

# Ophir High Conviction Fund

ASX: OPH



Figures as at 31 May 2024

Date of Issue: 17 June 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



Net Return Since Inception (p.a.)



Fund Size

ASX: OPH

+13.1%

\$663.7m

## 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

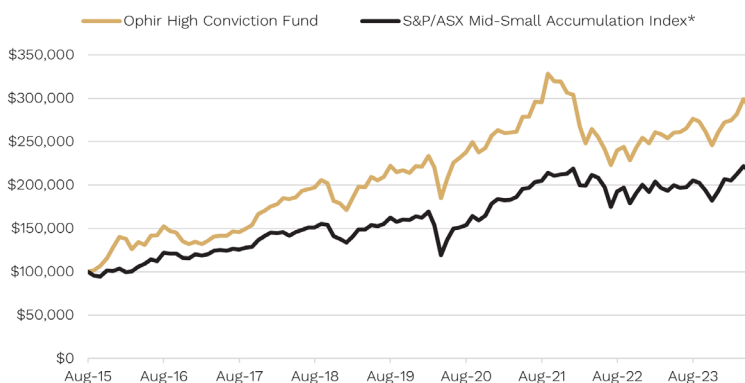


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance. \*The Fund's benchmark is the S&P/ASX Mid-Small Index, being the composite benchmark of 50% of the S&P/ASX MidCap 50 Accumulation 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)	13.1%	7.6%	2.1%	13.5%	5.2%	2.5%
Benchmark*	9.1%	7.2%	3.2%	10.1%	1.7%	0.2%
ASX: OPH Unit Price Return	N/A	5.1%	-5.6%	14.8%	8.8%	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 31 May 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 Paradice Investment Management and Commonwealth Treasury Department.



**Steven Ng** B Acc, CFA  
Portfolio Manager

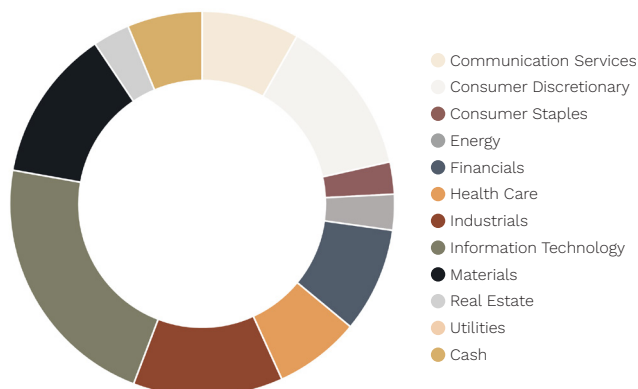
23+ years experience in financial markets, previously Paradice Investment Management and ING Investment Management

## 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 31 March 2024)

Company	Industry	ASX Code
LIFE360 INC	Information Technology	360
Mineral Resources	Materials	MIN
NEXTDC Ltd	Technology	NXT
Seven Group Holdings	Industrials	SVW
Webjet Ltd	Consumer Discretionary	WEB
<b>Average Portfolio Market Cap</b>		<b>\$7.2bn</b>

## Net Asset Value (NAV) & Unit Price

As at 31 May 2024	Amount
NAV	\$2.98
Unit Price (ASX:OPH)	\$2.60

## Market Commentary

In May, global stock markets recovered, regaining some of their losses from April. Larger companies performed similarly to the smaller ones during the month, with the ASX 100, S&P 500, and Nasdaq indices returning +1.1%, +5.0%, and +7.0%, while the ASX Small Ordinaries and Russell 2000 indices returned -0.04% and +5.0% respectively. European stocks (MSCI Europe) ended the month returning +3.4%, while Japan's Nikkei index added a marginal gain of +0.2%.

Growth underperformed Value for the second consecutive month in the domestic market with the MSCI Australia Growth index returning +1.2% and the MSCI Australia Value index returning +1.4%. However, growth stocks are still outperforming value stocks in the Australian market in 2024 by +3.3%.

Inflation data to the end of April was released this month and indicated that disinflation is continuing but at a slower pace than last year. CPI rose 3.6% in the 12 months to April following a 3.5% rise in the 12 months to March.

Annual trimmed mean inflation was 4.1% in April, up slightly from 4.0% in March. This inflation data, despite some softening in the labour market (most due to strong immigration), suggests the prospect of an RBA rate cut this year is less likely, with market pricing suggesting any cuts will be a 2025 story.

Looking at the ASX Small Ords Index, the Healthcare (+6.4%), Energy (+4.6%) and Real Estate (+2.2%) sectors were the best relative performers whilst the Consumer Discretionary (-4.8%), Information Technology (-2.8%) and Consumer Staples (-1.4%) sectors were the worst performers.

## Portfolio Commentary

During May, the Ophir High Conviction Fund's investment portfolio returned +2.5% (net of fees) versus the index which returned +0.2%. Since its inception in August 2015, the Fund has returned +13.1% 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 +1.2% for the month.

In terms of portfolio positioning, the number of holdings decreased to 28 and cash levels increased to 6.3%. 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 Gentrack (ASX:GTK). GTK continued to convert a number of utilities companies to use its software and reported a strong result in May, upgrading its revenue guidance by circa +20% vs the market consensus. GTK's share price rose +17.8% in May.

One of the largest detractors to performance for the month was oOh!Media Ltd (ASX:OML). OML hosted its Annual General Meeting during

the month and management stated that revenue growth was flattish in Q1 compared to market expectations of 4% growth for the fiscal half. It is a challenging ad market, but structural tailwinds remain for outdoor advertising to take share where OML is well positioned to benefit longer term. Its share price fell -14.9% for the month of May.

# Outlook

Economists' predictions of a recession in the U.S., which will have major implications for the global economy, has remained consistent in May with the current median probability at 30% (Bloomberg economist survey). It's also worth noting that although the recession probability has fallen materially, it still remains elevated with the unconditional recession probability being around 15% in any random year.

Generally positive U.S. Q1 company earnings results in May, healthy corporate balance sheets, still mostly strong U.S. employment data and slowing albeit sticky inflation, is lifting hopes of a "no landing" scenario that is likely to keep interest rates higher for longer in the U.S. We remain attuned though to risks this could change as economic growth slows in the second half of this year. The local Australian economy has not been immune from the lagged impact of rate hikes with March real GDP growth coming in at a stall speed of +0.1%.

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.

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, including in Australia, but particularly in the U.S., and mean reversion in valuations should materially benefit share prices for the types of companies we invest in over time.

## 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.