

18 January 2021

Ophir High Conviction Fund (ASX:OPH) – Investor Update

Summary:

- As part of our buy back strategy, last week we disclosed to the market an updated Appendix 3C which gives us the authority over the next 12 months to buy back up to 10% of the Fund's issued shares.
- We have adjusted the investment strategy of the Fund to include the ability to continue to invest in ASX 50 companies, as well as invest in Pre-IPO companies and Ex Australia/New Zealand companies. We believe the changes are in the best interests of all unitholders, including ourselves, and in aggregate do not materially alter the Fund's investment focus or asset allocation, which remains primarily on companies listed outside of the S&P/ASX 50.

1. Updated buy back notification

On [19 November 2019](#) we announced our strategy to close the discount to net tangible assets ("NTA") of the Ophir High Conviction Fund ("Fund"). As part of this strategy, we committed to buying back units should that be necessary.

In March and April 2020, we utilised the buy back as a part of this strategy to close the discount. We believe this action appears to have been, at least partially, successful in helping to achieve this objective.

To ensure we continue to have the ability going forward to buy back units in the Fund should we decide to, earlier this week we disclosed to the market an updated Appendix 3C which gives us the authority over the next 12 months to buy back up to 10% of the Fund's issued shares. In line with the ASX listing obligations, we will announce to the market any shares purchased under this strategy.

We remain committed to having the ASX unit price of the Fund trade as close to its NTA as possible and reiterate that this is a key focus for us.

2. Adjustments to Investment strategy

The purpose of this update is to outline some adjustments that we have made to the investment strategy of the Fund which we believe are in the best interests of investors, including ourselves as significant unitholders.

These adjustments themselves are not, in our view, material, but as fellow investors we would like to provide you with as much clarity as possible.

Fund Background

We are proud to have been managing the Fund for more than five years now since its inception in August 2015.

The Fund invests primarily in Australian listed companies outside the S&P/ASX 50 and since inception the Fund's investment portfolio has delivered +18.4% p.a. (net of fees) outperforming its benchmark by +8.4% p.a.

The Fund was closed to new investors in March 2018 when it reached capacity. Following unitholder approval, the Fund was converted to a listed investment trust in December 2018. By listing the Fund on the ASX, new investors can purchase units in the Fund without increasing the size of the Fund. We believe that by strictly managing the Fund's capacity, we have the best opportunity to manage the assets with the aim of generating long term outperformance.

The Fund trades on the ASX under the ticker code "OPH" and since listing almost two years ago, the Fund's unit price has delivered a total return of 66.2% (as of 31st December 2020). We would like to thank you, our fellow investors, for your ongoing support.

Investment Strategy Adjustments

Before we provide more detail on the adjustments, we note that cumulatively, these adjustments do not materially change the investment focus or asset allocation of the Fund, namely companies primarily listed outside of the S&P/ASX 50.

The adjustments allow the Fund to:

1. Continue to invest in companies, and also add to existing positions, where a company has entered the S&P/ASX 50 ("ASX 50 Companies");
2. Invest in unlisted companies that are likely to list in the short term ("Pre IPO-Companies"); and;
3. Invest in emerging companies listed in developed markets outside of Australia and New Zealand ("Ex Australia/New Zealand Companies").

We have provided below the limited circumstances under which the Fund would make use of these adjustments.

1. ASX 50 Companies

Where the Fund owns a company that has entered the S&P/ASX 50 which we believe can continue to grow and compound earnings over time, in our view it is not in investors' best interests for us to be forced to sell it. This is particularly the case where we have built up significant insight into the business and more importantly where it has significant runway to grow its earnings. In line with our investment philosophy to initially focus on companies outside the S&P/ASX 50, we don't intend to first initiate a position in a company within the S&P/ASX 50. Rather, if we hold a position in a company outside of the S&P/ASX 50 that subsequently enters the S&P/ASX 50, we may continue to hold that company. Once it has entered the S&P/ASX 50, we will actively monitor our position and decide whether we consider it appropriate to continue to hold the company. We may add to, or (in part or in whole) sell, the company depending on our investment thesis at the relevant time.

Ophir Asset Management

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2. Pre IPO-Companies

From time-to-time, opportunities arise to invest in unlisted companies that we believe are likely to apply for quotation in the short term (or companies which may have been delisted) and we believe can deliver material share price upside in the future. The Fund will only invest in unlisted companies on very selective occasions and since the Fund's inception there would have been no opportunities that we would have considered participating in had we been able to. However, we wish to have the optionality to do so if all our investment criteria are met.

3. Ex Australia/New Zealand Companies

Whilst we are undertaking research on Australian and New Zealand listed companies there are times when we may unearth an insight in a related business listed outside of Australia. Where this insight presents an opportunity to invest in a company which we believe may be superior to an Australian equivalent, we would like the ability for the Fund to invest in it. We note that the Fund will only invest in companies listed outside of Australia on recognised global exchanges on very selective occasions and only when we believe the investment can have a material positive impact on returns.

Risk Profile

We do not consider the risk profile of the Fund materially changes in light of the adjustments. Please refer to Annexure A for information on risks.

We remain significant unitholders in the Fund and will continue to purchase units as per our investment philosophy of investing alongside our fellow investors. We are as excited as ever about identifying and investing in emerging businesses that hopefully one day become household names.

Please note that you do not need to take any action. If, however you have any questions please email us at ophir@ophiram.com or call us on +61 (0)2 8006 5476.

As always, thank you for entrusting your capital with us.

Kindest regards,

Andrew Mitchell & Steven Ng

Co-Founders and Senior Portfolio Managers

Ophir Asset Management

Annexure A | Risk Information

Although a portion of the Fund may consist of unlisted investments that are generally illiquid, we do not anticipate this will materially impact the liquidity of the Fund's portfolio.

Further, investing in international assets may give rise to currency exposure. There is a risk that currency fluctuation may adversely impact the value of international stock positions. For example, if the Australian dollar falls, the value of international investments expressed in Australian dollars can increase and has the potential to increase the value of the Fund's investments. Conversely, if the Australian dollar rises, the value of international investments expressed in Australian dollars can decrease and this has the potential to reduce the value of the Fund's investments. The Fund may not always be currency hedged. Where the Fund's foreign currency exposure is hedged, it is typically hedged using forward foreign exchange contracts. These contracts will generally be of limited duration and reset regularly, resulting in a cash receipt or cash payment by the Fund. The contracts are not guaranteed by an exchange or clearing corporation and generally do not require payment of margin. To the extent that the Fund has unrealised gains in such instruments or has deposited collateral with its counterparty(ies) the Fund is at risk that its counterparty may fail to honour its obligations. Further, any hedge may not provide complete protection from adverse currency movements. Currency markets can be extremely volatile and are subject to a range of unpredictable forces.

We reiterate that cumulatively the changes will not result in any material change to either the investment focus or composition of the Fund.



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

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