

# Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

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## INVESTMENT UPDATE AND NAV REPORT – NOVEMBER 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 Nov 20)	Net Return Since Inception (to 30 Nov 20)	Fund Size (at 30 Nov 20)
<b>ASX:OPH</b>	<b>19.4%</b>	<b>157.0%</b>	<b>\$637.4m</b>

### NOVEMBER 2020 PORTFOLIO SNAPSHOT

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

As at 30 November 2020	Amount
<b>NAV</b>	\$3.20
<b>Unit Price (ASX:OPH)</b>	\$3.55

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)	5 Years p.a.	3 Years p.a.	1 Year	3 Month	1 Month
<b>Ophir High Conviction Fund</b>	<b>24.2%</b>	<b>18.4%</b>	<b>18.7%</b>	<b>22.0%</b>	<b>3.3%</b>	<b>6.0%</b>
<b>Benchmark</b>	11.5%	12.1%	8.1%	8.8%	8.7%	8.4%
<b>Value Add (Gross)</b>	12.7%	6.3%	10.5%	13.2%	-5.3%	-2.4%
<b>Fund Return (Net)</b>	19.4%	14.9%	14.7%	15.8%	3.0%	5.9%
<b>ASX:OPH Unit Price Return</b>	n/a	n/a	n/a	42.0%	19.9%	6.0%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 30 November 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>Corporate Travel Management</b>	Consumer Discretionary Services	CTD
<b>Credit Corp Group</b>	Financial Services	CCP
<b>IDP Education</b>	Consumer Discretionary Services	IEL
<b>Seek</b>	Communications	SEK
<b>Xero</b>	Information Technology	XRO
<b>Average Portfolio Market Cap</b>		<b>\$7.9bn</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>	\$637.4m
<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 30 November 2020)

Sector	30 November 2020
Materials	7.8%
Financials	15.2%
Health Care	6.9%
Communication Services	8.1%
Consumer Staples	5.3%
Information Technology	19.4%
Industrials	8.6%
Consumer Discretionary	18.6%
Utilities	0%
Real Estate	2.2%
Energy	2.7%
[Cash]	5.2%
	<b>100%</b>

## MARKET COMMENTARY

November was a month to remember for equity markets with the ASX200 and the MSCI World index rising 10.2% and 12.0% each, with the domestic market having its best months in 32 years and global equities reaching all-time highs.

The catalyst? A goldilocks US election result for markets and a wave of positive vaccine news.

Almost all the major equity markets posted +10% returns for the month, more than the long term annual expected returns from these markets. Investors turned a blind eye to sky high COVID-19 cases in the northern hemisphere and renewed partial lock down measures, looking forward to the better economic days ahead that a vaccinated population may produce in 2021.

Unless you had a crystal ball (or had the inside scoop on the content and timing of the Pfizer vaccine news) heading into November it's unlikely you could have perfectly timed the select themes that did well or poorly in November in the Australian small and mid-cap part of the market we invest in.

In the winners list: "reopening-theme" type companies, and those with exposure to the lithium price. The top of the list from the first bucket includes Westfield (+73.1%), Webjet (+65.3%), Flight Centre (+52.0%), Corporate Travel (+37.0%) and Village Roadshow (+31.4%). All of these benefiting from people getting out and about again for retail, entertainment, and travel experiences. The second bucket includes Pilbara Minerals (+69.1%), Orocobre (+61.3%), Galaxy Resources (+56.4%) and Ioneer (+54.3%) as lithium producers received a boost as more favourable treatment of the electric vehicle

(EV) industry is likely under a Biden presidency, Chinese demand rises and the UK planned to bring forward the ban of petrol and diesel cars to 2030.

The losers list had one dominant thematic: "All that glitters isn't Gold". Gold stocks were on the nose and filled up the list of the worst performing stocks during the month in Australia and offshore. This saw six of the ten worst performing small caps (including Silver Lake Resources (-16.1% and Ramelius Resources (-12.7%)) and three of the five worst performing mid-caps (including Saracen Minerals (-16.5%) and Northern Star (-15.0%)) domestically being gold miners. This occurred off the back of the significant fall in the gold price as investors dumped the safe haven precious metal in favour of riskier asset classes as vaccine news buoyed investor's hopes.

## PORTFOLIO COMMENTARY

During November, the Ophir High Conviction Fund's investment portfolio returned +5.9% (net of fees) versus the index which rose +8.4%. Since its inception in August 2015, the Fund has returned 19.4% p.a. (net of fees) while the index has returned 11.5% p.a. since inception.

During November the Ophir High Conviction Fund's ASX listing provided a total return of +6.0% for the month.

We don't seek to skew our Funds to take big bets on the thematics mentioned above as that's not where our edge lies. We'd rather seek to neutralise our exposure to these themes, focussing instead on bottom up research on those companies we believe are growing earnings faster than the market expects and have a long runway for doing so. That said, any attempts to neutralise our exposure to these themes, the timing of which we believe is more or less unpredictable, will be imperfect. When the outcomes of these themes are so extreme, as it was in November, we can expect it to have varying effects on the short term performance of our Funds. This saw us moderately underperform during the month in the Ophir High Conviction Fund, in what was a very strongly rising market. This occurred as we held less of the most beaten up COVID-19 impacted companies and sectors that rallied hard on the better than expected vaccine news earlier in the month.

Ultimately though earnings matter. Here six monthly or quarterly earnings reports provide the best means to judge whether we are holding the "right" companies. Today is no doubt a challenging environment for fund managers as the full extent of the lasting impacts on consumer behaviour from COVID-19 are yet to be seen.

For us, whilst the style of investing we implement is closest to what is known as "Growth at a Reasonable Price" (GARP), today it could also be called "Certainty at a Reasonable Price". Here we seek to avoid those

companies that would force us to make big calls on the outcome of COVID-19 that we do not have good precedents for. Instead we would rather look for companies with greater clarity of revenue and earnings, but we believe are still mispriced by the market.

In stock specific news for the Fund the best performers tended to be along sector and style lines rather than any fundamental company news. Here Corporate Travel (+37.0% - increased business travel) and IDP Education (+26.9% - increased overseas students) were two of the biggest contributors, whilst select gold stock exposures were some of the largest detractors.

## 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

### INVESTOR ADMIN QUERIES

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