

# Ophir Global Opportunities Fund



FIGURES AS AT 31 JANUARY 2022

DATE OF ISSUE: 11 FEBRUARY 2022

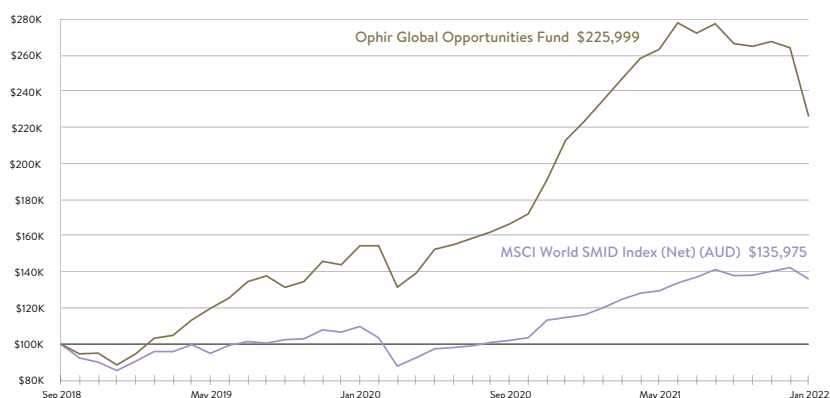
## ABOUT THE FUND

The Ophir Global Opportunities Fund seeks to provide investors with concentrated exposure to high quality small and mid-cap companies globally. 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 deliver ongoing positive earnings revisions. With a bias toward cash generative businesses with sound balance sheets and high quality management teams, the Fund seeks to identify those opportunities early in a Company's investment life cycle, when the listed equity is typically under-researched and under-valued by the broader investment market.

Unit Price (31 January)	Net Return Since Inception p.a.	Value Add (Gross) Since Inception p.a.	Fund Status
<b>\$1.6572</b>	<b>27.7%</b>	<b>26.9%</b>	<b>Enquire</b>

## OPHIR ASSET MANAGEMENT

- Privately owned investment management business co-founded by Senior Portfolio Managers in March 2012
- Fundamental bottom-up research approach combining rigorous company visitation and detailed proprietary analysis
- Strict management of Fund capacity in order to protect performance
- Highly experienced investment team with extensive track record of high performance through all market cycles
- Complete alignment of interests - Senior Portfolio Managers are substantial investors in the Fund



\* Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.

	Since inception p.a.	1 Year	6 Months	3 Months	1 month
Ophir Global Opportunities Fund^	<b>36.6%</b>	<b>4.1%</b>	<b>-16.5%</b>	<b>-14.4%</b>	<b>-14.3%</b>
Benchmark*	9.6%	17.1%	-0.8%	-1.5%	-4.5%
Value Add (Gross)	26.9%	-12.9%	-15.7%	-12.9%	-9.9%
Fund Return (Net)^	27.7%	1.2%	-17.0%	-14.7%	-14.4%

\* MSCI World SMID Index (Net) (AUD) ^Gross Performance (pre all fees) assuming all distributions re-invested from inception. ^^ Net Return after all Fees

## SENIOR PORTFOLIO MANAGERS



**Andrew Mitchell** B Ec (Hons), MAppFin  
Portfolio Manager  
15+ years experience in financial markets, previously Paradise Investment Management and Commonwealth Treasury Department



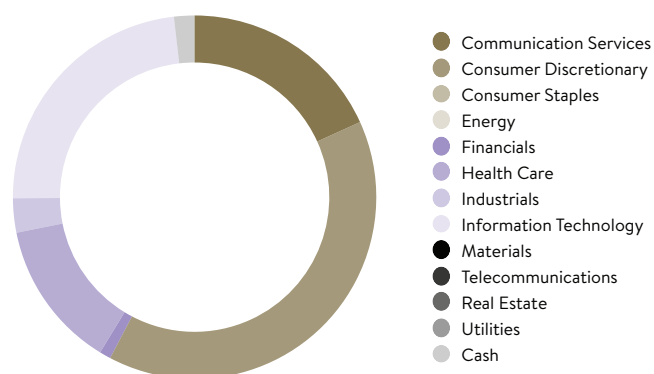
**Steven Ng** B Acc, CFA  
Portfolio Manager  
20+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

## KEY INFORMATION

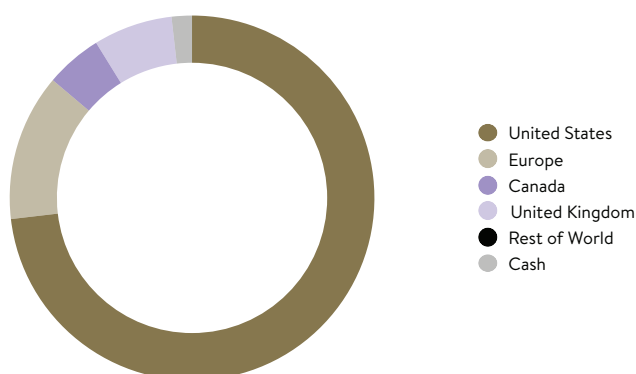
<b>Responsible Entity &amp; Manager</b>	Ophir Asset Management Pty Ltd
<b>Fund Inception</b>	October 2018
<b>Min Investment Amount</b>	\$100,000
<b>Number of Stocks</b>	20-50
<b>Cash Distributions</b>	Annually
<b>Redemptions</b>	Monthly
<b>Investment Objective</b>	Outperform benchmark (after fees) over long term (5+ yrs)

## ALLOCATION OF INVESTMENTS (as at 31 January 2022)

### PORTFOLIO SECTOR EXPOSURES



### GEOGRAPHIC EXPOSURES



### PORTFOLIO CHARACTERISTICS (as at 31 January 2022)

Number of Equity Holdings	38
Cash	1.5%
Weighted Average Market Cap	\$1,145m

### PORTFOLIO METRICS (as at 31 January 2022)

Price / Earnings	17.5x
EPS Growth	30.2%
Net Debt / EBITDA	-0.6

\*Numbers are sourced from Bloomberg. PE and EPS Growth is weighted average with a collar of 0 to 50 and Net Debt/EBITDA is weighted average with a collar of 0 to 10.

## MARKET COMMENTARY

Equity markets plunged to start the 2022 calendar year. In January, the S&P 500 (-5.2%), Nasdaq (-9.0%), Russell 2000 (-9.6%), ASX 200 (-6.4%) and ASX Small Ords (-9.0%) took a nosedive and posted their worst monthly return since the onset of Covid-19 in March 2020. The MSCI Europe index held up relatively better falling by -3.2%.

The Federal Reserve's hawkish pivot towards the end of 2021 was on the forefront of investors' minds and was the key driver behind the negative returns. Specifically, this relates to interest rate hike expectations being brought forward and recent moves higher in longer term bond yields. This has impacted the valuation of businesses, particularly those reinvesting more of their cashflow for future growth (otherwise known as "growth" stocks). In our view investors should not compare the recent pullback to an economic meltdown or a recession as the driver of inflation and interest rate increases has been strong economic growth.

Whilst most indices concluded the month in the red, there was a vast difference in performance in different sectors and investing styles. 'Value' companies outperformed 'Growth' significantly in most regions given the downwards pressure on valuations for the latter with the MSCI World Growth Index returning -9.3% during the month while the MSCI World Value Index returned -1.2% (in USD). Even more extreme was the falls in the US small cap growth segment with the Russell 2000 Growth index down -13.4% and Goldman Sachs' Liquid IPO basket down -22.3% (in USD).

In other news, Covid-19 took a backseat from headlines although it continued to weigh on investor sentiment. Concerns over the severity of the Omicron variant waned however due to its reduced severity, and dealing with Covid-19 and its consequent disruptions has now become an ongoing part of business for most companies. New daily cases in Australia have fallen significantly from the middle of January however parts of the world, including Europe, are beginning to see cases rise again on the back of the Omicron Ba.2 sub-variant. Early studies suggest the variant is more transmissible than Omicron but no more severe.

## PORTFOLIO COMMENTARY

During January, the Ophir Global Opportunities Fund returned -14.4% (net of fees) versus the index which returned -4.5%. Since its inception in October 2018, the Fund has returned +27.7% p.a. (net of fees) while the index has returned +9.6% p.a..

The key variable responsible for the Fund's soft performance in January was investors trading on macroeconomic news and distinct from stock specific news. With longer term bond yields rising, there has been an exodus of investors from "growth" style business which in turn has caused stock prices to fall. Over recent months, we have been cognisant to limit the allocation in the Fund to higher valuation positions (i.e. the more growth orientated stocks) to soften the impact of any rise in longer term bond yields. The selloff experienced so far however has been indiscriminate and companies that fall into heavily sold off categories such as recent IPOs have had their share prices punished regardless of the businesses' underlying fundamentals.

Value dominated sectors such as Financials, Real Estate, Utilities, Energy and Materials that have held up relatively better recently are underweight in the Fund and this has caused a relative headwind to performance. We are not about to change our spots however to chase the latest recent macro induced trend. Underlying operating fundamentals (i.e. revenue and profit growth) of portfolio companies in the Fund remain sound and in a very healthy condition.

Our ratio of investing in companies with earnings upgrades versus downgrades has remained high in recent months and in line with our long-term average. We think our companies will ultimately stand out during the current and upcoming reporting seasons as they are the ones growing faster in an environment where overall economic growth remains high but slowing.

The number of stocks reduced from 40 to 38 during the month with two low weight positions exited. We have been using the recent market volatility to add to those core positions where we have high confidence that they will beat earnings expectations and valuations are very attractive. Our highest conviction holdings were already trading at a material discount to the market and because we have not seen earnings deteriorate in

the portfolio, we believe our upside is higher now than before this drawdown.

One of the biggest detractors to performance for the month was a US business listed on the New York Stock Exchange. The company is a Direct-To-Consumer business with four key product brands, with its main offering being fire pits for use at home or camping. The company, which listed in October 2021, upgraded its full year revenue and earnings guidance materially in January, but its stock price fell heavily by 28.6% during the month, which highlights the indiscriminate sell off we've witnessed in markets.

Ultimately, fundamentals matter for businesses and are recognized by the share market. Share prices follow earnings growth over the medium to long term and should we continue to get our earnings calls right, we believe share prices and in turn portfolio performance will follow.

## INVESTMENT PHILOSOPHY

### 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 \$3.0bn 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 and the Ophir High Conviction Fund which have both delivered exceptional long term returns since inception.

## KEY INVESTOR CONTACTS

### INVESTOR SERVICES

#### Automic Group

T: 02 8072 1478

E: [ophir@automicgroup.com.au](mailto:ophir@automicgroup.com.au)

### INVESTMENT ENQUIRIES

#### George Chirakis (Chief Executive)

T: 02 8006 5476

E: [george.chirakis@ophiram.com](mailto: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 Global Opportunities 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 issued 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 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 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.