

# Ophir High Conviction Fund

ASX: OPH

[www.ophiram.com](http://www.ophiram.com)

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## INVESTMENT UPDATE AND NAV REPORT – NOVEMBER 2021

The Ophir High Conviction Fund seeks to provide investors with a concentrated exposure to a high quality portfolio of listed companies outside the S&P/ASX 50. Employing an extensive investment process that combines a rigorous company visitation schedule and fundamental bottom-up analysis, the Fund aims to identify businesses operating within structural growth sectors with the ability to meaningfully grow and compound earnings over time. Typically, the majority of businesses within the portfolio will already have well-established business models with large or growing end markets and a clearly identifiable pipeline of future growth opportunities. As a concentrated portfolio, the Fund seeks to identify the very best of these opportunities in order to ensure each portfolio position delivers a meaningful impact on overall portfolio returns.

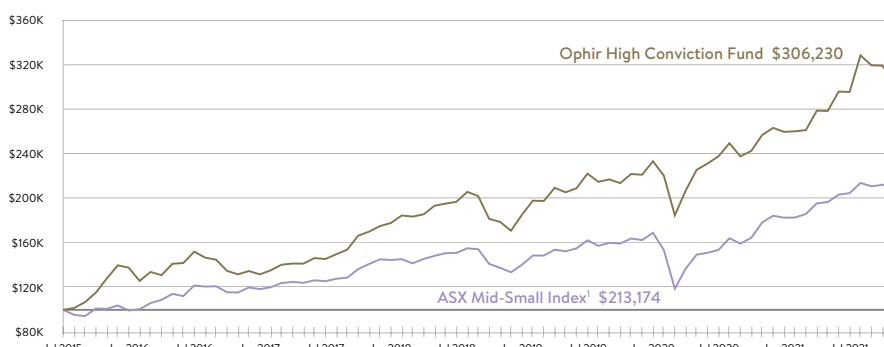
| ASX Code       | Net Per Annum Return<br>Since Inception (to 30 November 21) | Net Return<br>Since Inception (to 30 November 21) | Fund Size<br>(at 30 November 21) |
|----------------|---|---|----------------------------------|
| <b>ASX:OPH</b> | <b>19.3%</b>  | <b>206.2%</b>                                     | <b>\$728.43m</b>                 |

### NOVEMBER 2021 PORTFOLIO SNAPSHOT

#### NET ASSET VALUE (NAV) PER UNIT

| As at 30 November 2021      | Amount        |
|-----------------------------|---------------|
| <b>NAV</b>                  | <b>\$3.42</b> |
| <b>Unit Price (ASX:OPH)</b> | <b>\$3.74</b> |

To access NAV prices for the Ophir High Conviction Fund (ASX:OPH), historical ASX announcements and performance history, please visit [www.ophiram.com](http://www.ophiram.com)



\* Chart represents the value of \$100,000 invested since inception after all fees and before tax and assuming distributions are reinvested in the Fund. Performance of the Fund is calculated using Net Asset Value (NAV), not the market price. Please note past performance is not a reliable indicator of future performance.

<sup>1</sup> The Fund's benchmark is the 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.

### INVESTMENT PERFORMANCE

|                                   | Since Inception (p.a.) | 5 Years p.a. | 3 Years p.a. | 1 Year       | 3 Month      | 1 Month      |
|-----------------------------------|------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Ophir High Conviction Fund</b> | <b>23.7%</b>           | <b>21.5%</b> | <b>23.3%</b> | <b>21.3%</b> | <b>-6.5%</b> | <b>-4.0%</b> |
| <b>Benchmark</b>                  | 12.7%                  | 13.0%        | 15.7%        | 19.4%        | -0.3%        | 0.5%         |
| <b>Value Add (Gross)</b>          | 11.0%                  | 8.5%         | 7.6%         | 1.8%         | -6.2%        | -4.4%        |
| <b>Fund Return (Net)</b>          | 19.3%                  | 18.3%        | 19.6%        | 19.2%        | -6.7%        | -4.1%        |
| <b>ASX:OPH Unit Price Return*</b> | n/a                    | n/a          | n/a          | 5.4%         | -1.1%        | -4.8%        |

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 30 November 2021, not the market price. Benchmark is the ASX Mid-Small Accumulation Index. Inception date of the Fund is 4 August 2015. Past performance is not a reliable indicator of future performance.

\*Does not include the return of any distributions since the Fund's listing in December 2018.

#### TOP 5 PORTFOLIO HOLDINGS (Alphabetical) (as at 31 September 2021)

| Company                             | Industry                        | ASX Code       |
|-------------------------------------|---------------------------------|----------------|
| <b>City Chic</b>                    | Consumer Discretionary Services | CCX            |
| <b>Corporate Travel Management</b>  | Consumer Discretionary Services | CTD            |
| <b>Dominos</b>                      | Consumer Services               | DMP            |
| <b>Mainfreight</b>                  | Industrials                     | NZX            |
| <b>Uniti</b>                        | Communications                  | UWL            |
| <b>Average Portfolio Market Cap</b> |                                 | <b>\$9.3bn</b> |

#### KEY INFORMATION

|                             |   |
|-----------------------------|---|
| <b>Responsible Entity</b>   | The Trust Company (RE Services) Limited                   |
| <b>Manager</b>              | Ophir Asset Management Pty Ltd                            |
| <b>Portfolio Managers</b>   | Andrew Mitchell & Steven Ng                               |
| <b>Fund Inception</b>       | 4 August 2015   |
| <b>Fund Size</b>            | \$728.4m  |
| <b>Number of Stocks</b>     | 15-30   |
| <b>Cash Distributions</b>   | Annually  |
| <b>Investment Objective</b> | Outperform benchmark (after fees) over long term (5+ yrs) |

## ALLOCATION OF INVESTMENTS

### PORTFOLIO SECTOR EXPOSURES (as at 30 November 2021)

| Sector                 | 30 November 2021 |
|------------------------|------------------|
| Materials              | 4.4%             |
| Financials             | 8.5%             |
| Health Care            | 8.2%             |
| Communication Services | 15.4%            |
| Consumer Staples       | 3.6%             |
| Information Technology | 21.9%            |
| Industrials            | 12.2%            |
| Consumer Discretionary | 22.7%            |
| Utilities              | 0%               |
| Real Estate            | 0%               |
| Energy                 | 0%               |
| [Cash]                 | 3.1%             |
|                        | <b>100%</b>      |

## MARKET COMMENTARY

Most major equity markets took a back step from their all-time highs in November. In particular, small cap companies were hit the hardest with the MSCI World Small Cap index dropping -4.8%. The domestic small cap market fared much better with the ASX Small Ords index returning -0.3%, while the Russell 2000, which tracks small cap companies in the US, returned -4.2% for the month.

When looking under the bonnet of the Russell 2000 there has been a notable divergence of returns from “value” and “growth” stocks. Over the last quarter, the Russell 2000 Value Index returned -1.8% while the Russell 2000 Growth Index performed substantially worse than its counterpart, returning -4.3% over the same period.

Turning to the other major indices, the S&P 500 (-0.7%), ASX200 (-0.4%) and MSCI Europe (-2.5%) generated negative returns while the Nasdaq (+0.3%) was in the green by a small margin in November.

The dominating headline during the month was the emergence of a new variant of COVID-19 coined as “Omicron”. Experts suspect the new strain originated from South Africa and information available at the time of writing suggests Omicron is more transmissible but early evidence indicates that it may be less deadly than previous variants of the virus. Many parts of the world, particularly in Europe, have reintroduced measures to reduce the spread of the virus and the level of uncertainty in markets has been dialled up a notch.

We met with numerous companies from different industries over the month and it is evident that the upwards pressure on inflation from supply chain issues is still ongoing. Importantly, at the end of November Fed Chairman Jerome Powell stated that it was time to retire the term “transitory” when talking about inflation. Higher

for longer inflation rates have significant implications for markets so this is an area we are observing very closely.

Domestically, while the ASX didn’t experience the same run as other major global stock exchanges in October, it held up much better in November with the ASX Small Ords and ASX200 returning -0.3% and -0.4% respectively as noted above. Looking at the ASX Small Ords index, while the benchmark did not move significantly in November, there was a wide divergence of sector returns. The Energy (-5.6%) and Consumer Discretionary (-4.4%) sectors suffered the most while the Information Technology (+5.6%) and Materials (+4.7%) sectors contributed the most to performance.

## PORTFOLIO COMMENTARY

During November, the Ophir High Conviction Fund’s investment portfolio returned -4.1% (net of fees) versus the index which returned +0.5%. Since its inception in August 2015, the Fund has returned +19.3% p.a. (net of fees) while the index has returned +12.7% p.a.

During November, the Ophir High Conviction Fund’s ASX listing provided a total return of -4.8% for the month.

The biggest contributor to performance in November was Mineral Resources (ASX:MIN). MIN is a mining services and processing company operating in Australia and parts of Asia. The company rose +17.3% during the month alongside iron ore and lithium prices.

The biggest detractor to performance in November was Tyro Payments (ASX:TYR). TYR is a payment solutions provider to merchants in Australia. The company tumbled by 28.7% during the month as Omicron weighed on sentiment coupled with confusion around TYR’s margins stemming from the deal it made with Bendigo Bank a year ago. It remains a core holding within the Fund and should continue to benefit from economic reopening.

In terms of our portfolio positioning, cash remains relatively low and we are keeping a close eye on those companies that can manage cost input pressures to those that cannot in the Fund due to the risk of more persistent inflation through supply chains.

In the absence of company specific news at this time of year, we think markets will focus on Omicron until there is further clarity on its three key unknowns: 1. How transmissible is it? 2. How virulent is it? 3. Do vaccines have effectiveness against it?

Politically, whilst people will accept some forms of international travel restrictions, it’s hard to see countries going back into hard lockdowns unless there’s a chance of health care systems being overwhelmed.

We believe this may delay the recovery of companies exposed to international travel reopening, but the domestic travel exposed companies are likely to be much less impacted.

## INVESTMENT PHILOSOPHY

### INVESTMENT OBJECTIVE

The Fund seeks to provide Unitholders with a concentrated exposure to a high quality portfolio of listed companies outside the S&P/ASX 50. Employing an extensive investment process that combines a rigorous company visitation schedule and fundamental bottom-up analysis, the Fund aims to identify businesses operating within structural growth sectors with the ability to meaningfully grow and compound earnings over time. The Fund aims to generate long-term returns in excess of the Benchmark (after fees and before tax) and provide consistent, sustainable returns for Unitholders.

### INVESTMENT PROCESS

Ophir employs a fundamental, bottom-up research approach aimed at identifying businesses with the ability to meaningfully grow and compound earnings over time. Typically, the investment process will look to uncover businesses that are operating within, or about to enter, a period of structural growth and are generating cash or have a clearly identifiable pathway toward free cash flow generation. In order to identify these opportunities, the Ophir investment team spend a considerable amount of time understanding the quality of the business and the environment in which it operates.

### ABOUT OPHIR ASSET MANAGEMENT

Ophir Asset Management is a specialist small and mid-cap equities investment manager established by founders Andrew Mitchell and Steven Ng in 2012. The business currently manages approximately \$2.0bn in capital on behalf of institutional superannuation funds, family offices, private wealth groups and individual investors. The investment team comprises 11 investment professionals drawn from a diverse range of backgrounds working across all Ophir funds.

### ABOUT THE PORTFOLIO MANAGERS

Senior Portfolio Managers Andrew Mitchell and Steven Ng co-founded Ophir Asset Management in 2012 after previously managing capital together at Paradise Investment Management. Under their stewardship, the fund managed by Andrew and Steven at Paradise was the top performing equities fund in Australia from 2007-2011 versus the fund manager surveys (inclusive of the GFC). At Ophir, Andrew and Steven are Senior Portfolio Managers for the Ophir Opportunities Fund, Ophir High Conviction Fund and Ophir Global Opportunities Fund.

## KEY INVESTOR CONTACTS

### INVESTOR ADMIN QUERIES

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The Trust Company (RE Services) Limited ABN 45 003 278 831 AFSL 235150 (Responsible Entity) is the responsible entity of Ophir High Conviction Fund (the Fund). This document has been prepared by Ophir Asset Management Pty Ltd ABN 88 156 146 717 AFSL 420 082 (Ophir), the investment manager of the Fund and is authorised for release by The Trust Company (RE Services) Limited as responsible entity and the issuer of units in the Trust. The information is of general nature only and has been prepared without taking into account your objectives, financial situation or needs. Before making an investment decision, you should consider obtaining professional investment advice that takes into account your personal circumstances and should read the current product disclosure statement (PDS) of the Fund. Neither the Responsible Entity nor Ophir guarantees repayment of capital or any particular rate of return from the Fund. All opinions and estimates included in this document constitute judgements of Ophir as at the date of the document and are subject to change without notice. Past performance is not a reliable indicator of future performance. Ophir accepts no liability for any inaccurate, incomplete or omitted information of any kind or any losses by using this information.



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