

Ophir Global Opportunities Fund



Figures as at 28 February 2023

Date of Issue: 14 March 2023

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

\$1.2882



Net Return Since Inception (p.a.)

+13.6%



Fund Status

Enquire

Ophir Asset Management

- Ophir Asset Management is a privately owned investment management business established by founders Andrew Mitchell and Steven Ng in 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 all Ophir funds

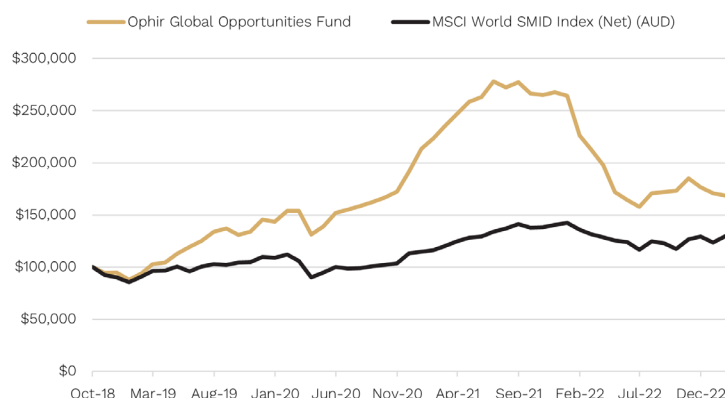


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.

	Since Inception (p.a.)	3 Years (p.a.)	1 Year	6 Months	3 Months	1 Month
Fund Return (Net)	13.6%	4.5%	-17.6%	2.2%	-0.4%	4.2%
Benchmark*	6.5%	7.7%	0.4%	7.8%	2.1%	2.0%

The figures in the table above assume reinvestment of distributions. Past performance is not a reliable indicator of future performance.

*MSCI World SMID Index (Net) (AUD)

Senior Portfolio Managers



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



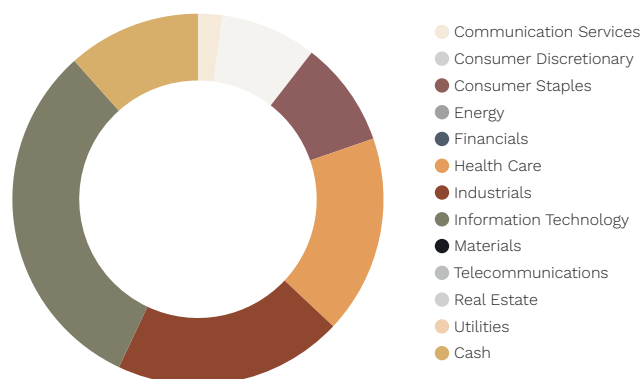
Steven Ng B Acc, CFA
Portfolio Manager
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

Key Information

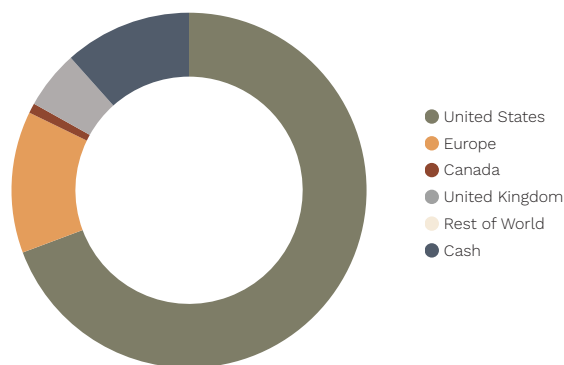
Responsible Entity & Manager:	Ophir Asset Management Pty Ltd
Fund Inception:	October 2018
Min Investment Amount:	\$100,000
Number of Stocks:	20-50
Cash Distributions:	Annually
Redemptions:	Monthly
Investment Objective:	Outperform benchmark (after fees) over long term (5+ yrs)

Allocation of Investments

Portfolio Sector Exposures



Geographic Exposures



Portfolio Characteristics

Number of Equity Holdings	37
Cash	11.6%
Weighted Average Market Cap	\$6.4bn

Portfolio Metrics

Price / Earnings	18.8x
EPS Growth	23.7%
Net Debt / EBITDA	1.5

*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 -10 to 10 for those companies with positive net debt.

Market Commentary

After a roaring start in January equities got a reality check in February from higher-than-expected inflation numbers and a stronger-than-expected labour market in the U.S. In the U.S., the S&P 500, Nasdaq and Russell 2000 fell -2.4%, -1.0% and -1.7% respectively. The Australian market trailed most other developed markets with the ASX 200 and ASX Small Ords indices falling by -2.3% and -3.6% respectively. The standouts were the European and Japanese markets, with the MSCI Europe and Nikkei returning +1.8% and +0.5% respectively for the month.

As alluded to above the catalyst for the falls were economic data points from the U.S. suggesting that the interest rate hikes to date have not taken out enough demand from the economy. As a consequence, analysts are projecting U.S. interest rates to peak later and higher than previously expected. Whilst this does push back the expected recovery in share markets, interest rate hikes take time to impact the economy and the labour market is a lagged indicator of the state of the economy.

Growth stocks acted out of character and outperformed Value stocks in the face of higher inflation and rates with the MSCI World Growth Index beating the MSCI World Value Index by 1.0% in February.

The latest higher-than-expected inflation print in the U.S. has caused uncertainty, which took a back seat after several positive inflation prints, to return to the fore. Market spectators and participants have been keeping a close eye on newly released economic data points and statements from central bank officials with incremental data points causing the market to swing in either direction. Strong economic data and sticky inflation in the U.S. have 'kicked the can' somewhat down the road on recession fears though certainly not allayed them completely.

Looking at U.S. small cap companies, the Financials (+0.3%), Industrials (+0.0) and Consumer Staples (+0.0%) sectors closed fairly flat and were the best relative performers whilst the Health Care (-4.3%), Real Estate (-6.1%) and Communication Services (-4.2%) sectors were the worst performers.

Portfolio Commentary

During February, the Ophir Global Opportunities Fund returned +4.2% (net of fees) versus the index which returned +2.0%. Since its inception in October 2018, the Fund has returned +13.6% p.a. (net of fees) while the index has returned +6.5% p.a.

In terms of currency movements, the AUD depreciated against the USD by +4.6% over the month which was a tailwind for absolute performance of the Fund.

In terms of portfolio positioning, the number of holdings remained stable at 37 and cash levels fell to 11.6% in February.

February is an important month for the Fund as many portfolio companies announce their December 2022 quarterly results. In this reporting season, of those that reported, 71% of the Fund beat expectations, 19% provided results in line with expectations and 10% missed expectations. In terms of guidance, 56% of the Fund raised, 33% maintained, 7% downgraded and 4% didn't provide guidance. These figures are reweighted to only include stocks that reported in the latest reporting season.

The portion of the portfolio that beat expectations has increased from the prior quarter albeit misses have remained elevated. This is something

we are acutely focused on improving. In terms of guidance, we had our best result of the last three quarters. This was encouraging given the conservatism from management teams in light of the more unclear macroeconomic backdrop.

One of the largest stock contributors to performance during reporting season was \$2.7bn market cap online education business Stride (NYSE:LRN). It posted a very strong result, removing doubt around the cyclical nature of its growth profile and also upgraded guidance. We have confidence the company can grow faster than the market whilst providing defensive qualities. The company's share price rose +35.8% over January and February.

One of the largest detractors to performance during reporting season was a \$3.9bn grocery business called Grocery Outlet Holdings (NASDAQ:GO). The company delivered solid results driven by the company's core value offering, but lowered guidance by 12% due to an accounting change that we expected. Without this change, guidance would have been in line with expectations. The share price fell -11.0% in February.

Outlook

We continue not to make major macroeconomic bets and have a skew towards growth stocks vs. cyclicals/resources companies in line with our style of investing. Our focus remains on earnings, valuations, balance sheets and resilience of demand given the uncertain macro backdrop.

We're still somewhat cautious and deploying capital carefully but we continue to find opportunities at valuations that are much more attractive than 12-18 months ago.

Going forward, we are likely to see two dynamics:

1. Increasingly tougher economic conditions as interest rates bite. The number of companies across the market downgrading guidance either prior to or at the time of their result is expected to increase.
2. A more uncertain environment means companies will be more reticent to provide guidance.

As a result, the team is working hard to analyse the changing macroeconomic backdrop and the impact on earnings for the companies we own in the portfolio. We continue to have a bias at present for those companies with more resilient earnings and that we believe have a higher probability of delivering on those earnings.

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 11 investment professionals drawn from a diverse range of backgrounds working across all Ophir funds.

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