

# **Ophir High Conviction Fund**

ARSN 620 920 201

## **Appendix 4E**

**For the year ended 30 June 2020**

**Ophir High Conviction Fund**  
**Appendix 4E**  
**For the year ended 30 June 2020**

This report is for year ended 30 June 2020. The previous corresponding year end was 30 June 2019.

The Directors of The Trust Company (RE Services) Limited, the Responsible Entity of Ophir High Conviction Fund (the "Fund") announce the audited results of the Fund for the year ended 30 June 2020 as follows:

**Results for announcement to the market**

	Year ended 30 June 2020 \$'000	Year ended 30 June 2019 \$'000	Increase/(decrease) over corresponding period	
			\$'000	%
Net assets attributable to unitholders	574,840	521,135	53,705	10.31%
Total investment income/(loss)	80,126	39,307	40,819	103.85%
Operating profit/(loss) for the year	54,636	26,312	28,324	107.65%

**Brief explanation of results**

The operating profit for the year of \$54,636,000 represented a large increase from the \$26,312,000 operating profit in the prior year. The increase in investment income and operating profit were a function of the improvement in the net positive portfolio performance of the Fund compared to the year ended 30 June 2019. Net portfolio performance for the year of 10.6% was higher than the 7.1% return for the previous year.

As of 30 June 2020, the net assets of the Fund were \$574,840,000, a 10.31% increase from the balance as at 30 June 2019.

**Distribution information**

No distributions relating to the year were paid or are payable.

**Distribution Reinvestment Plan (DRP)**

The Responsible Entity has established a Distribution Reinvestment Plan ("DRP") in relation to distributions. The Responsible Entity expects to make distributions on an annual basis. For such distributions, it is expected the record date will be the first ASX trading day of each month and the last day for electing into the DRP will be 5.00pm (Sydney time) on the first business day after the record date.

Units under the DRP are currently issued at the net asset value of a unit as determined in accordance with the Fund's Constitution on the record date.

**Net tangible assets**

	As at 30 June 2020	As at 30 June 2019
Net tangible asset per security	\$2.8810	\$2.6053

**Control gained or lost over entities during the year**

There was no gain or loss of control of entities during the current year.

**Details of associates and joint venture entities**

The Fund did not have any interest in associates and joint venture entities during the current year.

**Other information**

The Fund is not a foreign entity.

**Independent audit report**

This Appendix 4E is based on the year end financial statements which have been audited by the Fund's Auditors - Ernst & Young.

# **Ophir High Conviction Fund**

ARSN 620 920 201

## **Annual Report**

**For the year ended 30 June 2020**

# Ophir High Conviction Fund

ARSN 620 920 201

## Annual Report

### For the year ended 30 June 2020

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These financial statements cover Ophir High Conviction Fund as an individual entity.

The Responsible Entity of Ophir High Conviction Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235 150). The Responsible Entity's registered office is: Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

## **Investment manager's report**

### **Performance Summary**

The Net Asset Value ("**NAV**") for the Ophir High Conviction Fund (ASX: OPH, the "**Fund**") delivered a return of 10.6% (net of fees) for the financial year ended 30 June 2020. The Fund outperformed its benchmark by 13.2%, which returned -2.6% for the same period. ASX: OPH delivered a return of 7.7% (net of fees) for the financial year ended 30 June 2020. We have been very pleased with the performance of the Fund during the most recent financial year, especially in light of the difficult market conditions induced by COVID-19.

At the time of writing, the Fund had recently reached its 5-year anniversary. The Fund's NAV returned 18.9% p.a. (net of fees) over the 5 years to 31 July 2020. The 5-year track record is an important milestone as it is the minimum recommended investment period as defined in the Fund's Product Disclosure Statement. We are delighted to have outperformed the Fund's benchmark significantly over this time horizon and would like to thank our investors for entrusting us with their capital.

Particularly important to us has been the Fund's ability to protect capital in down markets. Since the Fund's inception, the Fund has managed to lose significantly less than the benchmark on average when the benchmark has been down for the month. The NAV's compound monthly returns (pre fees) are only 45% of those of the benchmark in down market months, highlighting how much less the Fund has fallen during these periods that we know can be more challenging for investors.

When we first grasped the significance of COVID-19 and the impact it could have on the world, we quickly repositioned the Fund more towards companies that were neutrally or positively exposed to COVID-19. This was possible because of the Fund's capacity constraint which is advantageous when needing to sell out of and buy into different businesses.

The Fund was converted to a listed investment trust in December 2018 to replicate the closed-capital environment Andrew Mitchell and Steven Ng used to their advantage when they successfully managed an Australian small cap fund together during the GFC. In our view, it is in these volatile times we see the advantages of this structure, in that we can focus on investing for the long term with a stable capital base.

The top three contributors to the Fund's NAV return during the year were Afterpay Touch Group Ltd, a2 Milk Company Ltd and Domino's Pizza Enterprises Ltd. The bottom three contributors to the Fund's NAV return were Seven Group Holdings Ltd, Webjet Ltd and Cooper Energy Ltd. Importantly, in demonstration that our high conviction weights are adding value, Afterpay Touch, a2 Milk and Domino's have all been featured frequently during the year in our top 5 holdings in the Fund.

### **Outlook and portfolio positioning**

Going into the new financial year the Fund remains well placed with key holdings skewed towards quality growth companies that we believe can grow largely irrespective of the state of COVID-19. The outcome of COVID-19 is still largely unknown and therefore we continue not to make meaningful bets on any specific outcome. In an environment of greatly reduced earnings guidance by listed companies, we believe our holdings are more likely to provide clarity on the outlook than average and look forward to the greater visibility we expect management to provide. We expect continued monetary and fiscal support from authorities both domestically and overseas in dealing with the impacts of COVID-19, which to date has supported sharemarkets. We continue to look for structurally growing businesses that we believe can take market share and grow into large, and growing, end markets.

## **Distribution**

There was no distribution for the financial year ending 30 June 2020. The Fund's investment process looks to identify businesses that can grow and compound earnings over time. These companies typically reinvest free cash flow as opposed to paying dividends to shareholders, an action we generally encourage these businesses to do if it is the best use of their capital. As a result, the Fund's distributions are heavily skewed towards realised capital gains (when they occur) as opposed to dividends. This means distributions can be inconsistent, especially in years where performance is driven by unrealised capital gains, as was the case this financial year.

### **ASX: OPH share price discount to NAV**

Closing the gap between the NAV of the Fund and the ASX: OPH share price has been and will continue to be an ongoing priority. Our initiatives to close the gap have been four-fold.

1. Firstly, and most importantly, we continue to strive to deliver strong performance to drive growth of the Fund's NAV, and hence demand for the Fund.
2. Secondly, we continue to engage with new investors to broaden the awareness and appeal of the Fund.
3. Thirdly, Co-Founders and Senior Portfolio Managers, Andrew Mitchell and Steven Ng, continue to purchase units in ASX: OPH.
4. Lastly, we will continue to utilise the buy-back facility we commenced in March 2020 where we see good value on offer in the ASX: OPH unit price.

### **Fund holdings as at 30 June 2020 in alphabetical order**

- THE A2 MILK COMPANY LIMITED
- AFTERPAY LIMITED
- APPEN LIMITED
- AUB GROUP LIMITED
- AUSTAL LTD
- BREVILLE GROUP LIMITED
- CASH
- CLEANAWAY WASTE MANAGEMENT LIMITED
- COOPER ENERGY LIMITED
- DOMINOS PIZZA AUSTRALIA NZ LTD
- EBOS GROUP LIMITED
- IDP EDUCATION LIMITED
- MAGELLAN FINANCIAL GROUP
- MEGAPORT LIMITED
- MINERAL RESOURCES LIMITED
- NANOSONICS LIMITED
- NEXTDC LIMITED
- NORTHERN STAR RESOURCES LTD
- OMNI BRIDGEWAY LIMITED
- REA GROUP LIMITED
- RESMED INC
- SARACEN MINERAL HOLDINGS LIMITED
- SEEK LIMITED
- STEADFAST GROUP LTD
- TYRO PAYMENTS LIMITED
- UNITED MALT GROUP LIMITED
- XERO LIMITED

# CORPORATE GOVERNANCE STATEMENT

## OPHIR HIGH CONVICTION FUND 620 920 901

As at 30<sup>th</sup> June 2020

### BACKGROUND

The Trust Company (RE Services) Limited ("**Responsible Entity**") is the responsible entity for the Ophir High Conviction Fund ("**Fund**"), a registered managed investment scheme that is listed on the Australian Securities Exchange ("**ASX**").

The Responsible Entity is a wholly owned subsidiary of Perpetual Limited (ASX: PPT) ("**Perpetual**").

The Responsible Entity is reliant on Perpetual for access to adequate resources including directors, management, staff, functional support (such as company secretarial, responsible managers, legal, compliance, risk and finance) and financial resources. As at the date of this Corporate Governance Statement, Perpetual has at all times made such resources available to the Responsible Entity.

In operating the Fund, the Responsible Entity's overarching principle is to always act in good faith and in the best interests of the Fund's unitholders, in accordance with our fiduciary duty. The Responsible Entity's duties and obligations in relation to the Fund principally arise from: the Constitution of the Fund; the Compliance Plan for the Fund; the Corporations Act 2001 ("**Act**"); the ASX Listing Rules; the Responsible Entity's Australian Financial Services Licence; relevant regulatory guidance; relevant contractual arrangements; and other applicable laws and regulations.

### CORPORATE GOVERNANCE

At Perpetual, good corporate governance includes a genuine commitment to the ASX Corporate Governance Council Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition ("**Principles**").

The directors of the Responsible Entity are committed to implementing high standards of corporate governance in operating the Fund and, to the extent applicable to registered managed investment schemes, are guided by the values and principles set out in Perpetual's Corporate Responsibility Statement and the Principles. The Responsible Entity is pleased to advise that, to the extent the Principles are applicable to registered managed investment schemes; its practices are largely consistent with the Principles.

As a leading responsible entity, the Responsible Entity operates a number of registered managed investment schemes ("**Schemes**"). The Schemes include the Fund as well as other schemes that are listed on the ASX. The Responsible Entity's approach in relation to corporate governance in operating the Fund is consistent with its approach in relation to the Schemes generally.

The Responsible Entity addresses each of the Principles that are applicable to externally managed listed entities in relation to the Schemes, including the Fund, as at the date of this Corporate Governance Statement.



## PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The role of the Responsible Entity's Board is generally to set objectives and goals for the operation of the Responsible Entity and the Schemes, to oversee the Responsible Entity's management, to regularly review performance and to monitor the Responsible Entity's affairs acting in the best interests of the unitholders of the Fund. The Responsible Entity's Board is accountable to the unitholders of the Fund, and is responsible for approving the Responsible Entity's overall objectives and overseeing their implementation in discharging their duties and obligations and operating the Fund.

The role of the Responsible Entity's management is to manage the business of the Responsible Entity in operating the Fund. The Responsible Entity Board delegates to management all matters not reserved to the Responsible Entity's Board, including the day-to-day management of the Responsible Entity and the operation of the Fund. Directors, management and staff are guided by Perpetual's Code of Conduct and Perpetual Risk Appetite Statement which is designed to assist them in making ethical business decisions.

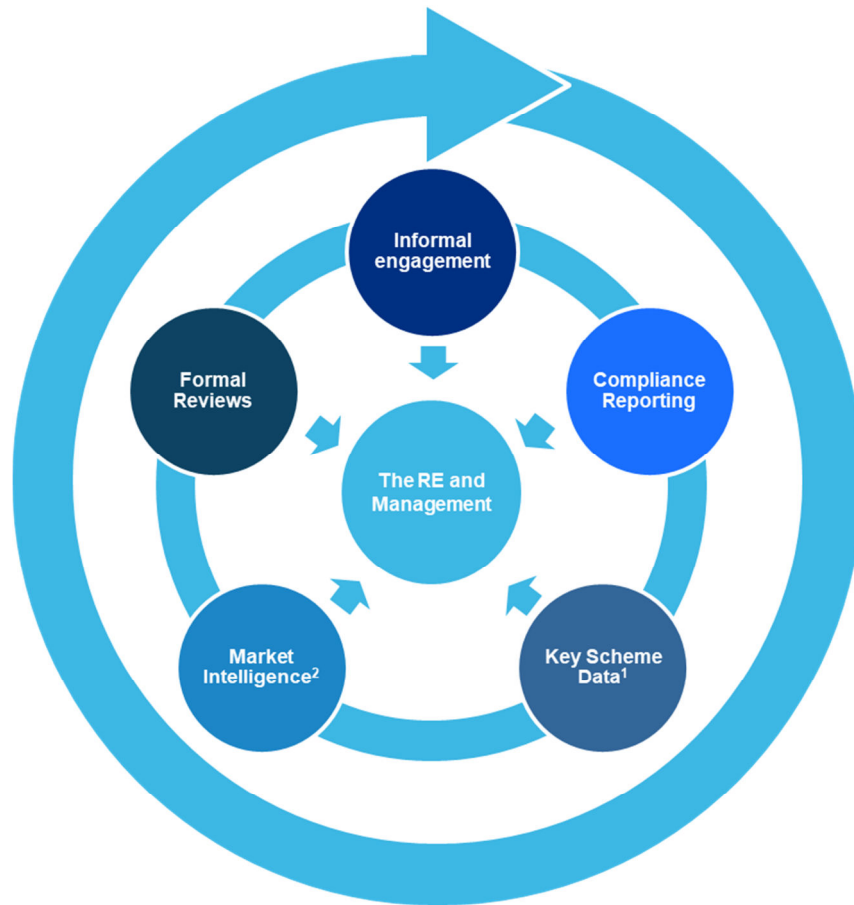
The Responsible Entity has appointed agents ("Service Providers") to provide investment management, administration, custody and other specialist services and functions in relation to the Fund.

Effective processes for monitoring Service Providers are integral to the Responsible Entity's operations, given that substantial operational activities are outsourced to third parties. The Management of the Responsible Entity ensure a systematic and rigorous approach is applied with respect to monitoring the performance of outsourced Service Providers to the Fund.

The Responsible Entity views all interactions with Service Providers as a monitoring opportunity, from the informal discussions that regularly occur with Service Providers, to more formalised monitoring reviews. The outcomes of all interactions with Service Providers inform the Responsible Entity's view as to the extent to which the Service Provider is complying with their operational obligations to the Responsible Entity.

Prior to appointment, all Service Providers are subject to operational due diligence, to verify that the Service Provider can deliver the outsourced services in an efficient, effective and compliant manner. All Service Providers are assigned an initial operational risk rating.

The Responsible Entity's approach to Service Provider monitoring is outlined in the diagram below. In addition to the continuous monitoring that occurs through day to day interactions with Service Providers in the regular course of business, all Service Providers are required to periodically report to the Responsible Entity as to the extent to which they have met their obligations. Periodically, the Service Provider's risk rating is reviewed by the stakeholders within the business, based on the outcomes of all interactions that have occurred with the Service Provider during the review period.



1. Includes information regarding investment performance, actual versus strategic asset allocation, liquidity where applicable and complaints, incidents and issues arising with respect to the operation of the Fund
2. Information from secondary sources, including the media and analysts and rating house reports.

The Responsible Entity maintains policy, procedure and program documents that determine the nature and frequency of formal service provider monitoring reviews. Service providers are typically subject to annual review.

The Service Provider risk rating dictates any additional monitoring measures required to be put in place – for example a Service Provider assessed as ‘low to medium risk’ will be subject to the standard monitoring measures the Responsible Entity utilises under the Service Provider Monitoring Framework. Service Providers risk rated ‘high to very high’ may be subject to additional oversight measures to deal with the factors that caused the Service Providers risk rating to be high or very high. In addition, management and stakeholders utilise the risk assessment rating in determining if any action is required when considering information and the outcomes of all interactions that have occurred with the Service Provider during the review period.

## PRINCIPLE 2 – STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

At present the Responsible Entity Board consists of four executive directors and one alternate director. The names of the current directors and year of appointment is provided below:

<b>Name of Director</b>	<b>Year of Appointment</b>
Glenn Foster	2015
Richard McCarthy	2018
Vicki Riggio	2018
Phillip Blackmore (Alternate for Vicki Riggio)	2018
Simone Mosse	2019

As the Responsible Entity's Board consists of only executive directors, a Compliance Committee is appointed in relation to the Fund (refer to Principle 7). None of the executive directors of the Responsible Entity are independent and they are not remunerated by the Responsible Entity. The Compliance Committee comprises of a majority of external members and is chaired by an external member who is not the chair of the Responsible Entity Board.

## PRINCIPLE 3 –ACTING ETHICALLY AND RESPONSIBLY

The Responsible Entity relies on a variety of mechanisms to monitor and maintain a culture of acting lawfully, ethically and responsible:

- policies and procedures: a Code of Conduct which articulates and discloses Perpetual's values, cyclical mandatory training, a Whistleblowing Policy and a Gifts, Political Donations, Bribery and Corrupt Practices Policy (further details noted below);
- "The Way We Work" behaviour framework, and risk ratings that are intertwined into its annual performance, remuneration and hiring processes; and
- employee engagement surveys and action planning conducted to address any gaps or concerns in culture.

These apply to all directors and employees of Perpetual, and the Responsible Entity. The Code of Conduct, The Way We Work and core values supports all aspects of the way the Responsible Entity conducts its business and is embedded into Perpetual's performance management process.

The Code of Conduct draws from and expands on Perpetual's Core Values of integrity, partnership and excellence. The Code of Conduct underpins Perpetual's culture. The Responsible Entity Board and the Compliance Committee are informed of material breaches of the Code of Conduct which impact the Scheme and the Responsible Entity.

Additional policies deal with a range of issues such as the obligation to maintain client confidentiality and to protect confidential information, the need to make full and timely disclosure of any price sensitive information and to provide a safe workplace for employees, which is free from discrimination. Compliance with Perpetual's Code of Conduct is mandatory for all employees. A breach is considered to be a serious matter that may impact an employee's performance and reward outcomes and may result in disciplinary action, including dismissal.

A full copy of the Code of Conduct is available on Perpetual's website (<https://www.perpetual.com.au/about/corporate-governance/code-of-conduct>).

Perpetual also has a Whistleblowing Policy to protect directors, executives, employees, contractors and suppliers who report misconduct, including:

- conduct that breaches any law, regulation, regulatory licence or code that applies to Perpetual;
- fraud, corrupt practices or unethical behaviour;
- bribery;
- unethical behaviour which breaches Perpetual's Code of Conduct or policies;
- inappropriate accounting, control or audit activity; including the irregular use of Perpetual or client monies; and
- any other conduct which could cause loss to, or be detrimental to the interests or reputation of, Perpetual or its clients.

As part of Perpetual's Whistleblowing Policy, a third party has been engaged to provide an independent and confidential hotline for Perpetual employees who prefer to raise their concern with an external organisation.

A full copy of the Whistleblowing Policy is available on Perpetual's website (<https://www.perpetual.com.au/about/corporate-governance/code-of-conduct>).

As part of Perpetual's commitment to promoting good corporate conduct and to conducting business in accordance with the highest ethical and legal standards, bribery and corrupt practices will not be tolerated by Perpetual under any circumstances. Perpetual's Gifts, Political Donations, Bribery and Corrupt Practices Policy supports Perpetual's commitment by:

- prohibiting the payment of political donations;
- instituting proper procedures regarding the exchange of gifts;
- clearly outlining Perpetual's zero tolerance for bribery and corruption; and
- including avenues where concerns may be raised.

A full copy of the Gifts, Political Donations, Bribery and Corrupt Practices Policy is available on Perpetual's website (<https://www.perpetual.com.au/about/corporate-governance/code-of-conduct>).

Mechanisms are in place to ensure the Responsible Entity Board and the Compliance Committee are informed of material breaches which impact the Fund and the Responsible Entity which would include material breaches of the Code of Conduct and material incidences reported under the Whistleblowing Policy and the Gifts, Political Donations, Bribery and Corrupt Practices Policy.

## PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

The functions of an audit committee are undertaken by the full Responsible Entity Board with assistance from management. The Responsible Entity has policies and procedures designed to ensure that the Fund's:

- financial reports are true and fair and meet high standards of disclosure and audit integrity; and
- other reports released on ASX are materially accurate and balanced.

This includes policies relating to the preparation, review and sign off process required for the Fund's financial reports, the engagement of the Fund's independent auditors and the review and release of certain reports on the ASX.

The declarations under section 295A of the *Corporations Act 2001* provide formal statements to the Responsible Entity Board in relation to the Fund (refer to Principle 7). The declarations confirm the matters required by the Corporations Act in connection with financial reporting. The Responsible Entity receives confirmations from the service providers involved in financial reporting and management of the Fund, including the Investment Manager. These confirmations together with the Responsible Entity's Risk and Compliance Framework which includes the service provider oversight framework, assist its staff in making the declarations

provided under section 295A of the Corporations Act. The Responsible Entity manages the engagement and monitoring of independent 'external' auditors for the Fund. The Responsible Entity Board receives periodic reports from the external auditors in relation to financial reporting and the compliance plans for the Fund.

## PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Responsible Entity has a continuous disclosure policy to ensure compliance with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules in relation to the Fund which sets out the processes to review and authorise market announcements and which is periodically reviewed to ensure that it is operating effectively. The policy requires timely disclosure of information to be reported to the Responsible Entity's management and/or directors to ensure that, information that a reasonable person would expect to have a material effect on the unit price or would influence an investment decision in relation to any of the Fund, is disclosed to the market. The Responsible Entity's Company Secretary may assist management and/or the directors in making disclosures to the ASX after appropriate Responsible Entity's Board consultation for material market announcements. The Responsible Entity requires service providers, including the Investment Manager, to comply with its policy in relation to continuous disclosure for the Fund. The Responsible Entity's Company Secretary is the Continuous Disclosure Officer for the Fund in accordance with the ASX Listing Rules.

## PRINCIPLE 6 – RESPECT THE RIGHTS OF UNITHOLDERS

The Responsible Entity is committed to ensuring timely and accurate information about the Fund is available to security holders via the Fund's website.

In addition to the continuous disclosure obligations, the Responsible Entity receives and responds to formal and informal communications from unitholders and convenes formal and informal meetings of unitholders as requested or required. The Responsible Entity has an active program for effective communication with the unitholders and other stakeholders in relation to Fund.

The Responsible Entity handles any complaints received from unitholders in accordance with Perpetual's Complaints Handling Policy. The Responsible Entity is a member of the Australian Financial Complaints Authority (**AFCA**), an independent dispute resolution body, which is available to unitholders in the event that any complaints cannot be satisfactorily resolved by the Responsible Entity.

The Responsible Entity is also committed to communicating with shareholders electronically in relation to communications from the share registry. Shareholders may elect to receive information from the Company's share registry electronically.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Responsible Entity values the importance of robust risk and compliance management systems and maintains a current risk register as part of its formal risk management program. The systems supporting the business have been designed to ensure our risks are managed within the boundaries of the Perpetual Risk Appetite Statement and consistent with our core values built on integrity, partnership and excellence.

The Responsible Entity has established a Compliance Committee, comprised of Johanna Turner (Chair), Virginia Malley and Simone Mosse.

The Compliance Committee meets at least quarterly. The Compliance Committee Terms of Reference sets out its role and responsibilities, which is available on request. The Compliance Committee is responsible for compliance matters regarding the Responsible Entity's Compliance Plan, Constitution and the Corporations Act.

The declarations under section 295A of the Act provide assurance regarding sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Responsible Entity also receives appropriate declarations from the service providers involved in financial reporting.

The Responsible Entity manages the engagement and monitoring of independent external auditors for the Fund. The Responsible Entity's board receives periodic reports in relation to financial reporting and the compliance plan audit outcomes for the Fund.

The Perpetual Board has the responsibility and commitment to monitor that the organisation has a framework in place to manage risk. The Board's commitment is reflected through the establishment of, and investment in the Perpetual Group Risk, Group Compliance and Internal Audit functions, led by the Chief Risk Officer. The Chief Risk Officer has the mandate to design and implement this Risk Management Framework (RMF).

Perpetual's Audit, Risk and Compliance Committee (ARCC) is responsible for oversight and monitoring of the Perpetual's risk appetite statement, compliance and risk management frameworks and internal control systems, and risk culture. The ARCC is also responsible for monitoring overall legal and regulatory compliance across Perpetual including the Responsible Entity. The RMF was reviewed, updated and approved by the Audit, Risk and Compliance Committee during the 2020 financial year. The RMF consists of programs and policies which are designed to address specific risk categories - strategic, financial, operational, outsourcing, investment, reputation, people and compliance, legal and conduct risk. Programs supporting the RMF are regularly reviewed to confirm their appropriateness. The Audit, Risk and Compliance Committee is comprised of Ian Hammond (Chair), Nancy Fox, Craig Ueland and Gregory Cooper. The Audit, Risk and Compliance Committee Terms of Reference sets out its role and responsibilities. This can be obtained on the Perpetual website. All members of the Perpetual Audit, Risk and Compliance Committee members are independent non-executive directors of Perpetual Limited. A majority of the Responsible Entity Compliance Committee is comprised of external members, including an external Chair.

All Perpetual Group Executives are accountable for managing risk within their area of responsibility, including the extent to which the Responsible Entity is effectively applying and acting in accordance with the RMF. They are also required to manage risk as part of their business objectives with risk management integrated across business processes.

The RMF is underpinned by the "Three Lines of Defence" model. This model sees the first line, being business unit management, accountable for the day to day identification and management of risks. The Risk and Compliance function represents the second line and consists of risk management professionals who provide the framework, tools, advice and assistance to enable management to effectively identify, assess and manage risk and is responsible for overseeing first line activities. Internal Audit provides independent assurance, representing the third line, and reports to the ARCC.

In respect of economic, environmental and social sustainability risks, the Investment Manager considers these risks when selecting, retaining or realising investments. Specifically, any actual, potential or perceived risks are noted in the investment thesis document of any portfolio inclusion and forms part of the investment's 'balance' risk score. This measure is designed to highlight any economic, environmental and social sustainability risks (real or perceived) that may impact the business or underlying investment thesis. If these risks are excessive in relation to long term earnings sustainability, then the Investment Manager may screen out the company entirely. Otherwise, the Investment Manager may subsequently require an adjustment of valuation multiples or discount rates to reflect these risks.

## PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

The Responsible Entity does not have a Remuneration Committee. The fees and expenses which the Responsible Entity is permitted to pay out of the assets of the Fund are set out in the Fund constitution. The Fund financial statements provide details of all fees and expenses paid by the Fund during a financial period.

## **Directors' report**

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity (the "Responsible Entity") of Ophir High Conviction Fund ("OPH" or the "Fund"). The directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the year ended 30 June 2020.

### **Principal activities**

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund principally invests in a concentrated exposure to a high-quality portfolio of Australian listed companies outside the S&P/ASX50. The Fund may also invest in listed securities in New Zealand in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund was constituted on 23 July 2015 and commenced operations on 31 August 2015.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

The Fund is currently listed on the Australian Securities Exchange ("ASX") under the ASX code OPH.

### **Directors**

The Directors of The Trust Company (RE Services) Limited during the year and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

Glenn Foster

Michael Vainauskas (resigned 27 September 2019)

Andrew McIver (Alternate Director for Michael Vainauskas) (resigned 2 September 2019)

Andrew McIver (Alternate Director for Glenn Foster) (appointed 2 September 2019, resigned 27 September 2019)

Vicki Riggio

Phillip Blackmore (Alternate Director for Vicki Riggio)

Richard McCarthy

Simone Mosse (appointed 27 September 2019)

### **Review and results of operations**

During the year, the Fund invested in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provision of the Fund's Constitution.

### **Results**

The performance of the Fund, as represented by the results of its operations, was as follows:

	<b>Year ended</b>	
	<b>30 June 2020</b>	30 June 2019
Operating profit/(loss) (\$'000)	<b>54,636</b>	26,312

**Ophir High Conviction Fund**  
**Directors' report**  
**For the year ended 30 June 2020**  
**(continued)**

**Review and results of operations (continued)**

**Results (continued)**

	Year ended	
	30 June 2020	30 June 2019
<i>Distributions Ophir HCF</i>		
Distributions paid and payable (\$'000)	-	1,095
Distributions (cents per unit)	-	12.0715
<i>Distributions Ophir HCF - A</i>		
Distributions paid and payable (\$'000)	-	30,749
Distributions (cents per unit)	-	11.9415
<i>Distributions Ophir HCF - B</i>		
Distributions paid and payable (\$'000)	-	1,233
Distributions (cents per unit)	-	13.4701
<i>Distributions Ophir HCF - C</i>		
Distributions paid and payable (\$'000)	-	879
Distributions (cents per unit)	-	8.0258

No distributions relating to the year (2019: nil) were paid or payable for OPHIR-LIT.

**Financial position**

As at 30 June 2020, the Fund's total assets amounted to \$595,883,000 (30 June 2019: \$527,065,000).

Net Tangible Assets (NTA) per unit as disclosed to the ASX were as follows:

	As at 30 June 2020 \$	As at 30 June 2019 \$
At reporting period	2.88	2.61
High during the period	3.07	2.63
Low during the period	2.04	2.06



**Significant changes in state of affairs**

On 13 January 2020, the Fund announced a 12-month on-market buy-back program. During the year ended 30 June 2020, 474,242 units were bought back at an average buy back of \$2.0035 per unit.

The Directors continue to assess the potential financial and other impacts of the coronavirus (COVID-19) outbreak to the Fund. The current high-level of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Fund that occurred during the year.

**Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

**Likely developments and expected results of operations**

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

**Indemnification and insurance of officers and auditors**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

**Fees paid to and interests held in the Fund by the Responsible Entity or its associates**

Fees paid to the Responsible Entity and its associates out of the Fund's property during the year are disclosed in Note 12 to the financial statements.

No fees were paid out of Fund's property to the Directors of the Responsible Entity during the year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 12 to the financial statements.

**Units in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 7 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the Statement of financial position and derived using the basis set out in Note 2 to the financial statements.

**Environmental regulation**

The operations of the Fund are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

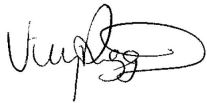
**Rounding of amounts to the nearest thousand dollars**

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that *ASIC Corporations Instrument*, unless otherwise indicated.

**Auditor's independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

This report is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.



Director  
The Trust Company (RE Services) Limited

Sydney  
28 August 2020



**Building a better  
working world**

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## **Auditor's Independence Declaration to the Directors of The Trust Company (RE Services) Limited as Responsible Entity for Ophir High Conviction Fund**

As lead auditor for the audit of the financial report of Ophir High Conviction Fund for the year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Rohit Khanna  
Partner  
28 August 2020

**Ophir High Conviction Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2020**

**Statement of comprehensive income**

	Notes	Year ended	
		30 June 2020 \$'000	30 June 2019 \$'000
<b>Investment income</b>			
Interest income from financial assets at amortised cost		204	767
Dividend income		6,540	7,793
Net gains/(losses) on financial instruments at fair value through profit or loss	5	73,265	30,679
Expense reimbursement income	12	65	68
Other income		52	-
<b>Total investment income/(loss)</b>		<b>80,126</b>	<b>39,307</b>
<b>Expenses</b>			
Responsible Entity's fees	12	370	344
Management fees	12	6,715	6,410
Performance fees	12	17,048	5,020
Administration and custody fees		222	264
Remuneration of auditors	11	55	99
Transaction costs		991	840
Registry fees		37	13
Other operating expenses		52	5
<b>Total operating expenses</b>		<b>25,490</b>	<b>12,995</b>
<b>Operating profit/(loss)</b>		<b>54,636</b>	<b>26,312</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders*	8	-	(33,956)
(Increase)/decrease in net assets attributable to unitholders*	7	-	102,356
<b>Profit/(loss) for the year</b>		<b>54,636</b>	<b>94,712</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>54,636</b>	<b>94,712</b>

\* The units previously on issue were classified as liability and redeemed on 12 December 2018. A new class of units of equal value was issued on the same day to eligible unitholders and classified as equity. As a result, the Fund's distributions are no longer classified as finance costs on the Statement of comprehensive income, but rather as distributions paid and payable in the Statement of changes in equity. Refer to Note 7 for further detail.

*The above Statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Ophir High Conviction Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2020**  
**(continued)**

	<b>Year ended</b>	
	<b>30 June</b>	30 June
	<b>2020</b>	2019
	Notes	
<b>Earnings/(loss) per unit for profit attributable to unitholders of the Fund</b>		
Basic earnings/(loss) per unit in cents	16	13.16
Diluted earnings/(loss) per unit in cents	16	13.16
		27.34
		27.34

*The above Statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Ophir High Conviction Fund**  
**Statement of financial position**  
**As at 30 June 2020**

**Statement of financial position**

	Notes	As at	
		30 June 2020 \$'000	30 June 2019 \$'000
<b>Assets</b>			
Cash and cash equivalents	9	70,932	63,041
Due from brokers - receivable for securities sold		2,953	-
Dividends receivable		604	-
Interest receivable		2	59
GST receivable		2,322	1,513
Other receivables		-	68
Financial assets at fair value through profit or loss	6	519,070	462,384
<b>Total assets</b>		<b>595,883</b>	<b>527,065</b>
<b>Liabilities</b>			
Due to brokers - payable for securities purchased		1,659	-
Responsible Entity's fees payable	12	270	67
Management fees payable	12	671	563
Performance fees payable	12	18,295	5,183
Administration and custody fees payable		51	61
Other payables		97	56
<b>Total liabilities</b>		<b>21,043</b>	<b>5,930</b>
<b>Net assets attributable to unitholders - equity</b>		<b>574,840</b>	<b>521,135</b>

*The above Statement of financial position should be read in conjunction with the accompanying notes.*

**Ophir High Conviction Fund**  
**Statement of changes in equity**  
**For the year ended 30 June 2020**

**Statement of changes in equity**

	Year ended	
	30 June 2020	30 June 2019
Notes	\$'000	\$'000
<b>Total equity at the beginning of the year</b>	<b>521,135</b>	-
<b>Comprehensive income/(loss) for the year</b>		
Profit/(loss) for the year	<b>54,636</b>	94,712
Other comprehensive income/(loss)	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>54,636</b>	94,712
<b>Transactions with unitholders</b>		
Applications	7 -	426,423
Units buy-back	7 (931)	-
<b>Total transactions with unitholders</b>	<b>(931)</b>	426,423
<b>Total equity at the end of the year</b>	<b>574,840</b>	521,135

*The above Statement of changes in equity should be read in conjunction with the accompanying notes.*

**Ophir High Conviction Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2020**

**Statement of cash flows**

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2020</b>	<b>2019</b>
Notes	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments at fair value through profit or loss	<b>478,274</b>	492,289
Payments for purchase of financial instruments at fair value through profit or loss	<b>(462,989)</b>	(376,771)
Interest income received from financial assets at amortised cost	<b>261</b>	790
Dividends received	<b>5,936</b>	7,711
Expense reimbursement fees received	<b>133</b>	-
Other income received	<b>52</b>	-
Responsible Entity's fees paid	<b>(167)</b>	(277)
Management fees paid	<b>(6,625)</b>	(6,689)
Performance fees paid	<b>(4,721)</b>	(6,776)
Administration and custody fees paid	<b>(231)</b>	(250)
Transaction costs paid	<b>(998)</b>	(841)
Other operating expenses paid	<b>(103)</b>	(71)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>8,822</b>	109,115
10(a)		
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders	-	24,781
Payments for redemption by unit holders	-	(153,554)
Payments for units buy-back from unitholders	<b>(931)</b>	-
Distributions paid	-	(21,870)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(931)</b>	(150,643)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7,891</b>	(41,528)
Cash and cash equivalents at the beginning of the year	<b>63,041</b>	104,569
<b>Cash and cash equivalents at the end of the year</b>	<b>70,932</b>	63,041
9		
Non-cash financing activities	-	449,303
10(b)		

*The above Statement of cash flows should be read in conjunction with the accompanying notes.*



## Notes to the financial statements

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## **1 General information**

These financial statements cover Ophir High Conviction Fund (the "Fund") as an individual entity. The Fund was constituted on 23 July 2015, commenced operations on 31 August 2015 and admitted to the Australian Securities and Exchange ("ASX") on 12 December 2018. The Fund will terminate on 30 August 2095 unless terminated earlier in accordance with the provisions of the Fund's Constitution.

The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150) is the responsible entity of the Fund (the "Responsible Entity"). The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

The investment manager of the Fund is Ophir Asset Management Pty Limited (the "Investment Manager").

The Fund principally invests in a concentrated exposure to a high-quality portfolio of Australian listed companies outside the S&P/ASX 50. The Fund may also invest in international equities such as listed securities in New Zealand in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The financial statements of the Fund are for the year ended 30 June 2020. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors of the Responsible Entity") on 28 August 2020. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

## **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below.

### **(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The Statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets at fair value through profit or loss.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within twelve months, however, an estimate of that amount cannot be determined as at year end.

#### *(i) Compliance with International Financial Reporting Standards*

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### *(ii) New and amended standards adopted by the Fund*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

## **2 Summary of significant accounting policies (continued)**

### **(b) Financial instruments**

#### *(i) Classification*

- Financial assets

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

- Financial liabilities

For financial liabilities that are not classified and measure at fair value through profit or loss, these are classified as financial liabilities at amortised cost (due to brokers, Responsible Entity's fees payable, management fees payable, performance fees payable, administration and custody fees payable and other payables).

#### *(ii) Recognition and derecognition*

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

#### *(iii) Measurement*

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the Statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

Further details on how the fair values of financial instruments are determined are disclosed in Note 4.

#### *(iv) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or which could be offset in the Statement of financial position.

## **2 Summary of significant accounting policies (continued)**

### **(b) Financial instruments (continued)**

#### *(v) Impairment*

At each reporting date, the Fund shall measure the loss allowance on financial assets at amortised cost (cash, due from broker and receivables) at an amount equal to the lifetime expected credit losses (ECL) if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the amortised cost. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

### **(c) Net assets attributable to unitholders**

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund.

The Fund is a closed-end Fund and is not subject to applications and redemptions from the date of listing on the ASX.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

The Fund's units have been classified as equity as they satisfied all the above criteria. This has been consistently applied during the year.

### **(d) Cash and cash equivalents**

Cash comprises deposits held at custodian banks. Cash equivalents are short-term, highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

### **(e) Investment income**

Interest income from financial assets at amortised cost is recognised on an accrual basis using the effective interest method and includes interest from cash and cash equivalents.

Dividend and distribution income from financial assets at fair value through profit or loss is recognised in the Statement of comprehensive income within dividend and distribution income when the Fund's right to receive payments is established.

## **2 Summary of significant accounting policies (continued)**

### **(e) Investment income (continued)**

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an offset to dividend income. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of comprehensive income.

Other changes in fair value for financial instruments at fair value through profit and loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

Other income is recognised on an accruals basis.

### **(f) Expenses**

All expenses, including management fees, performance fees, Responsible Entity's fees, administration fees and custody fees, are recognised in the Statement of comprehensive income on an accruals basis.

### **(g) Income tax**

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

### **(h) Distributions and dividends**

Distributions are payable as set out in the Fund's offering document. Such distributions are determined by the Responsible Entity of the Fund. Distributable income includes capital gains arising from the disposal of financial instruments. Unrealised gains and losses on financial instruments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised losses are not distributed to unitholders but are retained in the Fund to be offset against any future realised capital gains. If realised capital gains exceed realised losses, the excess is distributed to the unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

### **(i) Increase/decrease in net assets attributable to unitholders**

Income not distributed is included in net assets attributable to unitholders. As the Fund's units are classified as equity, movements in net assets attributable to unitholders are recognised in the Statement of changes in equity.

### **(j) Due from/to brokers**

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and consequently measured at amortised cost.

### **(k) Receivables**

Receivables may include amounts for interest and trust distributions. Interest is accrued at each dealing date in accordance with policy set out in Note 2(e) above. Trust distributions are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

Receivables also include such items as Reduced Input Tax Credits (RITC).

Receivables are recognised at amortised cost using the effective interest method, less any allowance for ECL. To measure the ECL, receivables have been grouped based on days overdue.

The amount of the impairment loss, if any, is recognised as impairment loss in the Statement of comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against impairment loss in the Statement of comprehensive income.

## **2 Summary of significant accounting policies (continued)**

### **(l) Payables**

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting year.

The distribution amount payable to unitholders as at the end of each reporting year is recognised separately in the Statement of financial position.

Distributions declared effective 30 June in relation to unitholders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

### **(m) Goods and Services Tax (GST)**

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodian services and management fees have been passed onto the Fund. The Fund qualifies for RITC, hence management fees, administration and custody fees and other expenses have been recognised in the Statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office ("ATO"). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of financial position. Cash flows relating to GST are included in the Statement of cash flows on a gross basis.

### **(n) Use of estimates**

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available.

For certain other balances reported on Statement of financial position, including amounts due from/to brokers, receivables and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

### **(o) Rounding of amounts**

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that *ASIC Corporations Instrument*, unless otherwise indicated.

### **(p) Comparative revisions**

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### **3 Financial risk management**

#### **(a) Overview**

The Fund's activities expose it to a variety of financial risks. The management of these risks is undertaken by the Fund's Investment Manager who has been appointed by the Responsible Entity under an Investment Management Agreement to manage the Fund's assets in accordance with the Investment Objective and Strategy.

The Responsible Entity has in place a framework which includes:

- The Investment Manager providing the Responsible Entity with regular reports on their compliance with the Investment Management Agreement;
- Completion of regular reviews on the Service Provider which may include a review of the investment managers risk management framework to manage the financial risks of the Fund; and
- Regular reporting on the liquidity of the Fund in accordance with the Fund's Liquidity Risk Management Statement.

The Fund's Investment Manager has in place a framework to identify and manage the financial risks in accordance with the investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments in the Fund. Specific controls which the Investment Manager applies to manage the financial risks are detailed under each risk specified below.

#### **(b) Market risk**

Market risk is the risk that changes in market price factors, such as equity prices, foreign exchange rates, interest rates and other market prices will affect the Fund's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

##### *(i) Price risk*

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Investment Manager mitigates this price risk and related concentration risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Product Disclosure Statement. Between 75% and 100% of the net assets attributable to unitholders are invested in Australian shares. The Australian shares (being primarily smaller companies) are listed on the Australian Securities Exchange. The Fund has not invested in any derivatives during the financial year (2019: nil).

The Fund is exposed, particularly through its equity portfolio, to concentration and market risks influencing investment valuations. These include Australian economic factors, changes in a company's internal operations or management, and also relate to changes in taxation policy, monetary policy, interest rates and statutory requirements.

### 3 Financial risk management (continued)

#### (b) Market risk (continued)

##### (i) Price risk (continued)

As at year end, the overall market exposures were as follows:

<b>As at 30 June 2020</b>	<b>Fair value \$'000</b>	<b>% of net asset attributable to unitholders</b>
Listed equity securities	519,070	90.298%
<b>Total</b>	<b>519,070</b>	<b>90.298%</b>
<b>As at 30 June 2019</b>	<b>Fair value \$'000</b>	<b>% of net asset attributable to unitholders</b>
Listed equity securities	462,384	88.726%
<b>Total</b>	<b>462,384</b>	<b>88.726%</b>

The Fund mitigates price risk and related concentration risk through diversification and a careful selection of securities and other financial instruments in accordance with the Fund's investment guidelines.

The table at Note 3(c) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Fund invests move by +/- 5% (2019: +/- 5%) from the year end prices with all other variables held constant.

##### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's main interest rate risk arises from its investment in cash holdings. Interest income from cash holdings is earned at variable interest rates.

Exceptions to compliance are reported to management on a regular basis.

The table below summarises the Fund's exposure to interest rate risk.

#### **As at 30 June 2020**

	<b>Floating interest rate \$'000</b>	<b>Non- interest bearing \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>			
Cash and cash equivalents	70,932	-	70,932
Due from brokers - receivable for securities sold	-	2,953	2,953
Dividends receivable	-	604	604
Interest receivable	-	2	2
GST receivable	-	2,322	2,322
Financial assets at fair value through profit or loss	-	519,070	519,070
<b>Total financial assets</b>	<b>70,932</b>	<b>524,951</b>	<b>595,883</b>



### 3 Financial risk management (continued)

#### (b) Market risk (continued)

(ii) Interest rate risk (continued)

As at 30 June 2020

	Floating interest rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>Financial liabilities</b>			
Due to brokers - payable for securities purchased	-	(1,659)	(1,659)
Responsible Entity's fees payable	-	(270)	(270)
Management fees payable	-	(671)	(671)
Performance fees payable	-	(18,295)	(18,295)
Administration and custody fees payable	-	(51)	(51)
Other payables	-	(97)	(97)
<b>Total financial liabilities</b>	<b>-</b>	<b>(21,043)</b>	<b>(21,043)</b>
<b>Net exposure</b>	<b>70,932</b>	<b>503,908</b>	<b>574,840</b>

As at 30 June 2019

	Floating interest rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>Financial assets</b>			
Cash and cash equivalents	63,041	-	63,041
Interest receivable	-	59	59
GST receivable	-	1,513	1,513
Other receivables	-	68	68
Financial assets at fair value through profit or loss	-	462,384	462,384
<b>Total financial assets</b>	<b>63,041</b>	<b>464,024</b>	<b>527,065</b>
<b>Financial liabilities</b>			
Responsible Entity's fees payable	-	(67)	(67)
Management fees payable	-	(563)	(563)
Performance fees payable	-	(5,183)	(5,183)
Administration and custody fees payable	-	(61)	(61)
Other payables	-	(56)	(56)
<b>Total financial liabilities</b>	<b>-</b>	<b>(5,930)</b>	<b>(5,930)</b>
<b>Net exposure</b>	<b>63,041</b>	<b>458,094</b>	<b>521,135</b>

The table in Note 3(c) below summarises the impact of an increase/decrease of interest rates on the Fund's operating profit/loss and net assets attributable to unitholders through changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 75 basis points (2019: +/- 75 basis points) from the year end rates with all other variables held constant.

### 3 Financial risk management (continued)

#### (c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit/(loss) and net assets attributable to unitholders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate having regard to a number of factors, including historical levels of changes in interest rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variances in the risk variables.

	<b>Impact on operating profit/(loss)/ net assets attributable to unitholders</b>			
	<b>Price risk</b>		<b>Interest rate risk</b>	
	-5%	+5%	-75bps	+75bps
	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2020</b>	<b>(25,954)</b>	<b>25,954</b>	<b>(532)</b>	<b>532</b>
As at 30 June 2019	(23,119)	23,119	(473)	473

#### (d) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The maximum exposure to credit risk at the end of the reporting year is the carrying amount of the financial assets.

(i) Bank deposits, amounts due from brokers, assets held with the custodian and derivative financial instruments

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits, amounts due from brokers, assets held with the custodian, derivative financial instruments and the related collateral pledged or received from counterparties.

The table below summarises these assets as at 30 June 2020 and 30 June 2019:

#### As at 30 June 2020

<b>Bank, Brokers and Custodian</b>	<b>\$'000</b>	<b>Credit Rating</b>	<b>Source of credit rating</b>
Australia and New Zealand Banking Group Ltd	1	AA-	Standard and Poor's
JP Morgan Chase Bank N.A. (Sydney Branch)	592,955	A+	Standard and Poor's

The custody balance with JP Morgan Chase N.A. (Sydney Branch) includes investments in equities totalling \$519,070,000 and due from from brokers totalling \$2,953,000.

As at 30 June 2019

<b>Bank and Custodian</b>	<b>\$'000</b>	<b>Credit Rating</b>	<b>Source of credit rating</b>
Australia and New Zealand Banking Group Ltd	17	AA-	Standard and Poor's
Macquarie Bank Limited	397	A+	Standard and Poor's
JP Morgan Chase Bank N.A. (Sydney Branch)	525,011	A+	Standard and Poor's

The custody balance with JP Morgan Chase N.A. (Sydney Branch) includes investments in equities totalling \$462,384,000.

### **3 Financial risk management (continued)**

#### **(e) Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due and can only do so on terms that are materially disadvantageous.

The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The majority of the Fund's assets are held in listed equities (>95%). Hence, the Fund is not exposed to significant liquidity risk.

#### *(i) Maturities of non-derivative financial liabilities*

All non-derivative liabilities of the Fund in the current and prior year have maturities of less than one month.

### **4 Fair value measurement**

The Fund measures and recognises the following assets at fair value on a recurring basis.

- Financial assets at fair value through profit or loss (FVTPL) (see Note 6)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting year.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

#### *(a) Fair value in an active market (level 1)*

The fair value of financial assets and liabilities traded in active markets (such as listed equity securities) is based on their quoted market prices at the close of trading at the end of the reporting year without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, information provided by independent pricing services is relied upon for valuation of investments.

The quoted market price used to fair value financial assets held by the Fund is the last-traded prices.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

#### 4 Fair value measurement (continued)

*(b) Recognised fair value measurements*

The following table presents the Fund's financial assets measured and recognised at fair value as at 30 June 2020 and 30 June 2019.

<b>As at 30 June 2020</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets at fair value through profit or loss</b>				
Australian listed equity securities	<b>519,070</b>	-	-	<b>519,070</b>
<b>Total</b>	<b>519,070</b>	-	-	<b>519,070</b>

As at 30 June 2019

Financial assets at fair value through profit or loss

Australian listed equity securities	462,384	-	-	462,384
<b>Total</b>	<b>462,384</b>	-	-	<b>462,384</b>

*(c) Transfers between levels*

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting year.

There were no transfers between levels in the fair value hierarchy for the year ended 30 June 2020.

*(d) Fair value measurements using significant unobservable inputs (level 3)*

The Fund did not hold any financial instruments with fair value measurements using significant unobservable inputs during the year ended 30 June 2020 or year ended 30 June 2019.

*(e) Valuation processes*

Portfolio reviews are undertaken regularly by Investment Manager to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level securities.

Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For security types, in selecting the most appropriate valuation model, Investment Manager performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting year.

*(f) Fair values of other financial instruments*

The Fund did not hold any financial instruments which were not measured at fair value in the Statement of financial position. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

## 5 Net gains/(losses) on financial instruments at fair value through profit or loss

	Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000
<b>Financial assets</b>		
Net realised gains/(losses) on financial assets at fair value through profit or loss	25,782	42,594
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	47,483	(11,915)
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<b>73,265</b>	<b>30,679</b>

## 6 Financial assets at fair value through profit or loss

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
<b>Financial assets at fair value through profit or loss</b>		
Australian listed equity securities	519,070	462,384
<b>Total financial assets at fair value through profit and loss</b>	<b>519,070</b>	<b>462,384</b>

An overview of the risk exposure relating to financial assets at fair value through profit or loss is included in Note 3.

## 7 Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund has elected into the AMIT tax regime and consequently the Fund's constitution has been amended. The Fund does not have a contractual obligation to pay distributions to unitholders. Therefore, the net assets attributable to unitholders of the Fund meet the criteria set out under AASB 132 and are classified as equity.

Prior to 12 December 2018, the Fund classified its net assets attributable to unitholders as liabilities in accordance with AASB 132. On 12 December 2018, the Fund changed its unit class structure from multi-class to single class as part of the ASX listing requirements. The three classes of units previously on issue were redeemed on 12 December 2018 and a new class of units of equal value was issued to eligible unitholders to enable the Fund to be listed on the ASX. Therefore, the net assets attributable to unitholders of the Fund meet the criteria set out under AASB 132 and are classified as equity from 12 December 2018 onwards. As a result, the Fund's distributions are no longer classified as finance costs in the Statement of comprehensive income, but rather as dividends paid in the Statement of changes in equity.

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

**Ophir High Conviction Fund**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**  
**(continued)**

**7 Net assets attributable to unitholders (continued)**

**Ophir HCF - LIT**

	Year ended			
	30 June 2020	30 June 2020	30 June 2019	30 June 2019
	No. '000	\$'000	No. '000	\$'000
Opening balance	200,000	521,135	-	-
Applications	-	-	200,000	426,423
Units buy-back	(474)	(931)	-	-
Profit/(loss) for the year	-	54,636	-	94,712
<b>Closing balance</b>	<b>199,526</b>	<b>574,840</b>	200,000	521,135

**Ophir HCF**

	Year ended			
	30 June 2020	30 June 2020	30 June 2019	30 June 2019
	No. '000	\$'000	No. '000	\$'000
Opening balance	-	-	8,497	17,280
Applications	-	-	16	35
Redemptions	-	-	(9,691)	(16,266)
Reinvestment of distributions	-	-	1,178	2,231
Increase/(decrease) in net assets attributable to unitholders	-	-	-	(3,280)
<b>Closing balance</b>	-	-	-	-

**Ophir HCF - A**

	Year ended			
	30 June 2020	30 June 2020	30 June 2019	30 June 2019
	No. '000	\$'000	No. '000	\$'000
Opening balance	-	-	301,978	577,623
Applications	-	-	1,602	3,050
Redemptions	-	-	(314,257)	(503,233)
Reinvestment of distributions	-	-	10,677	18,178
Increase/(decrease) in net assets attributable to unitholders	-	-	-	(95,618)
<b>Closing balance</b>	-	-	-	-

**Ophir HCF - B**

	Year ended			
	30 June 2020	30 June 2020	30 June 2019	30 June 2019
	No. '000	\$'000	No. '000	\$'000
Opening balance	-	-	28,741	39,055
Redemptions	-	-	(30,195)	(41,470)
Reinvestment of distributions	-	-	1,454	1,976
Increase/(decrease) in net assets attributable to unitholders	-	-	-	439
<b>Closing balance</b>	-	-	-	-

## 7 Net assets attributable to unitholders (continued)

### Ophir HCF - C

	Year ended			
	30 June	30 June	30 June	30 June
	2020	2020	2019	2019
	No. '000	\$'000	No. '000	\$'000
Opening balance	-	-	-	-
Applications	-	-	11,491	22,396
Redemptions	-	-	(11,786)	(18,994)
Reinvestment of distributions	-	-	295	495
Increase/(decrease) in net assets attributable to unitholders	-	-	-	(3,897)
Closing balance	-	-	-	-

As stipulated within the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to the underlying assets of the Fund. From 12 December 2018, there are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

#### (a) Units buy-back

On 13 January 2020, the Fund announced a 12-month on-market buy-back program. During the year ended 30 June 2020, 474,242 units were bought back at an average buy back of \$2.0035 per unit.

#### Capital risk management

The Fund classifies its net assets attributable to unitholders as equity.

The Fund is a closed-end Fund and is not subject to applications and redemptions from the date of listing on the ASX.

Generally, the Fund's strategy is to hold liquid investments. Liquid assets include cash and cash equivalents and listed investments.

## 8 Distributions to unitholders

Distributions are payable at the end of each financial period. Such distributions are determined by reference to the net taxable income of the Fund.

The distributions for the year were as follows:

	Year ended			
	30 June	30 June	30 June	30 June
	2020	2020	2019	2019
	\$'000	CPU*	\$'000	CPU*
<b>Ophir HCF</b>				
Distributions paid	-	-	1,095	12.0715
<b>Total distributions</b>	-	-	1,095	12.0715

	Year ended			
	30 June	30 June	30 June	30 June
	2020	2020	2019	2019
	\$'000	CPU*	\$'000	CPU*
<b>Ophir HCF - A</b>				
Distributions paid	-	-	30,749	11.9415
<b>Total distributions</b>	-	-	30,749	11.9415

**8 Distributions to unitholders (continued)**

	Year ended			
	30 June 2020 \$'000	30 June 2020 CPU*	30 June 2019 \$'000	30 June 2019 CPU*
Ophir HCF - B				
Distributions paid	-	-	1,233	13.4701
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>1,233</b>	<b>13.4701</b>

	Year ended			
	30 June 2020 \$'000	30 June 2020 CPU*	30 June 2019 \$'000	30 June 2019 CPU*
Ophir HCF - C				
Distributions paid	-	-	879	8.0258
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>879</b>	<b>8.0258</b>

The distributions in the prior year are largely comprised of discount capital gains (38%).

No distributions relating to the year (2019: nil) were paid or are payable for OPHIR - LIT.

\* Distribution is expressed as cents per unit amount in Australian dollar.

	Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000
<b>Total distributions</b>	<b>-</b>	<b>33,956</b>

**9 Cash and cash equivalents**

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
Cash	<b>70,932</b>	63,041
<b>Total cash and cash equivalents</b>	<b>70,932</b>	<b>63,041</b>



## 10 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

### (a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000
Profit/(loss) for the year	54,636	94,712
Increase/(decrease) in net assets attributable to unitholders	-	(102,356)
Distribution to unitholders	-	33,956
Proceeds from sale of financial instruments at fair value through profit or loss	478,274	492,289
Payments for purchase of financial instruments at fair value through profit or loss	(462,989)	(376,771)
Net (gains)/losses on financial instruments at fair value through profit or loss	(73,265)	(30,679)
Dividend income reinvested	-	(82)
Net change in receivables	(1,288)	(610)
Net change in payables	13,454	(1,344)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>8,822</b>	<b>109,115</b>

### (b) Non-cash financing activities

	Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000
The following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan	-	22,880
Replacement of units as a result of unit class restructure	-	426,423
<b>Total non-cash financing activities</b>	<b>-</b>	<b>449,303</b>

## 11 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	<b>Year ended</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Fees to Ernst &amp; Young (Australia)</b>		
Fees for assurance services that are required by legislation to be provided by the auditor	41,200	40,000
Fees for other assurance services under other legislation or contractual arrangements	-	8,000
Fees for other services - Tax services	11,000	48,250
<b>Total fees to Ernst &amp; Young (Australia)</b>	<b>52,200</b>	<b>96,250</b>
<b>Fees to PricewaterhouseCoopers (Australia)</b>		
Fees for other services - Audit of compliance plan	2,475	2,475
<b>Total fees to PricewaterhouseCoopers (Australia)</b>	<b>2,475</b>	<b>2,475</b>
<b>Total auditor's remuneration</b>	<b>54,675</b>	<b>98,725</b>

The auditor's remuneration is borne by the Fund. Fees are stated exclusive of GST.

## 12 Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating disclosures. Related parties may be individuals or other entities.

### Responsible Entity

The Responsible Entity of Ophir High Conviction Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). The Investment Manager of the Fund is Ophir Asset Management Pty Limited.

### Key management personnel

#### (a) Directors

Key management personnel include persons who were Directors of the Responsible Entity at any time during the financial year as follows:

Glenn Foster

Michael Vainauskas (resigned 27 September 2019)

Andrew McIver (Alternate Director for Michael Vainauskas) (resigned 2 September 2019)

Andrew McIver (Alternate Director for Glenn Foster) (appointed 2 September 2019, resigned 27 September 2019)

Vicki Riggio

Phillip Blackmore (Alternate Director for Vicki Riggio)

Richard McCarthy

Simone Mosse (appointed 27 September 2019)

## **12 Related party transactions (continued)**

### **(b) Other key management personnel**

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

#### **Key management personnel unitholdings**

During or since the end of the year, none of the Directors or Director related entities held units in the Fund either directly, indirectly or beneficially.

Neither the Responsible Entity nor its affiliates held units in the Fund at the end of the year.

#### **Key management personnel compensation**

Key management personnel do not receive any remuneration directly from the Fund. They receive remuneration from a related party of the Responsible Entity in their capacity as Directors or employees of the Responsible Entity or its related parties. Consequently, the Fund does not pay any compensation to its key management personnel. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

#### **Key management personnel loan disclosures**

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

#### **Other transactions within the Fund**

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund since the end of the previous financial year and there were no material contracts involving Director's interests existing at year end.

#### **Responsible Entity's/Investment Manager's fees and other transactions**

For the year ended 30 June 2020, in accordance with the Fund's Product Disclosure Statement the management fee was capped at 1.23% p.a. (inclusive of GST, net of RITC) of the value of the Fund's net assets on a monthly basis. Unless separately agreed, the Investment Manager was also entitled to a performance fee of 20.5% of the amount by which the Fund (after fees and expenses) outperformed the benchmark (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) provided the high water mark has been exceeded. Calculation periods end at 30 June and 31 December each year.

## 12 Related party transactions (continued)

### Responsible Entity's/Investment Manager's fees and other transactions (continued)

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity and the Investment Manager were as follows:

	Year ended	
	30 June 2020 \$	30 June 2019 \$
Management fees for the year	6,714,981	6,409,319
Performance fees for the year	17,047,987	5,020,403
Aggregate amounts payable to the Investment Manager at the end of the reporting period	18,966,153	5,746,677
Expense reimbursement income for the year from the Investment Manager	64,780	68,176
Aggregate amounts receivable from the Investment Manager at the end of the reporting period	-	68,716
Responsible Entity fees for the year	370,139	344,407
Aggregate amounts payable to the Responsible Entity at the end of the reporting period	269,858	67,265

### Related party unitholdings

Parties related to the Fund (including The Trust Company (RE Services) Limited, its related parties and other schemes managed by The Trust Company (RE Services) Limited), held no units in the Fund as at 30 June 2020 (30 June 2019: nil).

Parties related to the Fund (including Ophir Asset Management Pty Limited, its related parties and other schemes managed by Ophir Asset Management Pty Limited) held units in the Fund as follows:

#### As at 30 June 2020

Unitholder	No. of units held opening	No. of units held closing	Fair value of investment (\$)	Interest held (%)	No. of units acquired	No. of units disposed	Distributions paid/payable by the Fund (\$)
HDD Pty Ltd	1,667,316	1,822,316	5,250,092	0.91	155,000	-	-
Uncas Pty Ltd ATF Chingachgook Trust	1,667,316	1,822,316	5,250,092	0.91	155,000	-	-

#### As at 30 June 2019

Unitholder	No. of units held opening	No. of units held closing	Fair value of investment (\$)	Interest held (%)	No. of units acquired	No. of units disposed	Distributions paid/payable by the Fund (\$)
HDD Pty Ltd	1,602,493	1,667,316	2,788,919	0.83	64,823	-	206,410
Uncas Pty Ltd ATF Chingachgook Trust	1,602,493	1,667,316	2,788,919	0.83	64,823	-	206,410

### Investments

The Fund did not hold any investments in The Trust Company (RE Services) Limited or of its affiliates or funds managed by Ophir Asset Management Pty Limited during the year (2019: nil).

### 13 Significant events during the year

On 13 January 2020, the Fund announced a 12-month on-market buy-back program. During the year ended 30 June 2020, 474,242 units were bought back at an average buy back of \$2.0035 per unit.

The Directors continue to assess the potential financial and other impacts of the coronavirus (COVID-19) outbreak to the Fund. The current high-level of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

There were no other significant events during the year.

### 14 Events occurring after year end

The Directors are not aware of any event or circumstance since the end of the financial year not otherwise addressed within this report that has affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent years. The Fund continues to operate as a going concern.

### 15 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2020 and 30 June 2019.

### 16 Earnings/(loss) per unit

Basic earnings/(loss) per unit amounts are calculated by dividing operating profit/(loss) before distributions by the weighted average number of units outstanding during the year.

Diluted earnings/(loss) per unit are the same as basic earnings/(loss) per unit.

	Year ended	
	30 June 2020	30 June 2019
Operating profit/(loss) for the year (\$'000)	<b>54,636</b>	26,312
Weighted average number of units in issue ('000)	<b>199,864</b>	200,000
Basic and diluted earnings/(loss) per units in cents	<b>27.34</b>	13.16

### 17 Segment information

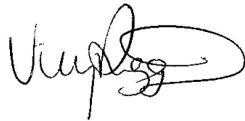
The Fund has only one reportable segment. The Fund operates predominantly in Australia and is engaged solely in investment activities, deriving revenue from dividend and distribution income, interest income and from the sale of its investment portfolio.

## Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 16 to 41 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2020 and of its performance for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.



Director  
The Trust Company (RE Services) Limited

Sydney  
28 August 2020



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working world**

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## **Independent Auditor's Report to the Unitholders of Ophir High Conviction Fund**

### **Report on the Audit of the Financial Report**

#### **Opinion**

We have audited the financial report of Ophir High Conviction Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2020, the statement comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2020, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Ophir High Conviction Fund is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



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## 1. Investment Existence and Valuation

### Why significant

The Fund has a significant investment portfolio consisting primarily of listed equity securities. As at 30 June 2020, the value of these financial assets, was \$519,070,000 which represented 87% of the total assets of the Fund.

As detailed in the Fund's accounting policy described in Note 2(b) of the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.

Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.

### How our audit addressed the key audit matter

We assessed the effectiveness of the controls relating to the existence, completeness and valuation of investments.

We obtained and considered the assurance report on the controls of the Fund's administrator in relation to the fund administration services for the year ended 30 June 2020 and considered the auditor's credentials, their objectivity and the results of their procedures.

We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2020.

We assessed the fair value of all investments in the portfolio held at 30 June 2020. For listed equity securities, the values were verified against independently sourced market prices.

We assessed the adequacy of the disclosures in Note 4 of the financial report in accordance with the requirements of Australian Accounting Standards.

## 2. Management and Performance Fees

### Why significant

Management and performance fees, paid to the Investment Manager, Ophir Asset Management Pty Limited, are the most significant operating expense for the Fund.

The Fund's accounting policy for management and performance fees is described in Note 12 of the financial report. Performance fees are recognised in the financial report if the performance hurdles for the Fund have been met at the end of the relevant measurement period, which is the date that the performance criteria are met and the obligation has crystallised. All expenses are recognised on an accruals basis.

### How our audit addressed the key audit matter

We assessed the effectiveness of the controls in relation to the calculation of management and performance fees of the Fund's administrator, who has responsibility for the calculations.

We recalculated management fees, in accordance with the Fund's Product Disclosure Statement and the Fund's Constitution, including verifying the fee rate to such agreements.

We assessed the performance fee calculation, including testing the inputs into the calculation model and assessed whether the calculation was in line with the Fund's Product Disclosure Statement and the Fund's





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## 2. Management and Performance Fees (continued)

### Why significant

For the year ended 30 June 2020, the management and performance fees totalled \$6,715,000 and \$17,048,000 which represented 26% and 67% of the total expenses, respectively.

The assessment of the recognition of expenses relating to performance fee arrangements can be complex. Accordingly, this was considered a key audit matter.

### How our audit addressed the key audit matter

Constitution, including verifying the fee rate to such agreements.

We also assessed whether the criteria for accrual of a performance fee liability were met at 30 June 2020.

We assessed the adequacy of the disclosures in Note 12 of the financial report in accordance with the requirements of Australian Accounting Standards.

## Information Other than the Financial Report and Auditor's Report Thereon

The Directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Fund's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors of the Responsible Entity for the Financial Report

The Directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors of the Responsible Entity are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors of the Responsible Entity either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.



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## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Responsible Entity.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors of the Responsible Entity with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



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From the matters communicated to the Directors of the Responsible Entity, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*Ernst & Young*

Ernst & Young

*Rohit Khanna*

Rohit Khanna  
Partner  
Sydney  
28 August 2020

**Ophir High Conviction Fund  
Unitholder and Other Information**

The information set out below was applicable as at 31 July 2020.

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report, is listed below.

**(a) Distribution of Unitholders**

Analysis of numbers of unitholders by size of holding:

Size of holding	Number of unitholders	Number of units	% of units issued
<b>Ranges</b>			
1 to 1,000	191	90,480	0.05
1,001 to 5,000	579	1,829,710	0.92
5,001 to 10,000	465	3,668,893	1.84
10,001 to 100,000	1,160	39,977,606	20.03
100,001 and over	281	153,958,675	77.16
<b>Total</b>	<b>2,676</b>	<b>199,525,364</b>	<b>100.00</b>

The number of unitholders holding less than a marketable parcel of \$500 worth of units is 27 and they hold a total of 508 units.

**(b) Largest Unitholders**

*Twenty largest unitholders*

The names of the twenty largest holders of quoted units are listed below:

Name of unitholder	Number of units	% of units issued
HSBC Custody Nominees (Australia) Limited	32,923,995	16.50
Cambooya Pty Ltd	24,180,222	12.12
Victorian Legal Services Boardr	11,113,304	5.57
Citicorp Nominees Pty Limited	3,340,872	1.67
Netwealth Investments Limited	2,868,887	1.44
Mutual Trust Pty Ltd	2,648,871	1.33
Mr Peter Mark Carr & Mrs Esther Jeanette Carr	2,141,995	1.07
Witting Super Pty Ltd	2,020,835	1.01
William Henry Alexander	1,862,541	0.93
BNP Paribas Nominees Pty Ltd Hub24 Custodial Services Ltd DRP	1,824,914	0.92
HDD Pty Ltd	1,822,316	0.91
Uncas Pty Ltd	1,437,316	0.72
Mr Johnathon Matthews & Prof Colin Matthews	1,247,907	0.63
Mr Kristian John Robinson	1,122,776	0.56
Yarandi Investments Pty Ltd	1,111,618	0.56
Devlin Dog Pty Limited	1,062,035	0.53
Reindeer Investments Pty Ltd	915,406	0.46
Antan Investments Pty Ltd	838,215	0.42
PHG & LRG Pty Ltd	824,640	0.41
Dirdot Pty Limited	812,928	0.41
<b>Total</b>	<b>96,121,593</b>	<b>48.17</b>

**(c) Substantial Holders**

There are no substantial unitholders.

**(d) Voting Rights**

Voting rights which may attach to or be imposed on any unit or class of units is as follows:

- (a) On a show of hands every unitholder present will have 1 vote; and
- (b) On a poll every unitholder present will have 1 vote for each dollar of the value of the total interests they have in the Fund.

**(e) Investment Transactions**

The total number of contract notes that were issued for transactions in securities during the financial year was 1,029. Each investment transaction may involve multiple contract notes.

The total brokerage paid on these contract notes was \$2,202,593.

**(f) Securities Exchange Listing**

The Fund's units are listed on the Australian Securities Exchange and are traded under the code "OPH".

**(g) Unquoted Units**

There are no unquoted units on issue.

**(h) Voluntary Escrow**

There are no restricted units in the Fund or units subject to voluntary escrow.

**(i) On-Market Buy-Back**

On 13 January 2020, the Fund announced a 12-month on-market buy-back program. During the year ended 30 June 2020, 474,242 units were bought back at an average buy back of \$2.0035 per unit.

**(j) Registered Office of the Responsible Entity**

The Trust Company (RE Services) Limited  
Level 18 Angel Place  
123 Pitt Street  
Sydney NSW 2000  
Telephone: 02 8295 8100

**(k) Unit Registry**

Name: Boardroom Pty Limited  
Address: Level 12, 225 George Street  
Sydney NSW 2000  
Phone: 1300 737 760  
(02) 9290 9600  
Fax: (02) 9279 0664  
Email: enquiries@boardroomlimited.com.au

**(l) Responsible Entity Company Secretaries**

Sylvie Dimarco  
Gananatha Minithantri