the last few months allocations to select holdings within the cyclical portion of our portfolio, though cautiously and with a keen eye on ongoing economic uncertainties. We will await further evidence before materially increasing cyclical allocations further.

One of the largest contributors to performance for the month was Life360 (ASX: 360). In June 360 announced to the market that they have hit two million paying subscribers for their family safety application, which was slightly more than the market anticipated. 360's share price rose +7.0% in June.

One of the largest detractors to performance for the month was Mineral Resources Ltd (ASX: MIN). MIN's share price was under pressure in the month of June for two reasons. Firstly, concerns surrounding their capital expenditure programme being more than market anticipated and secondly, resource prices were under pressure this month which is closely tied to MIN's underlying earnings. Its share price fell -24.8% for the month of June.

Outlook

Economists' predictions of a recession in the U.S., which will have major implications for the global economy, has remained consistent in June with the current median probability at 30% (Bloomberg economist survey). It's also worth noting that although the recession probability has fallen materially, recent economic data in the U.S. has been disappointing versus expectations with a deterioration in activity and labour market data.

A recent pick-up in the unemployment rate and slowdown in wage inflation are further signs of a softer demand back-drop which has increased the probability and scale of U.S. interest rate cuts in 2024. Stronger household balance sheets, underleveraged corporate balance sheets, migration and fiscal policy support are the current pillars of the support in the U.S. economy keeping soft-landing hopes alive in the world's largest economy. We remain attuned though to a rapid softening in demand factors, negative inflation data and a more hawkish central bank that would lower the probability of a soft landing.

Market pricing (Bloomberg) indicates the first interest rate cut in the U.S. is likely to occur in September and is currently pricing in almost two rate cuts for 2024, but this expectation can change very quickly if (1) there is a recession in the U.S. or (2) inflation stays stubbornly high. Domestically rate cuts by the RBA aren't expected until 2025 which should put upwards pressure on the AUD.

The portfolio remains balanced in terms of cyclical vs. defensive growth companies which we believe is appropriate given the still elevated probability of a recession. Smaller growth companies still remain cheap relative to large caps, particularly in the U.S., and mean reversion in valuations should materially benefit share prices for the types of

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.