

# Ophir High Conviction Fund

ASX: OPH



Figures as at 29 February 2024

Date of Issue: 14 March 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

+12.8%

\$630.8m

## 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>	12.8%	7.3%	2.7%	9.0%	8.0%	2.6%
<b>Benchmark*</b>	9.2%	7.4%	5.2%	8.1%	10.1%	3.5%
<b>ASX: OPH Unit Price Return</b>	N/A	2.9%	-5.9%	3.7%	8.1%	-4.4%

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 29 February 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

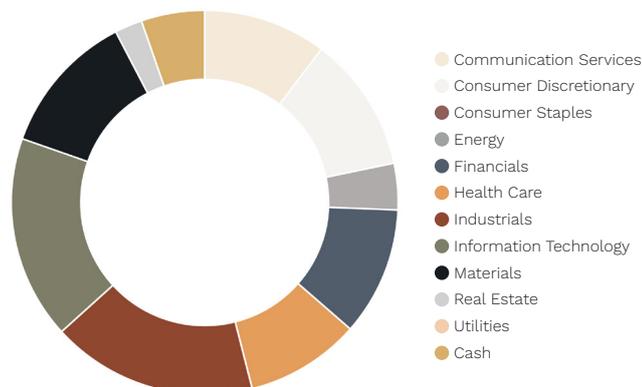
23+ years experience in financial markets, previously Paradice Investment Management and ING Investment Management

## 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 December 2023)

Company	Industry	ASX Code
AUB Group	Insurance	AUB
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>\$7.9bn</b>

## Net Asset Value (NAV) & Unit Price

As at 29 February 2024	Amount
NAV	\$2.83
Unit Price (ASX:OPH)	\$2.39

## Market Commentary

In February, global share markets maintained their upward momentum. Japanese stocks continued to surge with the Nikkei 225 up +8.0% in February and up +45.8% over the last year, benefiting from a weaker Yen. U.S. stocks also had a great month and a better breadth of returns with the Nasdaq, S&P 500 and Russell 2000 returning +6.2%, +5.3% and +5.7% respectively. The Australian and European stock markets were more subdued with the ASX 100, ASX Small Ords and MSCI Europe indices returning +1.1%, +1.8% and +2.0% respectively.

In a risk on tape, smaller companies in the ASX Small Ordinaries outperformed its larger companies in the ASX 100 by 0.7% and Growth (MSCI Australia Growth, +3.0%) outperformed Value (MSCI Australia Value, -0.8%) companies by 3.8%. Whilst the Australian share market overall was more muted as noted above, the ASX Mid Cap 50 Index was the standout returning +5.4% in February. This part of the market was bolstered by two companies in particular, WiseTech (ASX:WTC) and Altium (ASX:ALU) which rallied +29.4% and +30.4% respectively.

## Portfolio Commentary

During February, the Ophir High Conviction Fund's investment portfolio returned +2.6% (net of fees) versus the index which returned +3.5%. Since its inception in August 2015, the Fund has returned +12.8% p.a. (net of fees) while the index has returned +9.2% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of -4.4% for the month.

In terms of portfolio positioning, the number of holdings remained stable at 30 and cash levels fell to 5.4%. We continue to maintain our exposure to growing companies with good visibility into earnings at the top end of the portfolio. We have recently increased the allocations to some more cyclical companies as soft landing probabilities have increased, though still at quite a measured pace as economic growth uncertainties remain.

In the Australian reporting season, 74% of the Fund beat expectations, 21% provided results in line with expectations and 6% missed expectations. In terms of guidance, 26% of the Fund raised, 62% maintained and 11% downgraded. These figures have been reweighted to only include stocks that reported in the latest reporting season.

February is an important month as many Australian companies announce their half yearly results to December 2023. Some of the key themes we witnessed in this Australian reporting season include (1) low level of misses and downgrades compared to prior reporting seasons, (2) tailwinds in growth sectors, particularly during early February and (3) NVIDIA's strong result kept the focus on A.I. and its current and potential benefits across many businesses.

Looking at the ASX Small Ords Index, the Information Technology (+12.3%), Consumer Discretionary (+6.5%) and Industrials (+5.2%) sectors were the best performers whilst the Energy (-6.5%), Consumer Staples (-2.6%) and Materials (-0.8%) sectors were the worst performers.

One of the largest contributors to performance for the month was NextDC (ASX:NXT). NXT provides data centre outsourcing solutions, connectivity services and infrastructure management software. NXT continues to benefit from a surge in demand from Cloud service providers and its stock price rose +25.9% in February.

One of the largest detractors to performance for the month was Kelsian Group (ASX:KLS). KLS provides land and marine transport and tourism services in Australia, Singapore and the U.K. It reported during the month and whilst KLS delivered a solid operating result, it missed its numbers due to higher than expected interest costs. KLS's stock price fell -15.9% in February.

# Outlook

Economists' predictions on a recession in the U.S. continues to fall with the current median probability at 40% (Bloomberg economist survey) with the majority anticipating a soft landing. Softer inflation figures have driven this shift in narrative and more of this will need to be seen for central banks to start lowering rates. It's also worth noting that although the recession probability has fallen materially, it still remains elevated with the default recession probability being around 15% in any random year. Likewise Australia's recession probability in the next year also is elevated at 40% according to Bloomberg.

Central banks have signalled that they will be cautious with rate cuts in case inflation returns like it did in the 1970s. Therefore, if a soft landing does eventuate, we expect rates to still stay higher for longer.

We remain comfortable with the balanced positioning of the portfolio and will rotate out of defensive growth companies and into more cyclical growth stocks when we believe share markets may look forward to a broad cyclical economic rebound. Given the significant derating that small caps, and in particular growth orientated businesses have faced in recent times, we believe mean reversion in valuations should materially benefit share price returns of the types of companies we focus on.

## 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.