

# Ophir High Conviction Fund



ASX: OPH

www.ophiram.com

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## INVESTMENT UPDATE AND NAV REPORT – MAY 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.

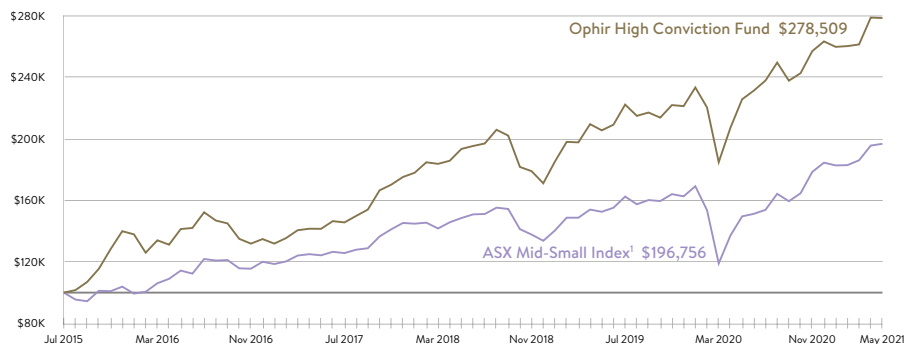
ASX Code	Net Per Annum Return Since Inception (to 31 May 21)	Net Return Since Inception (to 31 May 21)	Fund Size (at 31 May 21)
<b>ASX:OPH</b>	<b>19.2%</b>	<b>178.5%</b>	<b>\$691.1m</b>

### MAY 2021 PORTFOLIO SNAPSHOT

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

As at 31 May 2021	Amount
<b>NAV</b>	\$3.47
<b>Unit Price (ASX:OPH)</b>	\$3.83

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>23.7%</b>	<b>17.5%</b>	<b>16.2%</b>	<b>25.5%</b>	<b>7.4%</b>	<b>0.0%</b>
<b>Benchmark</b>	12.3%	11.5%	9.8%	31.5%	7.6%	0.6%
<b>Value Add (Gross)</b>	11.4%	6.1%	6.4%	-6.0%	-0.2%	-0.6%
<b>Fund Return (Net)</b>	19.2%	14.5%	12.9%	23.4%	7.0%	-0.1%
<b>ASX:OPH Unit Price Return</b>	n/a	n/a	n/a	54.4%	7.9%	0.3%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 May 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) (as at 31 Mar 2021)

Company	Industry	ASX Code
<b>Corporate Travel Management</b>	Consumer Discretionary Services	CTD
<b>Credit Corp Group</b>	Financial Services	CCP
<b>Elders Limited</b>	Consumer Staples	ELD
<b>Seek Limited</b>	Communication Staples	SEK
<b>Tyro payments</b>	Information Technology	TYR
<b>Average Portfolio Market Cap</b>		<b>\$7.5bn</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>	\$691.1M
<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 May 2021)

Sector	31 May 2021
Materials	5.2%
Financials	14.4%
Health Care	7.3%
Communication Services	13.4%
Consumer Staples	4.1%
Information Technology	19.6%
Industrials	6.7%
Consumer Discretionary	22.3%
Utilities	0.0%
Real Estate	3.5%
Energy	0.0%
[Cash]	3.5%
	<b>100%</b>

## MARKET COMMENTARY

Share markets backed up April's big gains with further rises in May led by Australia (MSCI Australia +3.3%), but also elsewhere, though the gains were more muted, including in the US (S&P500 +0.7%) and Japan (Nikkei +0.2%).

Vaccine rollout news kept markets chugging along with drops in infections in India, and the US potentially getting towards herd immunity, keeping investors buoyant. Macro forecasters and business owners alike have been struck by how quickly the economic recovery has generally been globally from COVID-19, with only a few exceptions. Much of this we think stems from being conditioned to slower recoveries from global economic downturns that are caused by a drop off in demand, as opposed to the current episode which is essentially a stop-start of the supply side of the economy due to mobility restrictions.

Another key difference this time is the scale of the fiscal response from governments – including Australia with its 'spendathon' Federal budget in May. For the last few decades monetary policy was relied on primarily to stimulate economies during a downturn, but this time, with interest rates rapidly hitting or nearing their "zero lower bound", governments have played a primary role with fiscal transfers to those most impacted.

The scale of the fiscal response though has been truly historic and has generally only been matched by that seen during World War 2. Historically 'Keynesian' counter cyclical spending by governments during downturns was to soften the blow and fill the gap created by the exiting of private demand.

Domestically, the small cap part of the market underperformed large caps significantly, up +0.3% versus +2.6%. The muted overall result for small caps though

hid wide divergence with Small Industrials down -0.6% whilst Small Resources were up +4.2%. This was reflected at a sector level in small caps with Materials (+3.1%) and Energy (+8.1%) the best performing sectors, whilst IT (-5.4%) was easily the worst and logged big losses. Commodity exposed stocks were unsurprisingly the best performing with the key commodities of thermal coal (+27.4%), iron ore (+6.4%), gold (+7.8%) and oil (+3.1%) all having a bullish month.

## PORTFOLIO COMMENTARY

During May, the Ophir High Conviction Fund's investment portfolio returned -0.1% (net of fees) versus the index which returned +0.6%. Since its inception in August 2015, the Fund has returned 19.2% p.a. (net of fees) while the index has returned 12.3% p.a.

During May, the Ophir High Conviction Fund's ASX listing provided a total return of +0.3% for the month.

A small cap that recently had its IPO and made headlines for all the wrong reasons during the month was Nuix Limited (ASX:NXL). The company has been around for 20 years and is a provider of investigative analytics and intelligence software which processes large amounts of data into batches in a fast and efficient manner. It has been used by law firms and government agencies on cases such as the Panama Papers and the recent Australian Banking Royal Commission.

After its IPO in early December at \$5.31, and its initial pop to its high in January of \$11.16, it's been all downhill, falling 33% in May alone to be \$2.77 at month end. This came after the second revenue downgrade in May since its IPO – a cardinal sin for a company that listed less than six months ago. Our detailed due diligence during the IPO process helped us avoid Nuix with a few red flags discovered. This included a prospectus we had a few issues with including restatements of prior year financials, revenue reclassifications and aggressive upfront revenue recognition from multi-year deals and over capitalisation of costs – suggesting cash flow may be materially weaker. Our checks with customers, competitors and ex-employees also highlighted a number of issues with its strategy, addressable market and growth that we ultimately felt weren't adequately captured in the price we were asked to pay.

We by no means get all of them right, and it was a painful process to see the share price rise immediately post IPO, but it highlights the extra lengths we go to in our analysis to help us avoid many of the landmines. It is a timely reminder than investing is not only about finding the next "10x bagger", but also avoiding the big losses.

The main detractor to performance during the month was Afterpay Ltd (ASX:APT), down 21.1% on the month on no major news, with the price getting caught up in the Growth to Value style rotation that occurred during May.

## 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 \$2.5bn 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

### 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 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 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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