

# Ophir Global Opportunities Fund



FIGURES AS AT 30 JUNE 2022

DATE OF ISSUE: 18 JULY 2022

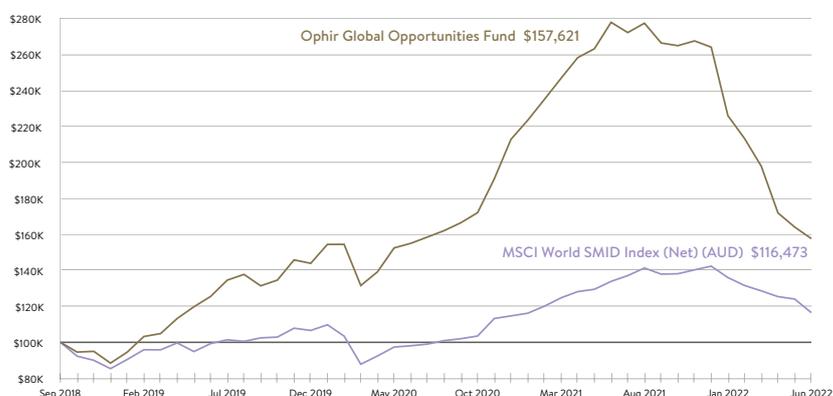
## ABOUT THE FUND

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 (30 June)	Net Return Since Inception p.a.	Value Add (Gross) Since Inception p.a.	Fund Status
<b>\$1.1558</b>	<b>12.9%</b>	<b>16.0%</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.

\*\*All monthly performance figures since inception have been audited figures except January 2022 which are unaudited estimates.

	Since inception p.a.	3 Year p.a.	1 Year	6 Months	3 Months	1 month
Ophir Global Opportunities Fund <sup>^</sup>	<b>20.1%</b>	<b>24.9%</b>	<b>-42.5%</b>	<b>-39.9%</b>	<b>-20.0%</b>	<b>-3.8%</b>
Benchmark*	4.2%	6.5%	-13.0%	-18.2%	-9.4%	-6.1%
Value Add (Gross)	16.0%	18.4%	-29.6%	-21.7%	-10.6%	2.3%
Fund Return (Net) <sup>^^</sup>	12.9%	9.5%	-43.3%	-40.3%	-20.3%	-3.9%

\* MSCI World SMID Index (Net) (AUD) <sup>^</sup>Gross Performance (pre all fees) assuming all distributions re-invested from inception. <sup>^^</sup> 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



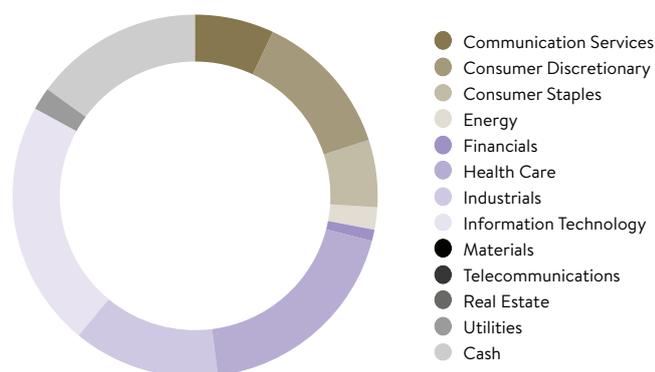
**Steven Ng** B Acc, CFA  
Portfolio Manager  
20+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

## KEY INFORMATION

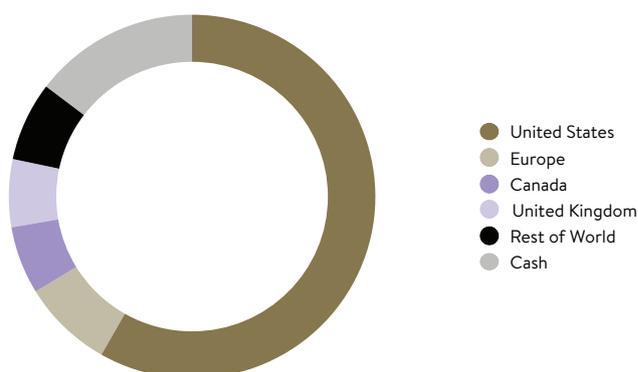
Responsible Entity & Manager	Ophir Asset Management Pty Ltd
Fund Inception	October 2018
Min Investment Amount	\$100,000
Number of Stocks	20-50
Cash Distributions	Annually
Redemptions	Monthly
Investment Objective	Outperform benchmark (after fees) over long term (5+ yrs)

## ALLOCATION OF INVESTMENTS (as at 30 June 2022)

### PORTFOLIO SECTOR EXPOSURES



### GEOGRAPHIC EXPOSURES



### PORTFOLIO CHARACTERISTICS (as at 30 June 2022)

Number of Equity Holdings	42
Cash	14.6%
Weighted Average Market Cap	\$5,089m

### PORTFOLIO METRICS (as at 30 June 2022)

Price / Earnings	14.6x
EPS Growth	24.4%
Net Debt / EBITDA	-2.5

\*Numbers are sourced from Bloomberg. PE is weighted harmonic mean, 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

Most major share markets outside of China took a nosedive in June to conclude the Financial Year. The S&P 500 (-8.3%), Nasdaq (-8.7%), Russell 2000 (-8.2%) and MSCI Europe (-7.7%) finished the month deep in the red whilst the Nikkei (-3.1%) performed relatively better. The Australian stock market had been holding up well compared to other markets however the ASX 200 fell -8.8% in line with other major stock markets during June. Notably, small caps in Australia had a dreadful month with the ASX Small Ordinaries index falling -13.1%.

Covid-19, inflation and the war in Ukraine were the biggest factors to impact markets during the Financial Year ending 30 June 2022. Large caps weathered these uncertainties relatively better, with the S&P 500 and ASX 200 returning -10.6% and -5.2% respectively, whilst small caps were more heavily hit with the Russell 2000 and ASX Small Ordinaries indices returning -25.2% and -19.0% respectively. Increasing interest rates unsurprisingly impacted growth stocks more than value stocks during the financial year, with the MSCI ACWI World Value index outperforming the MSCI ACWI World Growth index by 15.9%.

At the start of June, the US Federal Reserve commented that economic activity had expanded moderately since April albeit a third of the Districts noted that the pace of growth had slowed. The biggest challenge for most Districts was labour market difficulties followed by supply chain disruptions. Worker shortages forced many firms to operate under capacity and in response, firms continued to deploy automation, offer better job flexibility and raise wages. The majority of Districts reported strong price increases, especially for input prices, resulting in inflation in the US to rise to a four-decade high of 8.6%.

Growth stocks, which have felt the full brunt of increasing interest rates, finally delivered returns better than Value stocks, with the Russell 2000 Value and Russell 2000 Growth indices returning -9.9% and -6.2% respectively in June.

Looking at US Small Cap companies, the Health Care (+2.0%), Consumer Staples (+0.6%) and Utilities (-3.0%) sectors were the best relative performers while the Energy (-21.0%), Materials (-13.2%) and Consumer Discretionary (-12.6%) sectors led the laggards.

## PORTFOLIO COMMENTARY

During June, the Ophir Global Opportunities Fund returned -3.9% (net of fees) versus the index which returned -6.1%. Since its inception in October 2018, the Fund has returned +12.9% p.a. (net of fees) while the index has returned +4.2% p.a.

In terms of our portfolio positioning, the number of holdings increased whilst cash levels decreased marginally during June. Although valuation multiples for some of our favourite businesses have contracted meaningfully, we note that we are only just starting to see earnings expectations moderate more broadly in the market and anticipate that more material earnings revisions might be warranted. To this end, we continue to focus on upgrading the defensiveness of the Fund with the ultimate goal of navigating market volatility and preserving capital.

The changes we've made since March, as noted in prior updates, include: (1) increasing our exposure to "defensive growers" (or growing companies with earnings less reliant on strong macroeconomic growth); (2) targeting slightly larger companies with more liquidity; and (3) lightening our weight in the Consumer Discretionary sector. We will continue to focus on identifying good businesses in our wheelhouse that we believe can grow in the current environment and will not shift our investment style. Our exposure to Growth businesses helped this month with the Russell 2000 Growth index outperforming the Russell 2000 Value index by 3.7%.

One of the largest contributors to performance for the month was a \$9bn market cap company listed on the Nasdaq in the business advisory space. It provides services in areas including

corporate finance & restructuring and forensic & litigation consulting. This is a business we added in recent months given its earnings are relatively shielded from a slowing economic cycle. Whilst there was no material company specific news, the company's share price rose +7.7% in June.

One of the largest detractors to performance over the month was a boutique fitness franchisor listed on the New York Stock Exchange operating in the US and internationally. Although there was no stock specific news, the company's share price fell -33.5% in June as it faced ongoing selling pressure alongside other consumer discretionary companies.

## OUTLOOK

We think there are two broad scenarios that could play out from here driving global equity markets over the next year:

**Soft Landing:** The Federal Reserve in the US is able to take enough demand out of the economy and supply side issues resolves sufficiently to tame inflation without tipping the US economy into a deep recession and instead no or a mild recession in the US ensues. In this instance, any cuts to global earnings growth should be more moderate and a nearer term recovery in markets seems more likely.

**Hard Landing:** The Fed is not able to take enough demand out of the economy and supply side issues continue to put upward pressure on inflation, forcing the Fed to continue to hike rates even further than expected. In this scenario, it is likely the US economy would enter a deeper recession and corporate earnings would be more materially impacted. If this is to eventuate, we believe the recent changes we have made to the portfolio will help protect against deeper contractions in earnings and hence portfolio performance.

We continue to focus on identifying good businesses in our areas of expertise and do not large make bets on the direction of markets. Whilst this period of underperformance is painful, our experience tells us that vicious sell offs create the best opportunities and ultimately leads to significant future returns when the market starts focusing back on company fundamentals.

## 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 \$2.0bn on behalf of institutional superannuation funds, family offices, private wealth groups and individual investors.

The investment team comprises 12 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 from 2007-2011. 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 SERVICES

#### Automic Group

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### INVESTMENT ENQUIRIES

#### George Chirakis (Chief Executive)

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