OPHIR

Letter to Investors - May 2025

From Andrew Mitchell and Steven Ng
Founders and Senior Portfolio Managers

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May was a record-setting month for Ophir. In this Letter to Investors, we:

- Reveal the exact above-market returns our Funds generated for investors this month, making it our best ever
- Examine 4 crucial lessons from this month of big outperformance
- Highlight two Australian stocks that delivered outsized gains for the Funds after reporting very strong results
- And for the Stock in Focus this month, we look at former market darling, Bravura Solutions. After several years in the wilderness, we explain why it is now one of the most exciting holdings in our Aussie Funds

May 2025 Ophir Fund Performance
Before we dive into the Letter, we've provided a detailed monthly update for each of the Ophir Funds below.

The Ophir Opportunities Fund returned +11.9% net of fees in May, outperforming its benchmark which returned +5.8%, and has delivered investors +23.3% p.a. post fees since inception (August 2012).
Download Factsheet

The Ophir High Conviction Fund (ASX:OPH) investment portfolio returned +11.4% net of fees in May, outperforming its benchmark which returned +5.9%, and has delivered investors +14.1% p.a. post fees since inception (August 2015). ASX:OPH returned +11.3% for the month.
Download Factsheet

The Ophir Global Opportunities Fund (Class A) returned +8.7% net of fees in May, outperforming its benchmark which returned +5.0%, and has delivered investors +17.3% p.a. post fees since inception (October 2018).
Download Factsheet

The Ophir Global High Conviction Fund (Class A) returned +7.8% net of fees in May, outperforming its benchmark which returned +5.0%, and has delivered investors +13.0% p.a. post fees since inception (September 2020).
Download Factsheet

Our best month ever

At Ophir, amongst the hundreds of emails we receive daily, there is only one that is guaranteed to be read by every single member of the Ophir team.

It is our daily performance email of the Ophir Funds versus their benchmarks, which gets sent around at about 4.15pm after market close.

Now you might think a day is way too short a timeframe to be judging performance, and in many ways it is. But as much as anything we are trying to see two things:

1. How much any stock news helped or hurt fund performance, and
2. Whether there were any market factors (like quality, growth, size, momentum, sectors or geographies) that had a big influence.

But if you think daily performance gets our attention, monthly performance gets exponentially more focus by us – particularly the months where we have many companies report.

For our Aussie Funds that's mostly February and August, and for our Global Funds it's those same months, plus May and November.

So, May is a really important month for us, and we are pleased to report May was our best month EVER for Ophir investors!

All our Funds were up between about 8-12%, net of fees, in May; and all outperformed their benchmarks which were each up 5-6%.

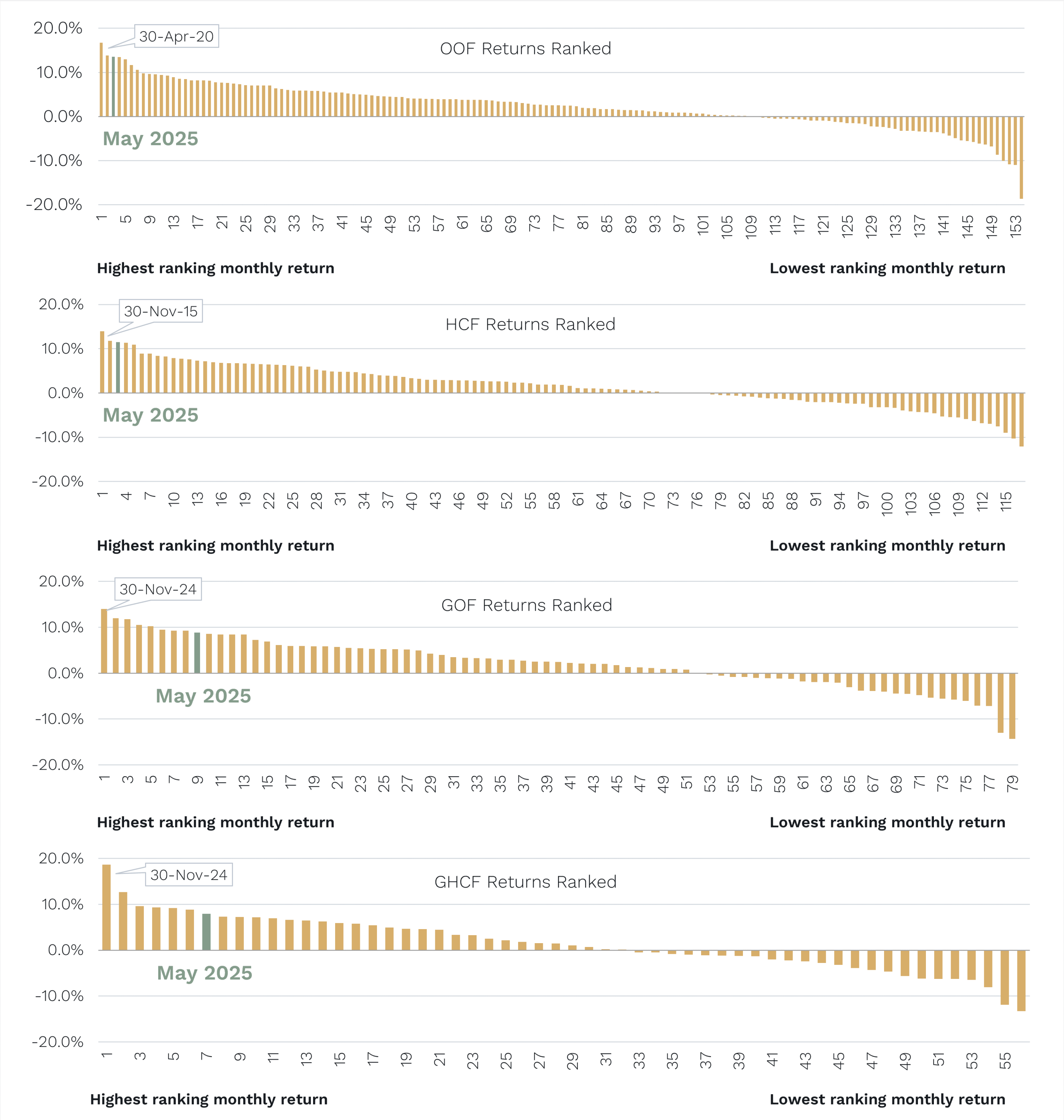
The benchmarks and share markets, in general, had a very good month in May with the TACO (Trump Always Chickens Out) trade in full force. Markets bet that we've seen the worst of tariff news from the U.S. and that an Armageddon scenario is seemingly now off the table.

Setting records

It was the best month ever because we generated about AUD$115 million of above-market returns (outperformance) for our investors. From when we started in 2012, that result represents a record.

Based on absolute returns, each of our four Funds in May ranked near their best-ever month, as shown in the chart over the page.

One of Ophir's Top Performing Months - Gross Returns



Source: Ophir. Data as of 31 May 2025.

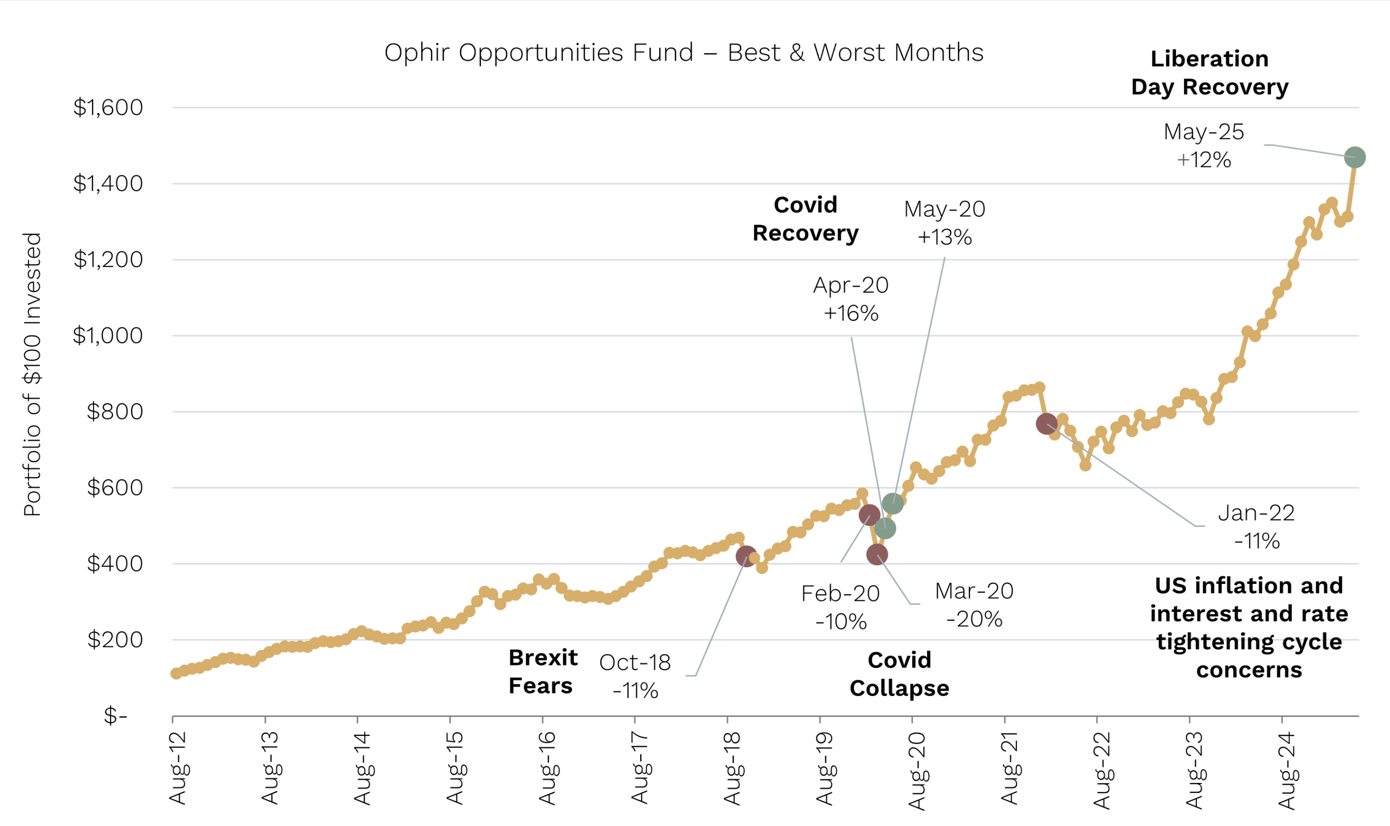
Most of those small number of months with better returns were ones driven by the market ripping higher and not necessarily because of strong outperformance by us.

Last month we had both strong market returns AND strong outperformance.

Our flagship Fund, 'the Ophir Opportunities Fund', led the way. While the market was up +5.8% in May, the Opportunities Fund surged +11.9% after fees. That was the third-highest-returning month for investment performance from the 154-month history of the Fund!

So, which months beat May 2025?

As you can see from the chart below, it was April and May 2020 when the market recovered from the Covid Collapse in March 2020 after central banks slashed interest rates.



Source: Ophir.

4 Lessons from May

Our four key observations from the May result across the Ophir Funds are:

1. Position sizing matters

Our biggest positions, like Life360, were our biggest winners in May.

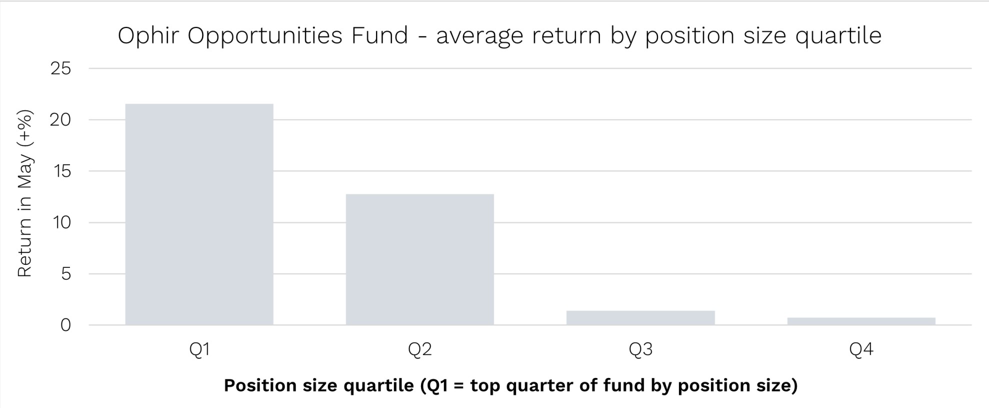
As George Soros said: "*It's not whether you're right or wrong, but how much money you make when you're right and how much you lose when you're wrong.*"

While May typically isn't a big news or reporting season month for Australian companies, we did have a smattering of companies report quarterly results, and some of our biggest positions delivered good news for our Australian Funds, two in particular:

- **Life360** – the family safety app – reported a great Q1 result on the back of surging user subscription numbers.
- Also, **Generation Development Group**, led by former Olympic champion Grant Hackett, announced a tie-up with Blackrock, one of the world's largest financial services companies, to provide retirement solutions to the Australian market. It also received a boost for its tax-effective investment bonds business, which will become more attractive with the government's $3m super tax still on the agenda, a policy that lowers the attractiveness of super for the uber wealthy.

Below, we show the average return in each quartile of the Ophir Opportunities Fund by weight for May. So, for example quartile 1 (Q1), which is the top 25% of the Fund by average weight over May (in this case the largest 10 stocks by weight out of the 40 in the Fund) – or in other words our highest conviction stocks – provided an average return of +21.5%.

Whereas our fourth quartile (Q4) stocks – the bottom quarter of the fund by weight – only provided a +0.7% return on average.



Bottom Line:

The stocks with the biggest weights in the Fund generally had the best returns.

And stocks that lost ground on the month or just treaded water were generally our lowest-weight positions.

As a fund manager, this is exactly what you want...

Source: Ophir. Bloomberg.

Our highest-weight positions are generally the stocks we have done the most work on, that we have the biggest edge in, and that the market is most underappreciating.

It's best to knock it out of the park on a big bet and keep your losers (of which there will always be some) to those stocks where you've got less money at risk.

For the Ophir Global Funds, May was a key month because the majority of our stocks reported their March quarter Q1 results. Again, here our biggest weights were often our best.

For example, iRhythm, a stock we wrote about last month, was one of our top-3 holdings going into May. The company posted a cracking result that saw its share price up just over +30% for the month.

2. Compounding is a marvellous thing

A foundation investor who invested $100,000 into our Ophir Opportunities Fund when we started in 2012 saw their investment increase by around $170,000 in May alone.

That's an almost doubling of their initial investment in a single month!

This clearly illustrates that returns on your returns (ie. compounding) truly is the 8th wonder of the world, as Einstein supposedly said. You just need to start early, be consistent, and let time and hopefully high returns work their magic.

Over a lifetime, you can think of investing as a marathon, with compounding essentially acting like a slowly building tailwind at your back as the race rolls on.

3. The best months usually accompany the worst months as the market recovers from the bottom.

If you miss the best months trying to time the market, it is very costly.

In investment speak, volatility "clusters". That is, the best and the worst months often happen side by side.

As we showed in a chart above, we had two of our best months in April and May 2020, right after two of the worst in February and March 2020 when Covid hit.

If you get scared out on the way down, you often don't get back into the market in time to benefit from the rebound, and you destroy the ability of compounding to work its magic.

The siren song of trying to time the ups and downs of markets is a strong one. In theory billions could be made from successfully doing it. But as Yogi Berra said, "*In theory there is no difference between theory and practice – in practice there is*".

Just because market timing COULD be done doesn't mean it CAN be done. One of the best investors of all time Peter Lynch said: "*I can't recall ever once having seen the name of a market timer on the Forbes' annual list of the richest people in the world. If it were truly possible to predict corrections, you'd think somebody would have made billions by doing it*".

And we'd add that, if anyone could time the market, they are not going to sell/tell you their way of doing it. They'd keep that almighty secret to themselves, lest the benefit get competed away if others knew about it.

4. Never get ahead of yourself

We have no doubt that tough months will be ahead at Ophir. It's part and parcel of investing. And there are always new lessons to learn. Good months of performance can easily reverse, particularly if it's not driven by sustainable increases in the earnings of the companies in which you are invested (pleasingly, though, better earnings drove much of our May result).

We always have new investors who haven't benefited from past results and have high expectations. This, along with our love of investing, is what keeps us motivated to keep generating attractive returns.

For the remainder of this month's Letter to Investors we wanted to take you through one of our key holdings in our Aussie Funds that we are particularly excited about: Bravura Solutions.

A Brave New Solution

Bravura Solutions (ASX:BVS) is an enterprise software business that provides the funds and wealth management industries with mission-critical software. Bravura counts as clients some of the largest global investment management firms and Australian superannuation funds.

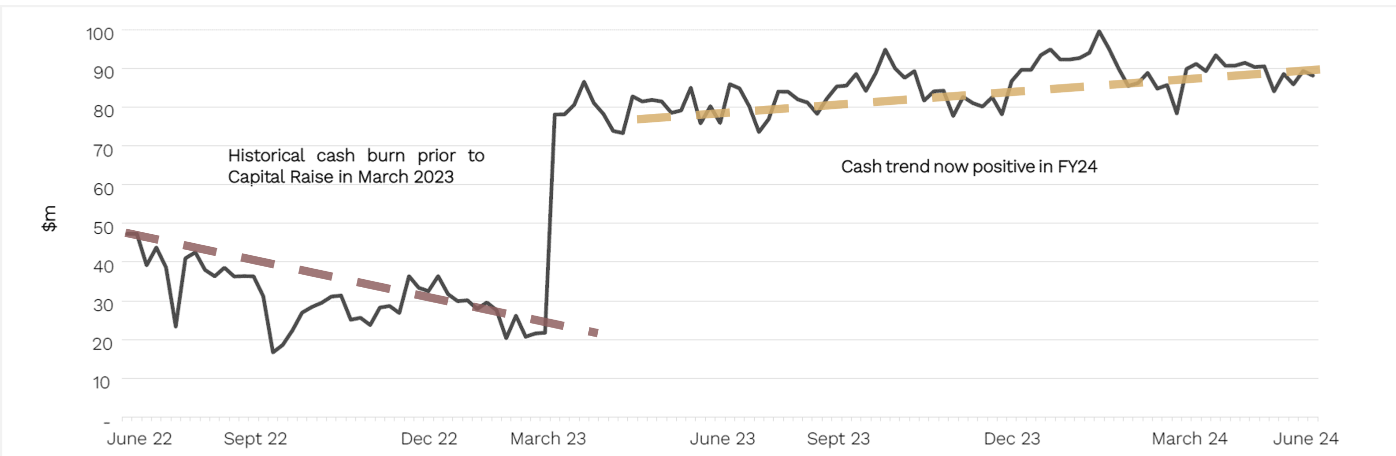
Back from the brink

After many years of poor capital allocation and mismanagement, Bravura had a near-death experience in 2023. With revenue going backwards and costs going up, it seemed the writing was on the wall.

Bravura wasn't winning any new business, and their existing clients were delaying investment decisions over fears Bravura wasn't a going concern.

At the same time, cost inflation was out of control and the business was burning cash on unscalable Research & Development. Following an emergency capital raise in March 2023, things needed to change. Up stepped Pinetree Capital.

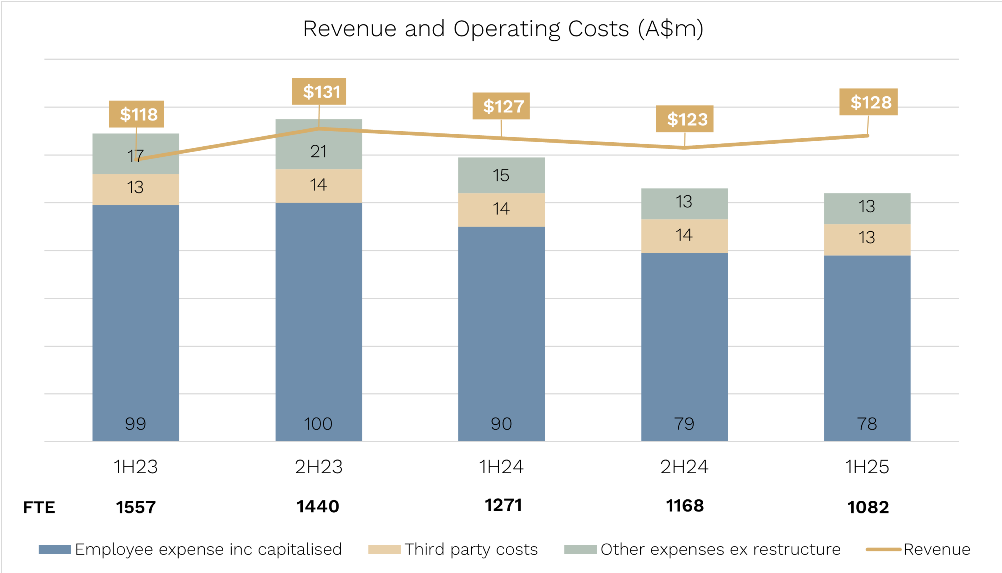
Pinetree are an investment firm founded by the Chairman and founder of $100bn+ global software behemoth, Constellation Software, one of the most respected operators in global software. Action was swift and decisive …



Source: Bravura FY24 presentation.

The Board and management team underwent an immediate overhaul. New management embarked on an aggressive cost-out program where:

1. A large number of staff that hadn't been doing much were tapped on the shoulder
2. Excessive R&D spend was reined in
3. Lavish London offices full of empty desks were replaced with more appropriate surroundings; and
4. Specific roles and operations were shifted to the much cheaper jurisdictions of India and Poland.



… and we believe there are more efficiencies to be achieved.

Source: Bravura 1H25 presentation.

Revenue starting to grow again

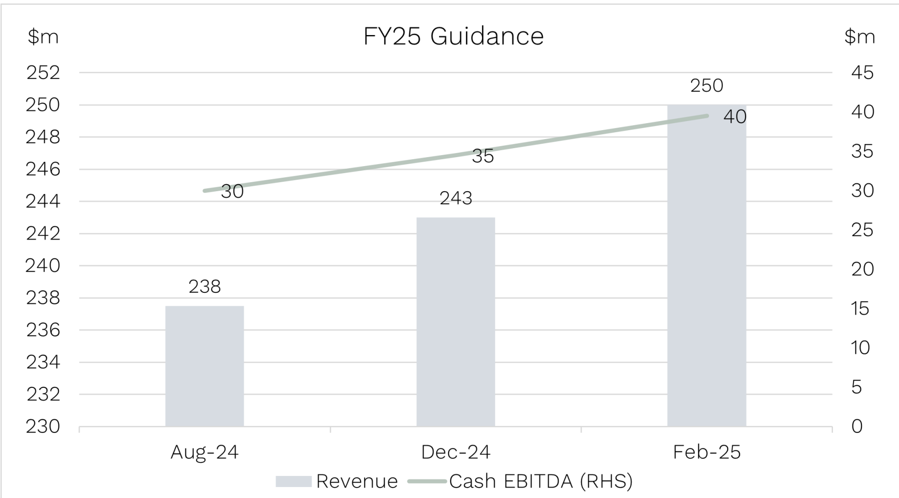
When businesses take such aggressive cost-cutting measures, it's not uncommon to see revenue growth suffer.

However, with the business now a going concern Bravura's clients have regained enough confidence to reallocate spend to in-house software development, which means revenue for Bravura. Despite the reduction in staff numbers, customer feedback has also improved.

As you can see in the chart below, the company has upgraded guidance twice during FY25, with an expected increase in revenue the primary contributor to the guidance upgrades (driven by both the business and FX movements).

With Bravura now able to focus on building a pipeline, the next phase of the revenue growth story will be new customer wins. The wins will likely come across both smaller, modular-type sales (shorter sales cycle) and larger-ticket enterprise sales (longer sales cycle).

Should Bravura's existing customers continue to increase their activity levels, and some new customers start to land, it's possible for revenue growth to move from the current mid-single digits to low-to-mid double digits in FY27.



Source: Bravura FY25 presentation, Ophir.

Rule of 40?

While Bravura isn't a pure SaaS (software as a service) business, we see it on a trajectory to becoming a Rule of 40 stock – a software business where profit margin and revenue growth combined equal or exceed 40%.

If Bravura can continue to manage costs well, and they can hit double-digit revenue growth, 25% cash EBITDA margins would be within reach.

And Rule of 40 software companies don’t trade on 3x sales – they trade on 6-7x.

So we think there is big upside for Bravura.

As always, thank you for entrusting your capital with us.

Kindest regards,

Andrew Mitchell and Steven Ng

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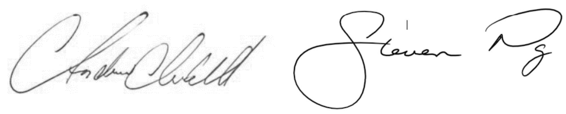

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