

Ophir High Conviction Fund



ASX: OPH

www.ophiram.com

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INVESTMENT UPDATE AND NAV REPORT – APRIL 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.

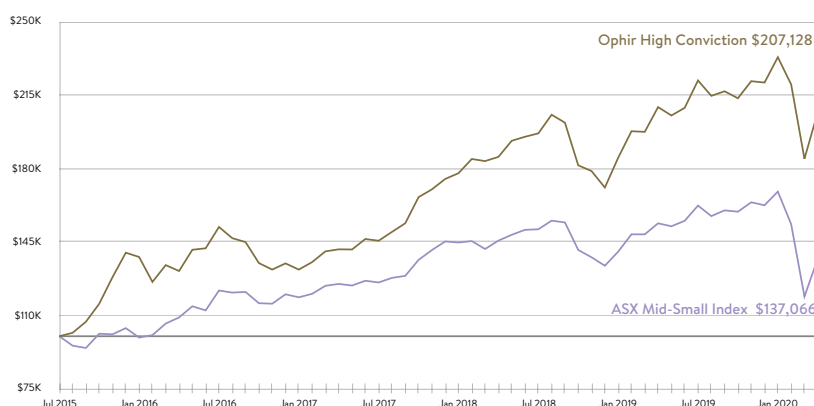
ASX Code	Net Per Annum Return Since Inception (to 30 Apr 20)	Net Return Since Inception (to 30 Apr 20)	Fund Size (Gross) (at 30 Apr 20)
ASX:OPH	16.6%	107.1%	\$529.7

APRIL 2020 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 30 Apr 2020	Amount
NAV	\$2.58
Unit Price (ASX:OPH)	\$2.36

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.

INVESTMENT PERFORMANCE

	Since Inception (p.a)	3 Years p.a.	1 Year	FYTD	3 Month	1 Month
Ophir High Conviction Fund	21.6%	17.3%	3.8%	3.9%	-8.1%	11.4%
Benchmark	6.9%	3.1%	-11.0%	-11.7%	-19.0%	15.2%
Value Add (Gross)	14.8%	14.2%	14.7%	15.6%	10.9%	-3.8%
Fund Return (Net)	16.6%	13.5%	-1.1%	-1.0%	-11.2%	12.1%
ASX:OPH Unit Price Return	n/a	n/a	-8.5%	-4.8%	-13.2%	18.6%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 30 Apr 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	Sector	ASX Code
The A2 Milk Company	Consumer Staples	A2M
Dominos Pizza Enterprises	Consumer Discretionary	DMP
NEXTDC Limited	Information Technology	NXT
Resmed	Health Care	RMD
Xero	Information Technology	XRO
Average Portfolio Market Cap		\$6.3bn

KEY INFORMATION

Responsible Entity	The Trust Company (RE Services) Limited
Manager	Ophir Asset Management
Portfolio Managers	Andrew Mitchell & Steven Ng
Fund Inception	4 August 2015
Fund Size (Gross)	\$529.7m
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 30 Apr 2020)

Sector	30 Apr 20
Materials	9.0%
Financials	16.4%
Health Care	5.8%
Communication Services	1.0%
Consumer Staples	12.9%
Information Technology	20.9%
Industrials	5.7%
Consumer Discretionary	11.0%
Utilities	4.3%
Real Estate	0.0%
Energy	3.4%
[Cash]	9.6%
	100%

MARKET COMMENTARY

The local Australian sharemarket saw a strong rise with the S&P/ASX200 index up +8.8% for the month but was a relative underperformer compared to the US as Financials held back the index somewhat. Small caps clawed back all their March underperformance to large caps rising +14.3% whilst Australian microcaps saw one of the biggest gains of any market globally in April, rising +25.8%. Sector wise in Australia, all rose with Energy (+24.9%), IT (+22.5%) and Consumer Discretionary (+15.9%) leading the way whilst Consumer Staples (+2.4%), Utilities (+2.7%) and Financials (+2.8%) saw the smallest gains.

Major sharemarkets globally, including in Australia, came roaring back to life in April on the back of three main events during the month:

1. Historic monetary and fiscal support from central banks and governments that has generally, especially on the monetary side, far eclipsed that seen during the GFC.
2. Success in “flattening the curve” in COVID-19 cases in countries that have implemented social distancing measures.
3. Steps towards re-opening economies that have had the most success in containing the virus.

This has raised investor questions though. Have sharemarkets gone too far in April, in reversing losses from February and March? Over the next few months there is no doubt that we are going to see some of the worst economic data the world has seen since the Great Depression (1930s). This includes the sharpest falls in GDP, the highest unemployment and the largest contraction in corporate earnings in many countries.

Unlike the Great Depression though, it is our opinion that this crisis is likely to be much shorter, though there will likely be some lasting impacts on consumer behaviour. At the time of writing it appears the market is looking through much of the horrible short-term wave of economic data that we are only just now arriving at. This may be fine and entirely reasonable for those with a long-term view, but we know the market isn't always the most rational place when uncertainty is high and can overreact on both the downside and the upside.

We admit we don't know how the market will react in the short term to the poor data we will see over the next few months, but neither does anyone else. As long-term investors though, for us this crisis is as much about ascertaining what long term changes we might see in consumer buying behaviour as it is about avoiding the immediate losers.

PORTFOLIO COMMENTARY

During April, the Ophir High Conviction Fund's investment portfolio returned +12.1% for the month after fees, underperforming its benchmark by 3.1%. Since inception, the Fund's investment portfolio has returned +16.6% per annum after fees, outperforming its benchmark by 9.7% per annum.

During April the Ophir High Conviction Fund's ASX listing provided a total return of +18.6%.

The month saw lower quality and beaten up names from March tend to outperform as evidence appeared that social distancing measures were having an impact on “flattening the curve” for COVID-19.

In key stock news for the Fund, Afterpay (ASX: APT) (+66.0%), Evolution Mining (ASX: EVN) (+33.8%), and Appen (ASX: APX) (+31.2%) were three of the strongest performers, whilst Resmed (ASX: RMD) (-5.2%) and NIB Holdings (ASX: NHF) (-4.1%) saw the most significant negative contribution to monthly performance.

Afterpay, after its steep sell-off in March, has been buoyed recently on three fronts: 1. Evidence of success over controlling COVID-19 spread in its key markets, 2. A company update on trading that assuaged investor concerns somewhat, and 3. News of a 5% equity stake by Chinese tech/e-commerce behemoth Tencent and what that may mean for growth opportunities.

Evolution Mining led the way for the larger cap gold miners in April, boosted by a higher gold price, and is now up +66.3% on the year after only falling -5.5% during March.

Appen is another company that protected capital for investors during March compared to the market, only

falling -5.0%, before a 31.2% increase in April. 90%+ of revenues come from large tech company customers (e.g. Facebook, Google) that use Appen's training data to power their artificial intelligence (AI) models. With significant locked in pricing, Appen is providing defensive growth characteristics to the portfolio.

Both Resmed and NIB Holdings suffered some payback in April for being two of the only 25 stocks in the ASX300 that went up in March. Both have been significant outperformers since the onset of COVID-19. NIB Holdings benefits from likely reduced claims expense as private hospital elective surgery is deferred due to regulatory measures and hospitals freeing up capacity. A bring forward in expectation of resumption of elective surgery in Australia created a modest headwind for the stock during April.

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 three 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 Opportunity 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 ABN 88 156 146 717 AFSL 420 082 (Ophir), the investment manager of the Fund and is issued 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. 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 Perpetual nor Ophir guarantees repayment of capital or any particular rate of return from the Fund. All opinions and estimates included in this report constitute judgements of Ophir as at the date of the report 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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