OPHIR

19 June 2020

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

Dear Investor,

On the 17th June 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 that after share markets and the Fund rebounded significantly in April, both continued to rally strongly in May, albeit at a slower pace. The Net Asset Value (NAV) of the Fund was up 8.9% (post fees) and the OPH ASX unit price up 5.1% compared to the benchmark which was up 9.1%. Since its inception in August 2015, the NAV of the Fund has returned 18.4% p.a. (net of fees) while the index has returned 8.7% p.a. We note the NAV of the Fund has been able to outperform in different market conditions, as evidenced by the performance during the bull market of calendar year 2019 (+29.3% net of fees vs +21.6%) and bear market that has been seen in calendar year 2020 (+2.0% net of fees vs -8.0%).

2. COVID-19, economies and markets

May will go down in history as the month much of the world started re-opening as many countries had gained some control of active COVID-19 cases. This re-opening, as well as improving leading economic data, bolstered sentiment, with major global economies rallying similarly to Australia. We remain cognisant that the outcome of the virus and its impact on economies is still largely unknown, hence we continue not to make meaningful bets on these outcomes as we position the Fund. We also saw a rotation of capital from more defensive and growth orientated sectors to cyclical and value sectors, particularly in industries impacted most by COVID-19. Such industries include travel, financials (especially banks), media and retail. We view the rerating of these stocks as a positive signal that the market is starting to look through the abyss of COVID-19 and is beginning to look at the state of the economy post reopening.

3. Portfolio activity

As we have noted previously, we have been focussing on:

1. Reducing our exposure to businesses with earnings risk, excessive gearing and/or businesses that required access to capital or debt markets;
2. Increasing our exposure to businesses which we believe will benefit from accelerating secular trends, such as eCommerce, digitalization and increased health and safety; and
3. Targeting companies which we believe will extend their lead ahead of competitors, due to their competitors' relatively limited ability to reinvest in their businesses.

An example of a quality company we have purchased at attractive prices in the Fund during the recent bear market is Appen (ASX:APX), a business that provides services to major IT companies with a focus on AI machine learning. We have admired this company for some time but have struggled in terms of valuation, but we believe that earnings will be resilient in market conditions induced by COVID-19.

Appen's customer base includes IT behemoths such as Facebook and Google, companies which have historically increased their investments during market downturns or times of adversity. Appen has contributed meaningfully to the performance of the Fund as it maintained guidance, increased its order book and most importantly, maintained its planned investment in its sales and marketing staff, a move we believe will reward shareholders over the long term.

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 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 of all unitholders and accretive to performance of the Fund over the long term.

In summary, we have not been trying to time the sector and style rotations described above, as our aim is to purchase businesses that are less reliant on broader economic conditions, rather than seeking businesses that are relying on a cyclical rebound. We have become slightly more aggressive in our portfolio positioning as it's become clearer that spending is starting to improve in some parts of the world. We are currently being very selective, looking for companies with greater earnings certainty that are less or even positively impacted by COVID-19, have high confidence that they will be able to grow those earnings on a 3 to 5-year basis and that are trading at reasonable valuations.

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

Ophir Asset Management
Level 26, Governor Phillip Tower
One Farrer Place
SYDNEY NSW 2000
ophiram.com

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.