

Ophir High Conviction Fund



ASX: OPH

www.ophiram.com

DATE OF ISSUE: 25 JANUARY 2021

INVESTMENT UPDATE AND NAV REPORT – DECEMBER 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.

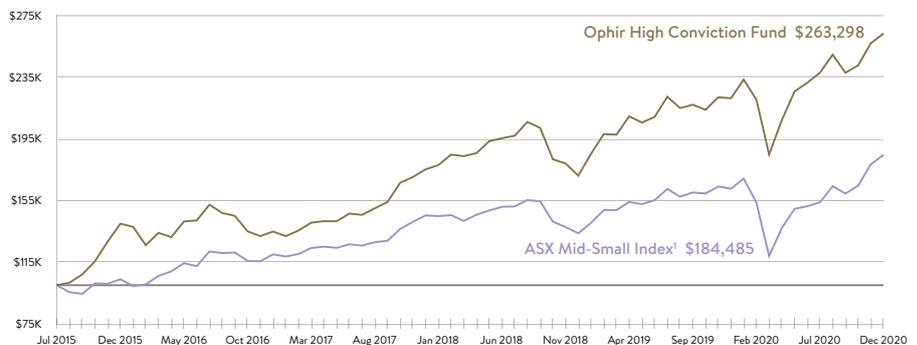
ASX Code	Net Per Annum Return Since Inception (to 31 Dec 20)	Net Return Since Inception (to 31 Dec 20)	Fund Size (at 31 Dec 20)
ASX:OPH	19.6%	163.3%	\$652.7m

DECEMBER 2020 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 31 December 2020	Amount
NAV	\$3.28
Unit Price (ASX:OPH)	\$3.54

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	24.3%	16.5%	18.5%	25.2%	11.1%	2.6%
Benchmark	12.0%	12.2%	8.3%	13.5%	15.7%	3.4%
Value Add (Gross)	12.3%	4.3%	10.2%	11.7%	-4.6%	-0.8%
Fund Return (Net)	19.6%	13.5%	14.5%	19.0%	10.7%	2.5%
ASX:OPH Unit Price Return	n/a	n/a	n/a	42.2%	16.4%	-0.3%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 December 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
Afterpay Touch Group	Information Technology	APT
Credit Corp Group	Financial Services	CCP
Mineral Resources Ltd	Materials	MIN
Seek	Communications	SEK
Xero	Information Technology	XRO
Average Portfolio Market Cap		\$8.5bn

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	\$652.7m
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 December 2020)

Sector	31 December 2020
Materials	8.0%
Financials	16.0%
Health Care	7.0%
Communication Services	5.7%
Consumer Staples	3.1%
Information Technology	21.3%
Industrials	6.7%
Consumer Discretionary	19.4%
Utilities	0.0%
Real Estate	2.5%
Energy	2.9%
[Cash]	7.4%
	100%

MARKET COMMENTARY

After most major global equity markets rose 10%+ in November, equities rose a still very respectable and above average +3.5% (local currency terms) in December as positive vaccine news continued to roll in. In this risk-on environment, the Aussie dollar, commodity prices and the Australian share market all also rose, although the latter underperformed in comparison to its global counterparts, up a more modest 1.2% (ASX200).

Post the extreme outperformance of the “value” style of investing in November, it was back to “growth” outperformance in December globally. This was not the case in Australia though. Aussie miners, particularly those with exposure to iron ore, including Fortescue (+28.5%), led the way during the month because the price of the steel input continued to rocket higher from increased Chinese demand and supply disruptions at key foreign competitors. This typical value sector, along with the relative underperformance of the healthcare sector (a favourite of growth investors), ensured value investing has now outperformed in each month domestically in the December quarter.

After what looks like a circa 15% earnings per share (EPS) contraction in 2020 in Australia and globally, analysts currently see a V-shaped rebound in 2021 with consensus forecasting 19% growth in EPS in Australia and 26% globally.

EPS looks to have passed the trough in Australia, though we wait for the upcoming reporting season in February for confirmation of this. As is typical, markets are forward looking and have been anticipating the earnings recovery ever since it became apparent in March/April last year that social distancing measures were likely to be effective

in stemming the spread of the virus, and allowing some level of economic activity to resume.

We think the large equity market gains though of the last few months are unlikely to be repeated throughout 2021. We say this of course with the low level of conviction that should always be attributed to such short-term forecasting.

In sum, we think it is likely that outperformance through stock picking skill (or alpha in industry jargon), where it can be found, is likely to play a more important role in total returns from shares than it has over the last few months, where a rising tide in the market has generally lifted all boats.

PORTFOLIO COMMENTARY

During December, the Ophir High Conviction Fund’s investment portfolio returned +2.5% (net of fees) versus the index which rose +3.4%. Since its inception in August 2015, the Fund has returned 19.6% p.a. (net of fees) while the index has returned 12.0% p.a.

During December the Ophir High Conviction Fund’s ASX listing provided a total return of -0.3% for the month.

Since leading up to the release of data in November indicating effective vaccines were likely to be rolled out in the near future, and more earnestly since, we have been balancing the Fund to not be overly reliant on any particular macroeconomic or virus outcome.

This has not been about adding or subtracting ‘Out and About’ or ‘Stay at Home’ companies to manufacture a balanced outcome in the Fund for the sake of it, but rather largely reweighting existing holdings that we have already performed detailed due diligence on to obtain this balance.

This has included increasing the weighting to Credit Corp (ASX:CCP) which provides debt collection and credit management services, including buying written off and delinquent debts from Australian banks.

We see the company as benefitting in both a deteriorating and improving economic scenario. In the former, Credit Corp has a dominant market position to buy what would be an increasing level of bad debts, boosting earnings. In the latter, which is now playing out, the economy recovers, and the company is able to renegotiate debt purchases 25-30% lower boosting near term returns.

During the month, Credit Corp, a core position in the Fund, was also its best performing, up +24.9% as it purchased the Australian Purchased Debt Ledger (bad debt book) from rival Collection House at well below its previous asset carrying value.

In other positive stock specific news, Afterpay (ASX:APT) chalked up another strong return in December, up 24.2%, which continued into January as it broke through \$140 for the first time. This came on the back of the IPO in the US of rival Affirm, which provided a staggering 100% return on its first day of trading. The Buy Now, Pay Later sector received a boost on the back of this, but particularly Afterpay as investors, in our view, likely realised it is a higher quality business than Affirm trading on a relatively cheaper valuation.

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 \$1.6bn 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 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 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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