

Ophir High Conviction Fund

ASX: OPH

www.ophiram.com

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INVESTMENT UPDATE AND NAV REPORT – JANUARY 2021

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.

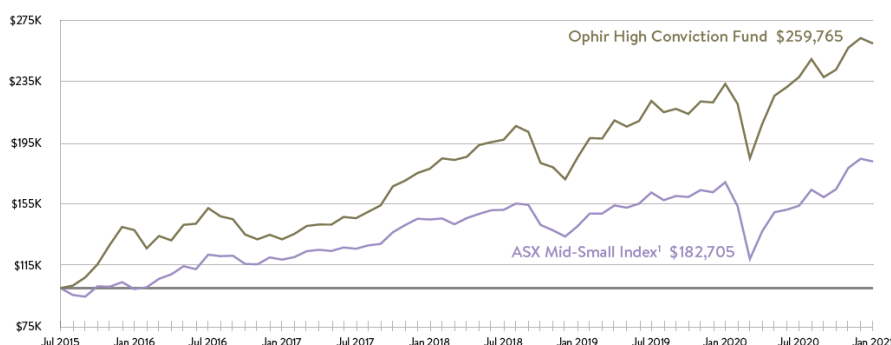
ASX Code	Net Per Annum Return Since Inception (to 31 Jan 21)	Net Return Since Inception (to 31 Jan 21)	Fund Size (at 31 Jan 21)
ASX:OPH	19.0%	159.8%	\$644.6m

JANUARY 2021 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 31 January 2021	Amount
NAV	\$3.24
Unit Price (ASX:OPH)	\$3.50

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	23.6%	16.4%	17.3%	16.7%	7.4%	-1.2%
Benchmark	11.6%	12.9%	8.0%	8.0%	11.0%	-0.7%
Value Add (Gross)	12.0%	3.5%	9.3%	8.7%	-3.6%	-0.5%
Fund Return (Net)	19.0%	13.5%	13.4%	11.3%	7.1%	-1.3%
ASX:OPH Unit Price Return	n/a	n/a	n/a	28.7%	4.5%	-1.1%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 January 2021, 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
Corporate Travel Management	Consumer Discretionary Services	CTD
Credit Corp Group	Financial Services	CCP
Seek	Communications	SEK
Xero	Information Technology	XRO
Average Portfolio Market Cap		\$8.6bn

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	\$644.6m
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 January 2021)

Sector	31 January 2021
Materials	6.8%
Financials	14.9%
Health Care	7.5%
Communication Services	4.9%
Consumer Staples	3.9%
Information Technology	22.7%
Industrials	3.4%
Consumer Discretionary	24.3%
Utilities	0.0%
Real Estate	3.1%
Energy	2.4%
[Cash]	6.1%
	100%

MARKET COMMENTARY

Equity markets were generally heading for a relatively strong January until the last week when a so-called David versus Goliath battle broke out between retail traders and hedge funds in the US. In all, most share markets, except for emerging markets which outperformed, posted either small gains or losses with not much divergence. The ASX200 was up +0.3% and the ASX Small Ords down -0.3%, whilst the S&P500 was down -1.0% and emerging markets were up +3.8% for the month on a total return basis.

Back to the David and Goliath battle. Retail traders originating from a Reddit forum ganged up on some Wall Street hedge funds, buying aggressively some of their most shorted US small caps stocks. This included Gamestop, an old-school video game retailer, pushing its price from around USD\$19 at the end of last year to \$347 at its peak in the last week of January this year.

This saw hedge funds having to cover their short positions through buying back these stocks (often funded through selling other positions) and simultaneously reducing their overall exposure to the share market, racking up big losses in the process.

This revenge of retail traders, often executed through new 'fee free' trading platforms such as Robinhood, saw some of the most shorted stocks in the US skyrocket.

In early February markets appear to be moving on from this issue, regaining some of their late January losses, and some of the most shorted stocks seeing their share prices come back to earth. One thing you can bet is that Goliath (hedge funds) will have learnt a valuable lesson and will be better prepared next time individual investors want to gang up on them.

In other news, the RBA extended its quantitative easing program, adding another \$100bn. The dovish move was targeted at keeping the AUD lower and which is likely to continue to provide support for the local share market and long duration stocks.

PORTFOLIO COMMENTARY

During January, the Ophir High Conviction Fund's investment portfolio returned -1.3% (net of fees) versus the index which returned -0.7%. Since its inception in August 2015, the Fund has returned 19.0% p.a. (net of fees) while the index has returned 11.6% p.a. since inception.

During January the Ophir High Conviction Fund's ASX listing provided a total return of -1.1% for the month.

In key stock moves Afterpay rose +14.5% during the month post the successful IPO of US rival Affirm, which buoyed the sector. In early February, the Woolard Review was released in the UK, which looked into innovation in the unsecured credit market there. In the UK, Afterpay operates under the Clearpay brand as one of the region's leading Buy Now, Pay Later operators. The Review recommended BNPL products should be brought under the Financial Conduct Authority's regulation in a 'proportionate' way to support consumer protections, but at the same time continue to foster innovation and the growth of alternatives to high-cost credit.

In other news Tyro (-21.0%), the payment solutions and transaction processing provider, was down strongly for the month due to outages impacting selected merchant terminals in the early part of the month which prevented them processing some payments.

The issue was compounded by a "short" report that was issued by Viceroy offering that the cause and magnitude of the outage was significantly worse than what was released by the company. Combined, it is not surprising that the shares are unlikely to outperform in these circumstances. We believe that whilst risks have been heightened, if the impacts can be managed successfully by the company, then the long-term thesis on our investment remains intact.

We have often been asked over the last week if the Reddit/GameStop/Short squeeze phenomenon will alter the way we value companies or implement our investment process and the answer is "not really". We have always tracked the level of short interest in the companies we hold and how this changes through time. We tend not to hold those companies with high short interest unless we are very confident we have an understanding or an edge on the business that is not appreciated by those with short positions. We note though these holdings with meaningful short interest tend to be at much much lower

levels than those caught up in the Gamestop saga, and tend to be very few and far between.

Valuations are and will remain an anchor of our investment process and we won't be chasing companies exhibiting strong price momentum that has nothing to do with fundamentals. It may mean that price can move away from that justified by fundamentals, and captured in its intrinsic value, for longer periods of time and that may justify reweighting positions more frequently as a result. We will wait and see how pervasive this impact is though. Our hunch is 'not very' as retail traders realise this strategy is no perpetual avenue to a 'free lunch' for all.

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 \$2.0bn in capital across two investment strategies on behalf of institutional superannuation funds, family offices, private wealth groups and individual investors. The investment team comprises 12 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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