

18 November 2020

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

Dear Investor,

At 2pm (AEDT), Wednesday 18th November 2020, we will hold a 30 minute investor webinar to provide an update on our funds, including the Ophir High Conviction Fund (ASX:OPH, “the Fund”).

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

1. Fund performance

Equity markets globally pulled back in the latter portion of October 2020 after surging in the first few weeks of the month as virus cases rapidly escalated through second and third waves and prospects of US fiscal stimulus pre-election waned. The Australian equity market resumed pushing forward in October after taking a step back in September on the back of Victoria gaining control of the virus, a big spending Federal Budget and likely further monetary support by the RBA.

For the month of October 2020, the Net Asset Value (NAV) of the Fund was up 2.1% (net of fees) with the OPH ASX unit price up 10.2%, compared to the benchmark which was up 3.2%.

2. OPH trading at a premium

The OPH share price continues to trade at a material premium to its Net Tangible Asset per share (NTA). Whilst we are delighted to have closed the discount gap between the OPH share price and NAV of the Fund, ultimately, our goal is for the OPH share price to trade as close to the NAV of the Fund as possible.

Personally, for our own investments in OPH, we believe buying at a discount to NTA or as close as possible to NTA is likely to result in a better return outcome than buying at a material premium to NTA.

3. Portfolio positioning

At the time of writing, we saw a significant rotation from growth to value on the back of positive COVID-19 vaccine news from Pfizer and Moderna. Whilst it remains to be seen if these vaccines will succeed, in our perspective the narrative has shifted from “if” we will get a vaccine to “when” we will get a vaccine. We’ve been increasing our exposure to good quality companies that had been impacted by Covid-19 and that we believe will ultimately benefit from a rebound due to a vaccine. In the market they’re commonly called “re-opening trades”.

We would like to reiterate that we do not make macroeconomic calls and position our portfolios in anticipation for these specific outcomes. We prioritise our efforts to bottom up research to better understand key business drivers and find quality under-priced companies before its true value is realised.

The portfolio in aggregate is positioned such that most of the underlying companies can grow independent of a COVID-19 vaccine. We’re also exposed to companies that are first or second derivative beneficiaries of a vaccine, but in our view don’t need a vaccine to validate its share price.

4. Stock update

NextDC (NXT) is a company we have held in excess of 5 years and is a business we remain equally excited about today as we did at the time of our initial purchase. NXT is Australia's leading data centre provider, with data centres in all the major metro cities across Australia. We believe NXT is uniquely positioned to expand its current capacity of 79 megawatts to over 300 megawatts over the next 5 years from the unrelenting demand of data consumption. Over the long term, we look forward to NXT expanding its offering overseas into Asia where it can address a larger market and replicate the success of other Australian companies that have expanded overseas, such as Afterpay, Domino's, Xero and Seek.

5. OPH buy-back facility

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

We remain as hard working as ever to find and allocate to those small and mid-cap businesses listed in Australia that we believe can significantly grow earnings and provide attractive risk-adjusted returns over the medium to long term.

Your sincerely,

Andrew Mitchell & Steven Ng

Co-Founders & Senior Portfolio Managers
Ophir Asset Management

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