

Ophir High Conviction Fund



ASX: OPH

www.ophiram.com

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INVESTMENT UPDATE AND NAV REPORT – AUGUST 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 August 21)	Net Return Since Inception (to 31 August 21)	Fund Size (at 31 August 21)
ASX:OPH	21.6%	228.4%	\$781.1m

AUGUST 2021 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 31 August 2021	Amount
NAV	\$3.66
Unit Price (ASX:OPH)	\$3.78

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	26.2%	20.6%	20.2%	34.0%	18.9%	11.8%
Benchmark	13.3%	12.1%	11.3%	30.2%	8.7%	4.4%
Value Add (Gross)	12.9%	8.5%	8.9%	3.8%	10.2%	7.4%
Fund Return (Net)	21.6%	17.5%	16.8%	31.6%	17.9%	11.1%
ASX:OPH Unit Price Return	n/a	n/a	n/a	27.7%	-1.3%	0.3%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 August 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 30 June 2021)

Company	Industry	ASX Code
Afterpay Touch Group	Information Technology	APT
Corporate Travel Management	Consumer Discretionary Services	CTD
Dominos	Consumer Services	DMP
Resmed	Health Care	RMD
Seek	Communications	SEK
Average Portfolio Market Cap		\$10.2bn

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	\$781.1m
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 August 2021)

Sector	31 August 2021
Materials	3.1%
Financials	13.8%
Health Care	8.0%
Communication Services	15.6%
Consumer Staples	3.8%
Information Technology	19.7%
Industrials	10.5%
Consumer Discretionary	24.7%
Utilities	0.0%
Real Estate	0.0%
Energy	0.0%
[Cash]	0.8%
	100%

MARKET COMMENTARY

Reporting season was in full swing in August with companies around the world announcing their full-year, semi-annual or quarterly earnings results. This is also a time when companies provide guidance around their expectations on future earnings, however, given the question marks surrounding when travel restrictions will end, we observed fewer companies providing guidance. We welcome this trend because ultimately it creates more opportunities for mispricing of assets which is a positive for active fund managers. Overall, earnings downgrades for FY22 of -1.4% were seen during reporting period, above the average reporting season downgrade of -0.7%. This was no doubt correlated to the current lockdowns occurring in Australia.

The results of the reporting season were broadly strong and, consequently, share markets around the world took another big leap forward in August, with most closing the month at or near all-time highs. During the month, the ASX Small Ords (+5.0%), ASX200 (+2.7%), S&P 500 (+3.0%), Nasdaq (+4.1%), MSCI Europe (+2.0%) and Russell 2000 (+2.2%) all generated positive returns.

Domestically, the large cap part of the market underperformed small caps, up +2.7% versus +5.0% respectively. This was largely off the back of falls in the iron ore price which disproportionately impacted the large cap miners. In the small cap segment of the ASX, every sector concluded the month ahead of where it started. The Communication Services and Financials sectors led the way, returning +11.0% and +10.0% respectively whilst the Materials sector contributed the least, returning +0.1%.

We continued to see an unwinding of the Value rally we witnessed during the first half of 2021 across most major share markets. The MSCI World Growth index up +3.3%

while its Value counterpart was up only +1.7%. This was also true domestically with the MSCI Australia Growth index (+4.4%) outperforming significantly the MSCI Australia Value index (+0.2%), as Tech – a key growth sector – roared during the month as Wisetech logged a stellar result and Afterpay rocketed on the back of the Square takeover deal announcement. US small cap companies were the exception, with the Russell 2000 Growth and Value indices returning +1.8% and +2.7% respectively.

September is an exciting month for us at Ophir as we can access management teams across the world after they have completed reporting their earnings. This is a fantastic time to find new ideas, solidify our conviction on existing theses or reconsider our positions. We are encouraged by the amount of strong investment ideas both in the portfolio currently, as well as several companies we expect can enter the portfolio over the next few months.

PORTFOLIO COMMENTARY

During August, the Ophir High Conviction Fund's investment portfolio returned +11.1% (net of fees) versus the index which returned +4.4%. Since its inception in August 2015, the Fund has returned 21.6% p.a. (net of fees) while the index has returned 13.3% p.a.

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

We remain just as comfortable with the core holdings within the portfolio as we did heading into reporting season. The Fund's holdings remained stable in August, with only three stocks replaced and no changes made to the top 10 holdings. It was a very pleasing reporting season result for the Fund, with outperformance of 6.7% (net) occurring during the month. This was the second best monthly outperformance and also the second best monthly absolute performance we have logged in the Fund's 73 month history. Our best outperforming month was way back in November 2015, in the fourth month of the Fund's operation.

The biggest detractor to performance in August was Mineral Resources (ASX:MIN). Mineral Resources was impacted by the travel restrictions from Covid-19, missed its FY21 production target and was caught up in the downdraft for all mining and mining services companies exposed to the falling iron ore price. Although it will be difficult for the company to see significant growth in FY22, we still have a positive long-term view on the company given new projects coming online and valuation support.

The biggest contributor to performance in August was Afterpay (ASX:APT). As per our prior update, Afterpay rallied on the back of Square Inc (NYSE:SQ) announcing their intention to acquire Afterpay for AUD\$39bil. Afterpay was not alone though as a strong contributor, with four stocks contributing between +1-2% each to monthly performance.

Covid-19 was unsurprisingly the biggest hindrance for Australian companies over the last year as observed in the Australian reporting period just passed. Travel restrictions have caused a backlog in sea freight and logistics and this issue has been compounded from businesses ordering extra inventory to alleviate the risk of goods not arriving. We see these issues caused by Covid as short term headwinds though and believe most companies will come out of lockdown strongly. This rhetoric is shared by some of the companies we met during the reporting season, with staff being held onto as they believe they will come out of lockdown with strong demand for their services or products and want to have capacity ready.

At the margin we have been skewing the portfolio to those companies benefiting from reopening economies, particularly overseas where this is ahead of Australia, through core positions in companies such as Corporate Travel Management (ASX:CTD) and Resmed (ASX:RMD).

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 over \$2.0bn in capital on behalf of institutional superannuation funds, family offices, private wealth groups and individual investors. The investment team comprises 11 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) and any ASX announcements 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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