

# Ophir High Conviction Fund

ASX: OPH



Figures as at 30 September 2024

Date of Issue: 17 October 2024

## About The Fund

The Ophir High Conviction Fund (the 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.)

+13.2%



Fund Size

\$683.1m

## 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

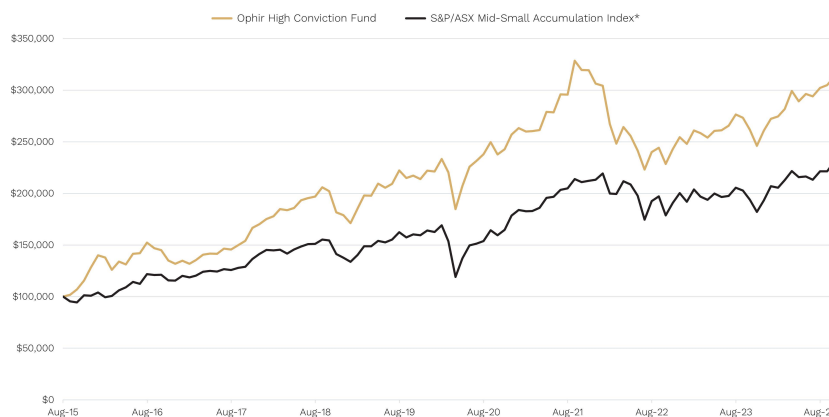


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance. Total returns have been calculated using NAV prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. \*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>	13.2%	7.6%	-0.7%	19.5%	6.4%	2.6%
<b>Benchmark*</b>	9.5%	7.5%	3.0%	18.8%	8.0%	4.1%
<b>ASX: OPH Unit Price Return</b>	N/A	6.8%	-8.2%	12.8%	3.4%	2.3%

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 September 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

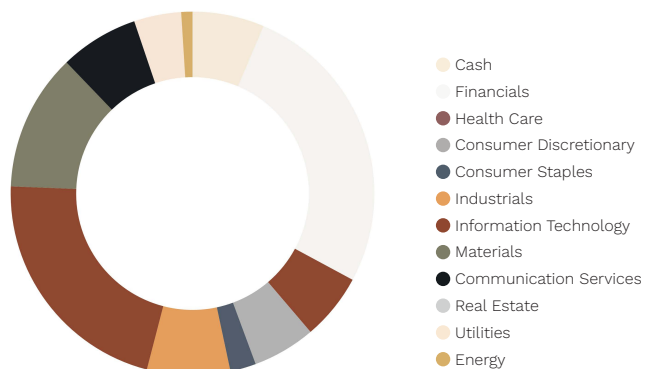
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

## Key Information

<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>	20-40
<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 30 September 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
<b>Average Portfolio Market Cap</b>		<b>\$9.1bn</b>

## Net Asset Value (NAV) & Unit Price

As at 30 September 2024	Amount
NAV	\$3.07
Unit Price (ASX:OPH)	\$2.72

## Market Commentary

In September, the global share market began the month down but finished higher. The Federal Reserve cutting by an outsized 0.5% was a welcomed surprise to markets, and news from the People's Republic of China of a multi-faceted stimulus package sent major indices in Asia soaring. The package was unveiled by regulators and includes a policy-rate cut, mortgage-rate cuts and 500bn yuan (\$71bn USD) in support of the stock market.

Domestically, Value outperformed Growth, reversing the prior month's trend. The MSCI Australia Value Index returned +5.5%, while the MSCI Australia Growth Index returned +1.1%. This was different in the Small Caps space, with the MSCI Australia Small Growth Index returning +5.8% compared to +3.9% for the MSCI Australia Small Value Index.

Australian CPI data released toward the end of September showed YoY inflation slowing to 2.7% compared to 3.5% in the month prior. September's CPI figure was in-line with market expectations.

## Portfolio Commentary

During September, the Ophir High Conviction Fund's investment portfolio returned +2.6% (net of fees) versus the index which returned +4.1%. Since its inception in August 2015, the Fund has returned +13.2% p.a. (net of fees) while the index has returned +9.5% p.a.

The Ophir High Conviction Fund's ASX listing provided a total return of +2.3% for the month.

In terms of portfolio positioning, the number of holdings increased to 33 and cash levels decreased to 6.4%. In response to the Chinese stimulus and prospect of a soft-landing in both Australia and the U.S., we have incrementally increased allocations to select holdings whilst buying new names on weakness. Hard landing probabilities in the U.S. have decreased recently on upward revision to economic growth and the household savings rate, as well as more robust data on the U.S. labour market, easing concerns about that tail risk for global share markets. That said, the U.S. and Australia still need to navigate a period of what is likely to be below trend economic growth as the lagged effects of restrictive monetary policy bite.

Australia's unemployment rate of 4.2% for August was also in-line with expectations and the July result. During the month the RBA retained its policy rate of 4.35% indicating that while inflation is below its peak, it remains above the target range. Like last month, market pricing suggests the RBA's first cut will not be until the February 2025 meeting, placing themselves at the tail end of developed economy central banks to cut rates.

Looking at the ASX Small Ords Index, the Energy (+9.6%), Materials (+7.1%) and Healthcare (+5.6%) sectors were the best performing sectors whilst the Consumer Staples (+0.9%), Information Technology (+2.0%) and Communications Services (+3.3%) sectors were the worst performing sectors. Energy rebounded driven most by gains in uranium companies.

One of the largest contributors to performance for the month was Mineral Resources (ASX:MIN). In September, MIN completed the sale of its 49% interest in the Onslow Iron Haul Road, which will see it extinguish an undrawn debt facility. After an initial fall of -25%, MIN rebounded later in the month on news of China's stimulus package, which supported commodity prices. The share price ended September up +29.6%.

One of the largest detractors to performance for the month was REA Group (ASX:REA). REA fell -8.2% for the month, on news that the company was considering the acquisition of Rightmove, a similar company based in the UK. The market did not like this given the cost of the acquisition. Post September month end, REA Group announced they are walking away from a deal and the stock rallied +4% in the first trading day of October on the news.

# Outlook

The market continues to focus on the U.S. economy, with particular attention on the health of the labour market. The market is pricing in 2-3 more rate cuts for the rest of the year as the prospect of a recession has reduced, but is not off the table totally just yet. The key question for markets is still whether the Federal Reserve can bring the economy to a “soft landing” or “hard landing”; the latter requiring greater cuts to support demand.

At writing, market pricing indicates another 1.5% of Fed Funds Rate (FFR) cuts by the end of 2025, taking the FFR to about 3.3%. Given the lags in monetary policy, the effects of restrictive policy are expected to persist throughout much of 2025, keeping recession risks alive. We also expect heightened volatility near term as the U.S. approaches its 5th November election date.

Australia is likely to be a laggard in terms of rate cuts given sticker inflation and weaker economic growth. Younger consumers in particular are feeling the pinch of high inflation and rent.

The portfolio remains balanced with a mix of cyclical and defensive growth companies, focusing on positions in companies with more resilient earnings. We believe this is appropriate given the current market environment. Given our focus on earnings growth, our portfolio is poised to benefit from positive market news. Smaller growth companies remain cheap relative to large cap companies which provides opportunity for the portfolio.

## 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

#### Luke McMillan (Head of Research)

☎ 02 8006 5476 @ luke.mcmillan@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.