21 May 2020

Ophir High Conviction Fund (ASX:OPH) – Monthly Webinar

Dear Investor,

On the 14th May 2020 we held a 30 minute investor webinar to provide an update on our funds, including the Ophir High Conviction Fund (ASX:OPH, "the Fund").

Please find below the key points we conveyed at the webinar relating to the Fund.

1. **Fund performance**

We note after March's market and Fund falls, both rebounded significantly in April with the Net Asset Value (NAV) of the Fund up 12.1% (post fees) and the OPH ASX unit price up 18.6%, compared to the benchmark which was up 15.2%. During COVID-19, over the last three months to the end of April 2020, the NAV of the Fund was down -11.2% (post fees) and the OPH ASX unit price was down -13.2%, both outperforming the benchmark which has fallen -19.0%[1]. Whilst no one likes negative performance, this outperformance during this recent bear market is pleasing in light of the material outperformance of the investment portfolio compared to the benchmark during the bull market of calendar year 2019 (+29.3% net of fees v's +21.6%). This highlights the contribution of fundamental stock picking to investment returns as opposed to taking excessive market risk.

2. **COVID-19, economies and markets**

Lockdowns and social distancing measures have been successful in many countries in reducing the number of new active cases and deaths from COVID-19. Some countries are now taking some steps to reopen their economies and relax social distancing measures. The outcomes from this on re-infections, the probability of re-implementing social distancing measure and what level of relaxation will be necessary to contain the virus is highly uncertain. Share markets have in general rebounded strongly since their March 2020 lows. We remain firmly in the camp of not knowing with precision what the outcome for the virus and economies will be, but neither do we think does anyone else. We are not making meaningful bets on these outcomes as we position the Fund. We are focussed on allocating the majority of the capital in the Fund in those companies we believe can grow regardless of what the exact form of opening or closing economies takes. This sees us positioned in companies that are continuing to take market share or continue to benefit from structural tailwinds for their business.

3. **Portfolio activity**

More specifically we have been focussing on three types of companies to position the Fund in:

1. Quality companies that are only minimally impacted by COVID-19 but have been oversold;
2. Those structural growth businesses that we have always invested in and are not impacted materially one way or another by COVID-19; and

[1] We note past performance is not a reliable indicator of future performance.

3. Those same companies in (2) above but are actually seeing a material benefit from social isolation, such as through behaviour changes such as increased online shopping.

We note there has been a material amount of capital raisings in the Australian equity market over recent months. Much of this, especially initially, has been raised by companies that have been in the eye of the COVID-19 storm and require the capital to survive. To participate in these raisings, you generally have had to hold a position in the companies prior. As mentioned above, we typically have not held position in these types of businesses and therefore have not participated meaningfully. Whilst this means we have generally not had exposure to the rebound in the share prices of many of these businesses post raising, we also didn't have exposure to the initial falls, a net position that we are quite happy with.

In the Fund we have tended to keep cash within the 10-15% range. After drifting up through March to the upper end of this range we have brought it back down to around the 10% level as we have taken advantage of valuations in some companies we see as attractive on a medium to long term view.

An example of a company we have been holding in the Fund that fits category three (3) above is NextDC, the leading data centre provider in Australia. The company provides the physical infrastructure for its corporate and government clients to house and scale their IT infrastructure and connect into the world's leading cloud computing services providers. The majority of revenue is earned through leasing contracts to these customers. Demand for NextDC's facilities and services are in a structural growth phase and this will likely be accelerated by COVID-19. Companies will likely fast track digital transformation and move further towards cloud storage to support working from home and we will likely see increased at-home online personal consumption through things such as increased shopping, social media use and video streaming. NextDC is providing defensive growth exposure within the Fund and has recently reaffirmed its revenue and earnings guidance for FY20.

4. OPH buy-back facility

We note we commenced utilising the buy-back facility for OPH during March as markets sold off during the early stages of COVID-19. We have continued to use the facility in the months since where we see good value on offer in the OPH unit price. We have a process and rules in place for when we use the facility in the market to buy back OPH units. We remain committed to this facility and process and will continue to use this mechanism where we believe it is in the best interests all unitholders and accretive to performance of the Fund over the long term.

Finally, whilst we are happy we have been able to protect investor capital during the COVID-19 crisis to date in the Fund compared to our market benchmark, we are aware this is a short time period. We remain as hard working as ever to find and allocate to those small and mid-cap businesses listed in Australia that we believe can significantly grow earnings and provide attractive risk-adjusted returns over the medium to long term.

Your sincerely,

Andrew Mitchell & Steven Ng

Co-Founders & Senior Portfolio Managers
Ophir Asset Management

For further information, please contact:
George Chirakis
Chief Executive
Ophir Asset Management
george.chirakis@ophiram.com

This information has been prepared by Ophir Asset Management (ABN: 88 156 146 717, AFSL 420082) the Investment Manager of the Ophir High Conviction Fund and is issued by The Trust Company (RE Services) Limited (ABN: 45 003 278 831, AFSL 235 150) as responsible entity and the issuer of units in the Trust. It is general information only and is not intended to provide you with financial advice and has been prepared without taking into account your objectives, financial situation or needs. You should consider the product disclosure statement (and any ASX Announcements) prior to making any investment decisions. If you require financial advice that takes into account your personal objectives, financial situation or needs, you should consult your licensed or authorised financial adviser. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. We note past performance is not a reliable indicator of future performance.

The Trust Company (RE Services) Limited (Level 18, 123 Pitt St, Sydney, NSW, 2000) is a part of the Perpetual group of companies. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital.