

Ophir High Conviction Fund

ASX: OPH

www.ophiram.com



INVESTMENT UPDATE AND NAV REPORT – JULY 2019

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.

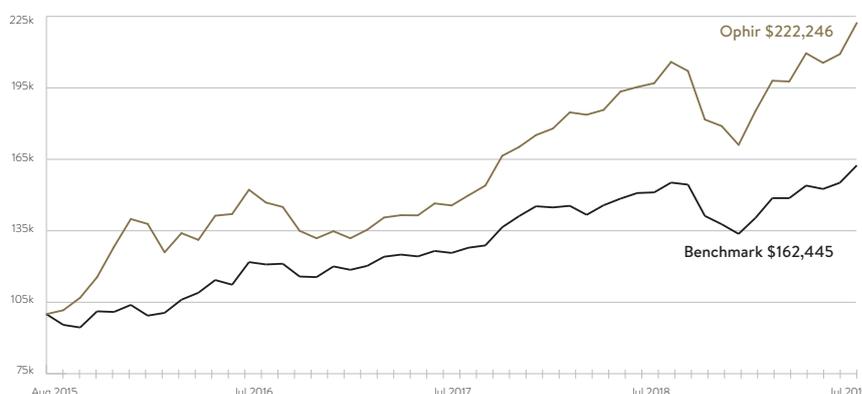
ASX Code	Net Per Annum Return Since Inception (to 31 Jul 19)	Net Return Since Inception (to 31 Jul 19)	Fund Size (at 31 Jul 19)
ASX:OPH	22.1%	122.2%	\$554.9m

JULY 2019 PORTFOLIO SNAPSHOT

NET ASSET VALUE (NAV) PER UNIT

As at 31 Jul 2019	Amount
NAV	\$2.77
Unit Price (ASX:OPH)	\$2.60

To access daily NAV prices for the Ophir High Conviction Fund (ASX:OPH), historical ASX announcements and performance history, please visit 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.

INVESTMENT PERFORMANCE

	1 Month	FYTD	1 Year	2 Years p.a.	3 Years p.a.	Since inception p.a.
Ophir High Conviction Fund	6.7%	6.7%	15.5%	26.8%	16.0%	27.0%
Benchmark	4.7%	4.7%	7.5%	12.6%	10.1%	12.9%
Value Add (Gross)	2.0%	2.0%	8.0%	14.2%	5.9%	14.1%
Fund Return (Net)	6.3%	6.3%	12.8%	23.5%	13.4%	22.1%

Performance figures are calculated using the Net Asset Value (NAV) of the Fund as at 31 July 2019, 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.

TOP 5 PORTFOLIO HOLDINGS (ALPHABETICAL)

Company	Industry	ASX Code
The A2 Milk Company	Consumer Staples	A2M
Afterpay Touch Group	Information Technology	APT
Cleanaway Waste Management	Industrials	CWY
NextDC	Information Technology	NXT
Xero	Information Technology	XRO
Average Portfolio Market Cap		\$5.221bn

KEY INFORMATION

Responsible Entity	The Trust Company (RE Services) Limited
Manager	Ophir Asset Management
Portfolio Managers	Andrew Mitchell & Steven Ng
Fund Inception	4 August 2015
Fund Size	\$554.9m
Number of Stocks	15-30
Cash Distributions	Annually

ALLOCATION OF INVESTMENTS

PORTFOLIO SECTOR EXPOSURES (as at 31 Jul 2019)

Sector	31 Jul 19
Materials	11.60%
Financials	2.60%
Health Care	6.84%
Communication Services	2.75%
Consumer Staples	11.76%
Information Technology	18.56%
Industrials	15.32%
Consumer Discretionary	13.72%
Utilities	4.70%
Real Estate	0.00%
Energy	1.37%
[Cash]	10.78%
	100%

MARKET COMMENTARY

Global equity markets were relatively subdued in July with the MSCI Developed Markets Index edging 0.5% higher. Despite many global equity markets hitting record highs during July including the S&P 500 and NASDAQ, the Federal Reserve cut interest rates for the first time in more than a decade reducing the benchmark by 25 basis points. The Fed was responding to fears of a slowing US and global economy as US President Trump's trade wars start to take a toll. With central banks globally committing to more accommodative monetary policy and fixed income and cash offering very low rates of return, in our view equity markets will continue to benefit with money looking for yield and growth.

On local shores the S&P ASX 200 Accumulation Index rose 2.94% reaching an all-time high of 6845 on July 30 finally cracking its November 2007 high. This marks the 7th consecutive month of gains for the index which was fuelled by the RBA's decision on July 2 to reduce the cash rate by a further 25 basis points to a new record low of 1.00% after also cutting by 25 basis points in June. Across the smaller company space, the ASX Small Ordinaries Accumulation Index climbed 4.5% in July helped by strong gains in the Materials and Information Technology sectors.

PORTFOLIO COMMENTARY

During July the Ophir High Conviction Fund's investment portfolio returned +6.3% (net of fees and before tax) outperforming its benchmark by +1.6%. Since inception in August 2015 the Fund has returned +22.1% per annum (net of fees and before tax).

During July the Ophir High Conviction Fund's share price returned 4.8% after fees, outperforming its benchmark by 0.1%.

Key contributors to the Ophir High Conviction Fund performance this month included A2 Milk Company Ltd (A2M), Austal Limited (ASB) and Evolution Mining Ltd (EVN). Key detractors included Freedom Foods Group Limited (FNP), Seven Group Holdings Limited (SVW) and Contact Energy Limited (CEN).

Our main focus during August and September is the Australian company reporting season which is both an exciting and restless time for us as investors. It is a crucial period which separates fact from fiction in terms of our portfolio companies' prior 6 month earnings figures and future outlook.

Whilst we remain confident that some of our portfolio companies will beat market expectations, avoiding downgrades will be as, if not more, important during this reporting season. During the previous 3 months 76 ASX listed companies have issued earnings downgrades versus 19 upgrades. This 4:1 ratio is very high historically and suggests a tough reporting season lies ahead.

We anticipate that downgrades will be a theme of the upcoming reporting season and over the next 12 months. This is because firstly, the Australian economy remains sluggish as a result of factors such as the housing downturn and tighter credit conditions. Secondly, the market's expectations for growth are too high. For instance, the Small Industrials market is currently trading on 18x price to earnings one year forward and the market is expecting 9% growth for the coming year. We view this as overly optimistic. We believe that 5% growth is a more reasonable level.

We have observed these factors at play for some time and have been recycling capital out of companies exposed to the Australian economic cycle, positioning our portfolios to focus on those companies that can grow irrespective of economic conditions. As always, our focus has remained on companies that are winning market share in their relevant industry vertical and have a strong balance sheet to take advantage of any opportunity that presents itself. For these reasons we enter reporting season comfortable with the make-up of our portfolio.

A company we hold within the portfolio which displays all of these characteristics is ResMed (ASX:RMD). We have previously outlined our investment thesis for ResMed and pleasingly on July 25 the company announced its fourth quarter and full year results revealing revenue growth of 15%.

This has been driven by its continued market share gains in the USA, particularly in its CPAP masks. Contributing factors include increasing product awareness by referrers and the company's continued focus on resupply (i.e. patients reordering masks). While no specific details were provided on the performance of the company's recent

acquisition in the related Chronic Obstructive Pulmonary Disease market, it represents a significant longer term growth opportunity for the company to expand into new markets. Having invested over \$1 billion on acquisitions in this area in the 2019 financial year, we will be closely monitoring the company's progress and its strategy to earn a sufficient return on its investment. The company's share price has risen by nearly 30% in the last 3 months and we continue to see a long runway for further growth.

We look forward to providing further updates on the performance of our portfolio companies during the upcoming reporting season.

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 \$1.0bn in capital across two investment strategies on behalf of institutional superannuation funds, family offices, private wealth groups and individual investors. The investment team comprises 5 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 and the Ophir High Conviction Fund.

KEY INVESTOR CONTACTS

INVESTOR ADMIN QUERIES

Boardroom Limited (Registry)

T: 1300 737 760

E: enquiries@boardroomlimited.com.au

INVESTOR & ADVISER INFORMATION

George Chirakis (Investment Director)

T: 02 8006 5476

E: george.chirakis@ophiram.com

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 ABN 88 156 146 717 AFSL 420 082 (Ophir), the investment manager of the Fund. The information is of general nature only and has been prepared without taking into your 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 Perpetual nor Ophir guarantees repayment of capital or any particular rate of return from the Fund. All opinions and estimates included in this report constitute judgements of Ophir as at the date of the report 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.



CONTACT DETAILS

George Chirakis (Investment Director)

T: 02 8006 5476

E: george.chirakis@ophiram.com