

# Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

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## INVESTMENT UPDATE AND NAV REPORT – JULY 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 Jul 20)	Net Return Since Inception (to 31 Jul 20)	Fund Size (at 31 Jul 20)
<b>ASX:OPH</b>	<b>18.9%</b>	<b>137.9%</b>	<b>\$591.6m</b>

### JULY 2020 PORTFOLIO SNAPSHOT

#### NET ASSET VALUE (NAV) PER UNIT

As at 31 July 2020	Amount
<b>NAV</b>	\$2.96
<b>Unit Price (ASX:OPH)</b>	\$2.65

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

<sup>1</sup> 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.)	3 Years p.a.	1 Year	3 Month	1 Month
<b>Ophir High Conviction Fund</b>	<b>24.0%</b>	<b>21.9%</b>	<b>12.7%</b>	<b>15.7%</b>	<b>3.2%</b>
<b>Benchmark</b>	9.0%	7.0%	-5.3%	12.2%	1.7%
<b>Value Add (Gross)</b>	15.0%	14.9%	18.0%	3.5%	1.5%
<b>Fund Return (Net)</b>	18.9%	17.7%	7.0%	14.8%	2.8%
<b>ASX:OPH Unit Price Return</b>	n/a	n/a	1.9%	12.3%	-0.7%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 July 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
<b>The A2 Milk Company</b>	Consumer Staples	A2M
<b>Afterpay Touch Group</b>	Information Technology	APT
<b>Dominos Pizza Enterprises</b>	Consumer Discretionary	DMP
<b>NEXTDC Limited</b>	Information Technology	NXT
<b>Resmed</b>	Health Care	RMD
<b>Average Portfolio Market Cap</b>		<b>\$8.4bn</b>

### KEY INFORMATION

<b>Responsible Entity</b>	The Trust Company (RE Services) Limited
<b>Manager</b>	Ophir Asset Management Pty Ltd
<b>Portfolio Managers</b>	Andrew Mitchell & Steven Ng
<b>Fund Inception</b>	4 August 2015
<b>Fund Size</b>	\$591.6m
<b>Number of Stocks</b>	15-30
<b>Cash Distributions</b>	Annually
<b>Investment Objective</b>	Outperform benchmark (after fees) over long term (5+ yrs)

## ALLOCATION OF INVESTMENTS

### PORTFOLIO SECTOR EXPOSURES (as at 31 July 2020)

Sector	31 July 20
Materials	9.9%
Financials	14.9%
Health Care	8.9%
Communication Services	5.8%
Consumer Staples	7.9%
Information Technology	23.7%
Industrials	9.1%
Consumer Discretionary	10.1%
Utilities	0%
Real Estate	0%
Energy	3.1%
[Cash]	6.6%
	<b>100%</b>

## MARKET COMMENTARY

Share markets are clearly becoming more comfortable with the uncertainty brought on by COVID-19 and believe that the worst is likely behind us. Investors seem to have looked past the US having just logged the worst quarter of GDP growth since World War 2. US sharemarket combined realised volatility across up and down days was the lowest in July of any month this year. Investors appear to be seeing the business cycle moving into the recovery phase.

We can see this gain in confidence with estimates of corporate earnings growth across the major economies for 2020 generally ceasing to be revised lower. This is predicated though on the absence of a need to reinstitute widespread lockdowns that were so damaging to earnings estimates across the world in March, April and May. This is by no means certain, though we do see a high bar in many economies for returning to strict lockdowns where they are still struggling with COVID-19.

Fortunately, the only countries to see any material increase in new cases since May lows are the US, Spain, Japan and Australia, highlighting that it has been possible for many to reopen without causing second waves.

We think a return though to 'normal' levels of volatility ahead is likely premature. The list of 'known unknowns' at present is a long one. COVID-19 still stands at the top of this list, and absent of an immediate silver bullet vaccine, we are prepared for, and in fact expect, further bouts of heightened volatility ahead.

While the broader market proved less volatile during the month, we're still seeing significant individual stock volatility. This is not unsurprising given the large market moves and reflective of meaningful mispricings

in the market, which we see as a huge opportunity to take advantage of while being conscious to limit exposure to those companies which have re-rated well above our internal valuations.

## PORTFOLIO COMMENTARY

During July, the Ophir High Conviction Fund's investment portfolio rose +2.8% (net of fees) versus the index which rose +1.7%. Since its inception in August 2015, the Fund has returned +18.9% p.a. (net of fees) while the index has returned +9.0% p.a. since inception.

During July the Ophir High Conviction Fund's ASX listing provided a total return of -0.7% for the month.

Mineral Resources saw solid gains on the back of a rising iron ore price and a record breaking quarter for production of the commodity as Chinese demand ramps up. To give you some sense of scale, shipments of iron ore were up 53% in the June quarter compared to March quarter. To date the company's workers have not been impacted by COVID-19 with all 25,000+ worker tests at its WA facilities coming back negative.

In other commodity news, gold miners found support during the month with the gold price reaching new all time highs. Such was the strength, three of the top six performers in the S&P/ASX Mid Cap Index were miners of the precious metal.

One of the Fund's top holdings, NextDC, the leading data center provider in Australia, announced new contract wins in NSW at the start of July, boosting the share price early in the month. This takes total returns on NextDC shares to +65.6% for the last year as COVID-19 accelerates cloud computing conversion and demand for the infrastructure and service to locate and support cloud servers. A new data centre in Perth was also officially opened during the month.

Afterpay Touch announced a \$800 million capital raising during the month to fund global expansion plans, including the launch into Canada in the first quarter of FY21. Co-Founders Anthony Eisen and Nicholas Molnar also sold down 10% of their holdings in the company, though the market took this in its stride with the two to remain the largest shareholders in the company.

Going into reporting season the Fund remains well placed with key holdings skewed towards quality growth companies that we believe can grow largely irrespective of the state of COVID-19. In an environment of greatly reduced earnings guidance by listed companies, we believe our holdings are more likely to provide clarity on the outlook than average and look forward to the greater visibility we expect management to provide.

## 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 Paradice Investment Management. Under their stewardship, the fund managed by Andrew and Steven at Paradice 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

### INVESTOR ADMIN QUERIES

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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 issued by the Responsible Entity as the issuer of units in the Fund. 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 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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