

20 July 2021

Ophir High Conviction Fund (ASX:OPH) – Quarterly Webcast

Dear Investor,

At 2pm (AEST), Wednesday 21st July 2021, we will hold an investor webcast 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 webcast relating to the Fund.

1. Fund performance

Most major equity markets concluded the 2020/2021 Financial Year at or near all-time highs. Domestically, the ASX200 rose +27.8%, its 11th highest financial year gain since 1903.

During the financial year, investors were bombarded with news and faced one of the most dynamic market environments in any financial year on record. Pfizer and Moderna released positive COVID-19 vaccine news during November 2020 which resulted in a pullback of stay-at-home stocks and out-and-about stocks rallying. In March 2021, we saw a further boost to cyclical stocks as bond yields surged and reflationary expectations grew. In recent times, bond yields have dropped and the Delta variant of COVID-19 has caused havoc in many parts of the world.

Through all of this noise, we have been reminded to stick to our knitting and manage the portfolio as we have successfully done in the past. This involves finding companies with a growth profile that we believe is underappreciated by the market, trading at an attractive or fair price and preferably holding more cash than debt. In the current environment of circa 0% interest rates and seemingly unlimited liquidity, we need to be even more disciplined about the price we pay for assets.

A notable headwind we faced over the last year domestically in Australia is the outperformance of the Materials sector, a sector we typically do not have an overweight position in because they have highly cyclical earnings pegged to commodity prices. The Materials sector contributed twice as much to the Small Ords index return in Australia over the last financial year than any other industry group. Through our experience, we have learnt not to time the commodity price cycle but invest in the best operators in the sector who can manage these risks better than we can and have a track record of superior operational management to extract value.

For the quarter ending 30 June 2021, the Net Asset Value (NAV) of the Fund was up 13.2% (net of fees) with the OPH ASX unit price up 15.5%, compared to the benchmark which was up +9.3%. For the financial year ending 30 June 2021, the Net Asset Value (NAV) of the Fund was up 27.9% (net of fees) with the OPH ASX unit price up 50.6%, compared to the benchmark which was up +34.5%.

2. FY21 Distribution

We are pleased to announce the FY21 distribution for the Fund has now been processed. Our fellow investors should receive 38.47 cents for each unit owned in the Fund.

We note 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 as opposed to dividends. We remind our fellow investors that this means distributions can be inconsistent, given the realisation of capital gains can be unpredictable.

3. OPH trading at a premium

Whilst we are pleased the OPH share price has continued to trade at a premium to its Net Tangible Asset per share (NTA), we remind our fellow investors that our goal is for the OPH share price to trade as close to the NAV of the Fund as possible.

4. OPH buy-back facility

We commenced utilising the buy-back facility for OPH during March 2020 as markets sold off during the early stages of COVID-19. We have renewed the facility and will continued to utilise this where we see good value on offer in the OPH unit price. There is 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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