

6 November 2023

Ophir High Conviction Fund (ASX:OPH) – Investor Update

Dear Investor,

On Monday 6th November 2023, we will be providing a video update on our Funds, including the Ophir High Conviction (ASX:OPH, “the Fund”).

Please find below the key points we will convey in the update relating to the Fund.

1. Market insights & Fund performance*

The Australian share market continued to experience weakness in October with the ASX 100 and ASX Small Ordinaries indices returning -3.6% and -5.4% respectively. Investor sentiment has waned over the last two months, with the ASX 100 and ASX Small Ordinaries indices falling -6.0% and -9.1% respectively over this period.

Longer term interest rates increased continued to creep higher in Australia and other economies, weighing on share markets. The Australian 10 year government bond rate increased from 4.49% to 4.93% over October, resulting in Growth stocks to continue to underperform Value stocks, with the MSCI Australia Growth Index (-4.5%) underperforming its Value (-2.2%) counterpart by +2.3%.

For the month ending 31 October 2023, the Net Asset Value (NAV) of the Fund was down -6.0% (net of fees) with the OPH ASX returning -10.1%, compared to the benchmark which was down -6.2%.

*We note past performance is not a reliable indicator of future performance.

2. Stock in Focus

Two of the top contributors for the month were SmartGroup Corporation (ASX:SIQ) and Kelsian Group (ASX:KLS). SIQ rallied +3.6% over the month mainly because its major competitor, McMillan Shakespeare (ASX:MMS), upgraded its earnings for the first quarter driven by increasing sales of Electric Vehicles (EV) via novated leases. We believe the industry is experiencing a tailwind given novated leases are the most economic way of securing EVs. KLS rose +5.1%, recovering from its recent sell off. It held its AGM and commented on improving operating conditions, particularly for its bus fleet.

The top detractors for the month were AUB Group (ASX:AUB) and Webjet (ASX:WEB). AUB and WEB fell -7.6% and -9.8% respectively in the absence of stock specific news but we still remain excited about their future growth prospects.

3. OPH trading at a discount

We note the OPH share price traded at a discount to its Net Tangible Asset per share (NTA) for October 2023.

We like the opportunity to buy low throughout the cycle, whether that is stocks in our own Funds, or OPH itself with our own personal investments.

4. OPH buy-back facility

We commenced utilising the buy-back facility for OPH during March 2020 as markets sold off during the early stages of COVID-19. We have renewed the facility and will continued to utilise this where we see good value on offer in the OPH unit price. We have a process and rules in place for when we use the facility in the market to buy back OPH units. We remain committed to this facility and process and will continue to use this mechanism where we believe it is in the best interests of all unitholders and accretive to performance of the Fund over the long term.

We remain as hard working as ever to find and allocate to those small and mid-cap businesses listed in Australia that we believe can significantly grow earnings and provide attractive risk-adjusted returns over the medium to long term.

Your sincerely,

The image shows two handwritten signatures in black ink. The signature on the left is 'Andrew Mitchell' and the signature on the right is 'Steven Ng'.

Andrew Mitchell & Steven Ng

Co-Founders & Senior Portfolio Managers
Ophir Asset Management

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This information has been prepared by Ophir Asset Management (ABN: 88 156 146 717, AFSL 420082) the Investment Manager of the Ophir High Conviction Fund and is authorised for release by The Trust Company (RE Services) Limited (ABN: 45 003 278 831, AFSL 235 150) as responsible entity and the issuer of units in the Trust. It is general information only and is not intended to provide you with financial advice and has been prepared without taking into account your objectives, financial situation or needs. You should consider the product disclosure statement (and any ASX Announcements) prior to making any investment decisions. If you require financial advice that takes into account your personal objectives, financial situation or needs, you should consult your licensed or authorised financial adviser. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The PDS and target market determination can be obtained by calling +612 8188 0397 or visiting our website ophiram.com.au.

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