

Ophir High Conviction Fund

ASX: OPH

www.ophiram.com



INVESTMENT UPDATE AND NAV REPORT – JANUARY 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.

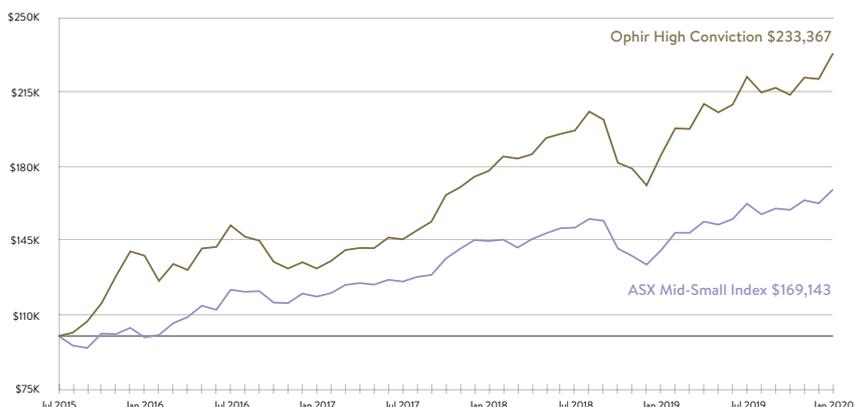
ASX Code	Net Per Annum Return Since Inception (to 31 Jan 20)	Net Return Since Inception (to 31 Jan 20)	Fund Size (at 31 Jan 20)
ASX:OPH	20.7%	133.4%	\$583.8

JANUARY 2020 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 31 Jan 2020	Amount
NAV	\$2.91
Unit Price (ASX:OPH)	\$2.72

To access daily 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.

INVESTMENT PERFORMANCE

	Since Inception (p.a)	3 Years p.a.	1 Year	3 Month	1 Month
Ophir High Conviction Fund	25.3%	23.7%	28.9%	10.2%	6.0%
Benchmark	12.4%	12.6%	20.5%	6.0%	4.0%
Value Add (Gross)	12.9%	11.1%	8.4%	4.2%	2.0%
Fund Return (Net)	20.7%	21.0%	26.0%	9.2%	5.5%
ASX:OPH Unit Price Return	n/a	n/a	17.7%	9.2%	9.2%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 Jan 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
The A2 Milk Company	Consumer Staples	A2M
Afterpay Touch Group	Information Technology	APT
AUB Group Limited	Insurance	AUB
Resmed	Health Care	RMD
Xero	Information Technology	XRO
Average Portfolio Market Cap		\$7.3bn

KEY INFORMATION

Responsible Entity	The Trust Company (RE Services) Limited
Manager	Ophir Asset Management
Portfolio Managers	Andrew Mitchell & Steven Ng
Fund Inception	4 August 2015
Fund Size	\$583.8m
Number of Stocks	15-30
Cash Distributions	Annually

ALLOCATION OF INVESTMENTS

PORTFOLIO SECTOR EXPOSURES (as at 31 Jan 2020)

Sector	31 Jan 20
Materials	6.53%
Financials	7.91%
Health Care	8.19%
Communication Services	2.97%
Consumer Staples	11.89%
Information Technology	22.46%
Industrials	10.09%
Consumer Discretionary	12.28%
Utilities	4.51%
Real Estate	0.00%
Energy	3.47%
[Cash]	9.70%
	100%

MARKET COMMENTARY

Major sharemarkets started the month of January off on a solid footing, rising as a phase one US-China trade deal was signed. This was quickly reversed for most markets though in late January as news of the spread of the coronavirus originating in China shook investors. One should not overlook the human impact of the virus on those affected, including its impact on family and friends of those impacted. At the time of writing in early February, sharemarkets had partially rebounded though remained volatile, as fears eased, but were not erased, regarding the likely extent of the impact of the virus on affected companies and the global economy.

For the month of January, global shares, as measured by the MSCI All Country World Index in local currency terms, fell -1.2%, dragged down by Emerging Markets which dropped -3.3%. Emerging market returns were particularly affected by the falls in the Chinese sharemarket (-5.1%) as the coronavirus spread. All major sharemarkets fell in local currency terms with Asia ex Japan (-3.9%) and the UK (-3.4%) seeing the biggest falls. On a sector basis globally (in USD), Energy (-9.1%) and Materials (-5.5%) fell the most as there was reduced demand concerns again stemming from the coronavirus. In a risk off month for equity markets generally it was no surprise that the defensive Utilities (+5.7%) and IT (+3.4%) sectors found the bid in the market.

The local Australian sharemarket reversed last month's relative underperformance versus global sharemarkets this month and then some, topping the table of market gains, up 5.0% for the S&P/ASX200 on a total return basis. This was in stark contrast to the falls seen on global markets.

Large caps dominated the month with the Small Ords underperforming by -1.6%, a trend that's also been seen over the last year. Sector wise over the month for the ASX200, all 11 sectors gained. In what further highlights the disparity between the Australian and overseas sharemarkets over the month, Utilities, the best performer globally was the worst in Australia (+0.6%). The far and away leaders in Australia were the Health Care (+12.0%) and IT (+11.1%) sectors, creating a somewhat rare feat of two sectors being up in double figures during a month.

PORTFOLIO COMMENTARY

During January the Ophir High Conviction Fund's investment portfolio returned +5.5% for the month after fees, outperforming its benchmark by +1.5%. Since inception, the Fund's investment portfolio has returned +20.7% per annum after fees, outperforming its benchmark by 8.3% per annum.

During January the Ophir High Conviction Fund's ASX listing provided a total return of 9.2% for the month.

In key stock news for the Fund, Afterpay (ASX:APT) (31.7%), NextDC (ASX: NXT) (15.4%), and Resmed (ASX:RMD) (14.4%) were three of the strongest performers.

Afterpay rose from around \$30 to near \$39 by month end in January, moving past the \$10bil market cap level. During the month the Buy Now, Pay Later operator disclosed that it has been granted a California finance lender's licence by the Department of Business and Oversight in the US in November last year to facilitate future potential expansion after a licence application for competitor Sezzle was recently denied.

NextDC registered a strong month rising past its highs of 2019 and pushing past the \$7.50 level by month end. NextDC is Australia's largest independent data centre operator and collects about 90% of its revenue from leasing out its centres. We are attracted to its structural growth tailwind of enterprises moving more and more data to the cloud increasing demand for its centres over time.

Resmed benefitted from the sectoral updraft that Healthcare stocks received over the quarter as it ground higher over the month. Some of these gains were given back on the first trading day of February as the stock dropped from \$25 to \$23.90 on second quarter results that slightly disappointed the market. At writing it has since recovered this drop and is trading around all time highs.

In terms of detractors for the month, Webjet (ASX:WEB) (-9.8%), Cooper Energy (ASX:COE) -6.6% and Freedom Foods (ASX:FNP) -5.3% all bucked the trend of the

Australian market and fell. Each suffered from concerns over coronavirus or other impacts. Webjet's relating to travel books, Cooper Energy relating to falls in energy prices and Freedom Foods relating to concerns of increased dairy costs post bushfires.

We see each of these impacts being short term and not materially impacting our investment thesis for these companies. That said we are keeping a watchful eye on how the market is impounding current information about the impact of the virus on these businesses to determine whether we believe they may be oversold due to irrational fears and warrant further buying, or whether sufficient uncertainty exists that warrants a wait and see approach.

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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 Opportunity 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 ABN 88 156 146 717 AFSL 420 082 (Ophir), the investment manager of the Fund. 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 Perpetual nor Ophir guarantees repayment of capital or any particular rate of return from the Fund. All opinions and estimates included in this report constitute judgements of Ophir as at the date of the report 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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