

# Ophir Global Opportunities Fund



FIGURES AS AT 30 NOVEMBER 2022

DATE OF ISSUE: 15 DECEMBER 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 November 2022)

**\$1.2938**

Net Return Since Inception p.a.

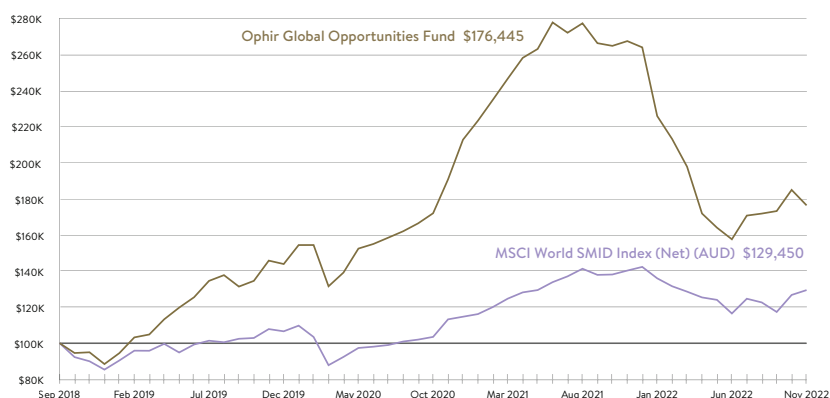
**14.6%**

Fund Status

**Enquire**

## 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>	21.3%	12.0%	-33.1%	8.3%	3.0%	-4.5%
Benchmark*	6.4%	5.6%	-7.7%	4.4%	5.6%	2.1%
Value Add (Gross)	14.9%	6.4%	-25.4%	3.9%	-2.6%	-6.7%
Fund Return (Net)	14.6%	6.7%	-34.1%	7.5%	2.7%	-4.6%

\*MSCI World SMID Index (Net) (AUD)

## 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



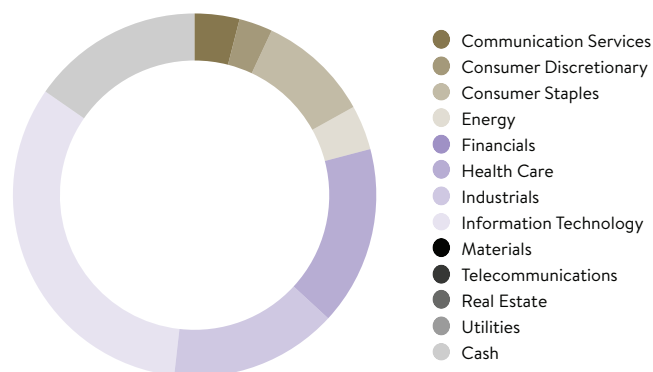
**Steven Ng** B Acc, CFA  
Portfolio Manager  
20+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

## KEY INFORMATION

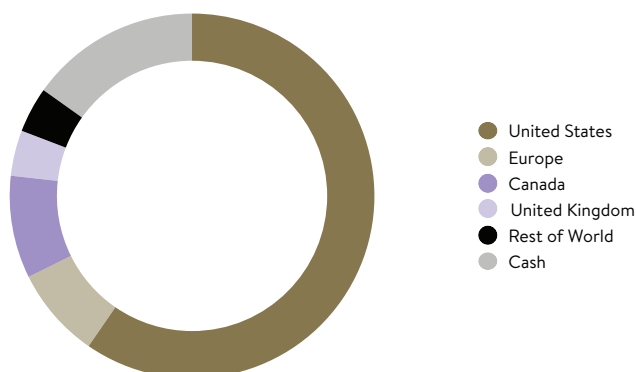
Responsible Entity & Manager	Ophir Asset Management Pty Ltd
Fund Inception	October 2018
Min Investment Amount	\$100,000
Number of Stocks	20-50
Cash Distributions	Annually
Redemptions	Monthly
Investment Objective	Outperform benchmark (after fees) over long term (5+ yrs)

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

### PORTFOLIO SECTOR EXPOSURES



### GEOGRAPHIC EXPOSURES



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

Number of Equity Holdings	41
Cash	15.4%
Weighted Average Market Cap	\$5.0bn

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

Price / Earnings	18.5x
EPS Growth	23.1%
Net Debt / EBITDA	-1.6

\*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

Equity markets rallied strongly for the second month in a row as a softer U.S. CPI report raised hopes of a softer economic landing. Larger companies in Australia outperformed smaller companies with the ASX 200 and ASX Small Ordinaries indices returning +6.8% and +5.0% respectively in November. In U.S. markets, the S&P 500, Nasdaq and Russell 2000 indices returned +5.6%, +4.5% and +2.3% respectively. European stocks bounced back strongly with the MSCI Europe Index returning +6.9% whilst the Nikkei returned a more modest +1.4% for the month.

Value stocks continued to outperform Growth stocks in Australia with the MSCI Australia Growth Index underperforming the MSCI Australia Value Index by 5.0% for the month. Over the last quarter, the Value index has returned +12.8% compared to the Growth index which returned +3.1%. The same theme played out in the U.S. with Value stocks outperforming Growth stocks for the S&P 500 and Russell 2000 by 0.9% and 1.4% respectively in November.

At the start of November, the Federal Reserve hiked interest rates by 75 basis points for the fourth consecutive time, increasing the federal funds target range to 3.75% to 4%. With a better than expected October Consumer Price Index Report landing in November it was widely expected that the interest rate hikes in the near future will slow. However, the minutes from the Federal Reserve's November meeting noted that the peak Federal Funds Rate will probably be higher than previously thought.

Looking at U.S. Small Cap companies, the Materials (+6.3%), Utilities (+5.4%) and Consumer Discretionary (+5.1%) sectors were the best performers whilst the Health Care (-1.8%), Communication Services (-0.1%) and Energy (+1.2%) sectors were the worst relative performers.

## PORTFOLIO COMMENTARY

During November, the Ophir Global Opportunities Fund returned -4.6% (net of fees) versus the index which returned +2.1%. Since its inception in October 2018, the Fund has returned +14.6% p.a. (net of fees) while the index has returned +6.4% p.a.

In terms of currency movements, the AUD appreciated against the USD by +6.1% over the month which contributed to most of the Fund's negative AUD performance during November.

In terms of our portfolio positioning, the number of holdings increased from 39 to 41 and cash levels increased from 14.0% to 15.4% in November. The core positions in the Fund remain largely unchanged with no changes to the Fund's top 10 holdings. We remain overweight in growing industrials with earnings less correlated to the broader economy and remain underweight in cyclical and bond proxy stocks.

In terms of the Q3 U.S. reporting season, although we had roughly the same number of stocks report beats and misses compared to prior reporting season averages, we had a higher weight in misses. Of the 88.5% of the companies in the portfolio that reported earnings, 16.6% of the Fund by weight missed its earnings expectations by 2% or more, 22.3% of companies reported in line (plus or minus 2%) with expectations whilst the majority of investee companies (61.1%) beat expectations by at least 2%. This time around, beats were not rewarded as they normally would have during normal economic conditions and misses were punished. We're seeing a disproportionate move to the downside which is commensurate with where we are in the economic cycle.

One of the largest stock contributors to performance for the month was a \$2.9bn company listed on the Nasdaq. The business focuses on technologies that allows better storage and

transportation of organs for transplants. An unacceptably high number of all hearts for transplants never get used for a variety of reasons so technology in this industry is certainly welcome. The company posted a strong result and the stock price rose +22.3% over the month.

One of the largest detractors to performance in November was a \$6.7bn company listed on the Nasdaq. The business provides outsourced revenue cycle management for hospital systems and provider networks in the U.S.. The company missed its quarterly EBITDA figure by approximately 13% due to staffing issues at health insurers meaning forecast incentive payments were not received on three hospital contracts and unrelatedly the CEO resigned to focus on his family after a decade with the company. The share price fell -51.2% in November. The downgrade was disappointing given management reaffirmed earnings guidance just two weeks out from quarter end. In our opinion the share price reaction was oversized but speaks to the stage we are at in the broader earnings cycle.

## OUTLOOK

As economic activity slows, we expect more companies will miss their earnings guidance. Although finding companies that surprise on the upside will become more difficult, we still maintain our style and continue to look for companies that can grow during any economic condition. We expect management to be more conservative with guidance which can impact share price returns, but this is to be expected at this point in the cycle.

The volatility that has ensued in small cap stocks should continue as the economy slows and this volatility should continue to bring forward opportunities to invest in great businesses at cheaper valuations. To this end we are working our hardest to find the next gem that will help propel the Fund's performance over the long term.

## 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 in capital 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

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### INVESTMENT ENQUIRIES

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