

Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

DATE OF ISSUE: 19 NOVEMBER 2020



INVESTMENT UPDATE AND NAV REPORT – OCTOBER 2020

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.

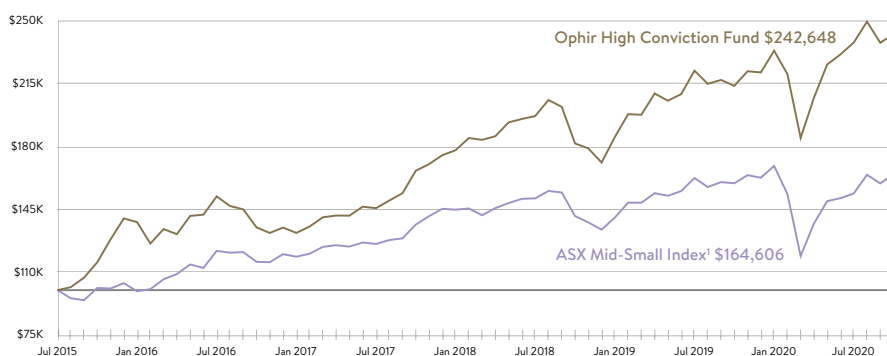
ASX Code	Net Per Annum Return Since Inception (to 31 Oct 20)	Net Return Since Inception (to 31 Oct 20)	Fund Size (at 31 Oct 20)
ASX:OPH	18.4%	142.6%	\$601.7m

OCTOBER 2020 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 31 October 2020	Amount
NAV	\$3.02
Unit Price (ASX:OPH)	\$3.35

To access NAV prices for the Ophir High Conviction Fund (ASX:OPH), historical ASX announcements and performance history, please visit www.ophiram.com



* Chart represents the value of \$100,000 invested since inception after all fees and before tax and assuming distributions are reinvested in the Fund. Performance of the Fund is calculated using Net Asset Value (NAV), not the market price. Please note past performance is not a reliable indicator of future performance.

¹ 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.

INVESTMENT PERFORMANCE

	Since Inception (p.a)	5 Years p.a.	3 Years p.a.	1 Year	3 Month	1 Month
Ophir High Conviction Fund	23.2%	20.1%	17.3%	19.7%	2.1%	2.2%
Benchmark	10.0%	10.2%	6.4%	3.2%	7.0%	3.2%
Value Add (Gross)	13.3%	9.9%	10.8%	16.5%	-4.9%	-1.1%
Fund Return (Net)	18.4%	16.0%	13.4%	13.5%	2.0%	2.1%
ASX:OPH Unit Price Return	n/a	n/a	n/a	34.5%	26.4%	10.2%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 October 2020, not the market price. Benchmark is the ASX Mid-Small Accumulation Index. Inception date of the Fund is 4 August 2015. Past performance is not a reliable indicator of future performance.

TOP 5 PORTFOLIO HOLDINGS (ALPHABETICAL)

Company	Industry	ASX Code
The A2 Milk Company	Consumer Staples	A2M
Afterpay Touch Group	Information Technology	APT
Domino's Pizza Enterprises	Consumer Services	DMP
NEXTDC Limited	Information Technology	NXT
Xero	Information Technology	XRO
Average Portfolio Market Cap		\$7.9bn

KEY INFORMATION

Responsible Entity	The Trust Company (RE Services) Limited
Manager	Ophir Asset Management Pty Ltd
Portfolio Managers	Andrew Mitchell & Steven Ng
Fund Inception	4 August 2015
Fund Size	\$601.7m
Number of Stocks	15-30
Cash Distributions	Annually
Investment Objective	Outperform benchmark (after fees) over long term (5+ yrs)

ALLOCATION OF INVESTMENTS

PORTFOLIO SECTOR EXPOSURES (as at 31 October 2020)

Sector	31 October 2020
Materials	9.0%
Financials	13.9%
Health Care	7.9%
Communication Services	6.4%
Consumer Staples	4.4%
Information Technology	21.3%
Industrials	10.7%
Consumer Discretionary	17.8%
Utilities	0.0%
Real Estate	0.8%
Energy	2.5%
[Cash]	5.3%
	100%

MARKET COMMENTARY

October's sharemarket results are well and truly now in the rear-view mirror as two major pieces of news markets were looking for arrived in early November – a US election result and a potential COVID-19 vaccine. This last piece of news has seen the “starters gun” fired so to speak on investors position of an opening up of economies in 2021.

Prior to this, sharemarkets in October were mixed with US (S&P500 -2.7%) and European (Euro Stoxx -5.9%) market falls as virus cases rapidly escalated through second and third waves and prospects of US fiscal stimulus pre-election waned. Australia rose +1.9% (ASX200) on the back of Victoria gaining control of the virus, a big spending Federal Budget and likely further monetary support by the RBA, whilst Emerging Markets (MSCI World EM +1.5%) also had a better time of it.

This is all ancient history though as the biggest news of the second half of the year arrived in early November that Pfizer's vaccine was 90% effective in early trials. This has seen the probability of a widely available vaccine in the US in the first quarter of next year jump from 50% to around 90%.

This news has overshadowed the US election result and rightly so as the most important near-term news for markets. Whilst speaking of the election, a President-elect Biden, and a likely (though will be confirmed in January) split Congress, means a smaller fiscal stimulus is likely in the US early next year to support COVID impacted businesses and households. Based on modelling by MacroPolicy Perspectives in the US, all else equal, this is likely to see a slower return to pre-COVID trend growth in the world's largest economy.

More positively though, a Biden win, but without Democrat Senate control, is generally seen as a more favourable outcome for markets as it increases the chance of more support from the central bank, makes corporate tax hikes likely dead in the water and it greatly reduces his ability to ratchet up regulatory oversight. It should also provide a less aggressive trade stance between the US and its major trading partners, including China. This may ultimately be beneficial also for Australia (given our alignment with the US), in light of our recent trade issues with the Middle Kingdom.

PORTFOLIO COMMENTARY

During October, the Ophir High Conviction Fund's investment portfolio returned +2.1% (net of fees) versus the index which rose +3.2%. Since its inception in August 2015, the Fund has returned +18.4% p.a. (net of fees) while the index has returned +9.5% p.a. since inception.

During October the Ophir High Conviction Fund's ASX listing provided a total return of +10.2% for the month.

As long-time investors will know, we don't seek to meaningfully time our allocations to styles, sectors or companies off the back of top down macroeconomic or political factors. This is not because we believe these factors don't have an influence. They most certainly do. Rather it is due to our belief that we do not have a meaningful edge in timing allocations based on these factors that are pored over by thousands of analysts and millions of investors on a daily basis. Moreover, there is a lack of consistently reliable and predictable models to assist with this process.

Given this, the majority of our targeted outperformance can be expected to come from bottom up stock picking. That is to say, we are best placed to outperform if we stick to what we believe we are good at, that is fundamental proprietary research on companies to find those we believe are mis-understood or mis-priced by the market, with clean balance sheets and that are not overleveraged. The winds of Growth versus Value may change but this part of our process will not.

Ultimately, at the margin, we have been for a few weeks now reducing the underweight we had to reopening theme type companies as it became clearer a vaccine was likely. This process has been accelerated more recently on the Pfizer and Moderna vaccine news as we have increased our allocations to good quality companies that are growing faster than the market and likely to benefit from relaxation in social distancing measures.

We should stress this has not involved investing in Value and Cyclical type companies for the sake of it; the core of the Funds remains in businesses we believe can grow and compound earnings largely regardless of the macroeconomic environment.

In stock specific news for the mid-cap portion of the Australian equity market, we note the best performers of the month of October were dominated by those companies that received takeover offers. This notably included Coca-Cola Amatil (up 30.8%), Link Administration Holdings (up 27.9%) and AMP Ltd (up 17.2%). We did not hold these companies that have been lower growth, underperforming companies that did not meet our selection criteria.

Core holdings Afterpay, Resmed and Xero all provided strong contributions to returns during the month. We were particularly pleased with Resmed that posted a strong quarterly result, albeit boosted by one-off ventilator sales.

INVESTMENT PHILOSOPHY

INVESTMENT OBJECTIVE

The Fund seeks to provide Unitholders 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. The Fund aims to generate long-term returns in excess of the Benchmark (after fees and before tax) and provide consistent, sustainable returns for Unitholders.

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 \$1.3bn in capital across two investment strategies on behalf of institutional superannuation funds, family offices, private wealth groups and individual investors. The investment team comprises 9 investment professionals drawn from a diverse range of backgrounds working across all Ophir funds.

ABOUT THE PORTFOLIO MANAGERS

Senior Portfolio Managers Andrew Mitchell and Steven Ng co-founded Ophir Asset Management in 2012 after previously managing capital together at Paradise Investment Management. Under their stewardship, the fund managed by Andrew and Steven at Paradise was the top performing equities fund in Australia from 2007-2011 versus the fund manager surveys (inclusive of the GFC). At Ophir, Andrew and Steven are Senior Portfolio Managers for the Ophir Opportunities Fund, Ophir High Conviction Fund and Ophir Global Opportunities Fund.

KEY INVESTOR CONTACTS

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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 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.



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