

Ophir Global Opportunities Fund



Figures as at 30 April 2023

Date of Issue: 11 May 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

\$1.3287



Net Return Since Inception (p.a.)

+13.9%



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

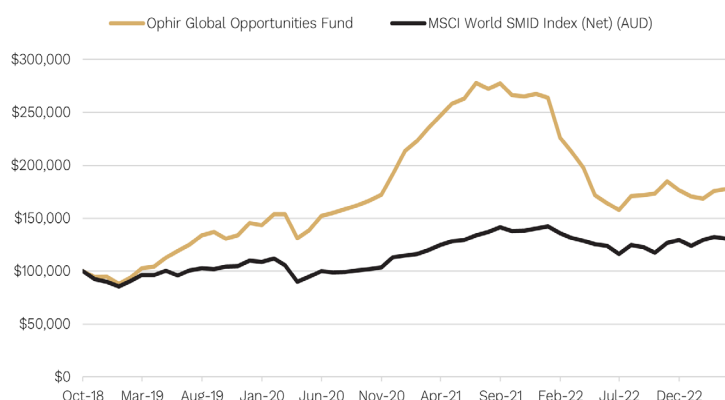


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.

	Since Inception (p.a.)	3 Years (p.a.)	1 Year	6 Months	3 Months	1 Month
Fund Return (Net)	13.9%	9.3%	5.4%	-2.1%	7.4%	1.9%
Benchmark*	6.4%	11.9%	5.9%	4.7%	2.5%	1.5%

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.



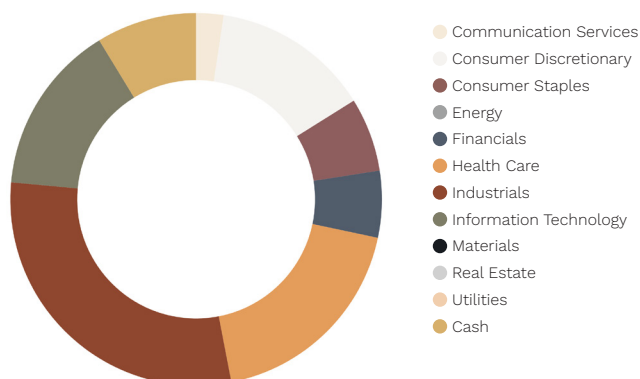
Steven Ng B Acc, CFA
Portfolio Manager
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

Key Information

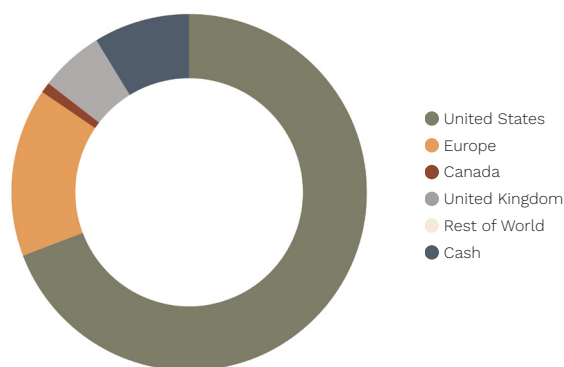
Responsible Entity & Manager:	Ophir Asset Management Pty Ltd
Fund Inception:	October 2018
Min Investment Amount:	\$100,000
Number of Stocks:	20-50
Cash Distributions:	Annually
Redemptions:	Monthly
Investment Objective:	Outperform benchmark (after fees) over long term (5+ yrs)

Allocation of Investments

Portfolio Sector Exposures



Geographic Exposures



Portfolio Characteristics

Number of Equity Holdings	43
Cash	8.7%
Weighted Average Market Cap	\$7.3bn

Portfolio Metrics

Price / Earnings	18.0x
EPS Growth	23.3%
Net Debt / EBITDA	0.9

*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 and excludes companies with net cash and negative EBITDA. Leases have been removed from Net Debt.

Market Commentary

Most global equity markets took a step forward in April. The Japanese and European markets delivered strong results with the Nikkei and MSCI Europe returning +2.9% and +2.6% respectively. The Australian market also returned strong results with the ASX 100 and ASX Small Ords indices returning +1.7% and +2.8% respectively. It was more of a mixed bag of results for the U.S. market, with the S&P 500 generating +1.6% in returns whilst smaller companies in the Russell 2000 retraced by -1.8%. The Nasdaq rose marginally, returning +0.1% for the month.

Large cap growth stocks in the U.S. underperformed their Value counterpart by 0.3% whilst the reverse was true for U.S. small caps, with the Russell 2000 Growth index outperforming its Value counterpart by 1.3%.

So far in 2023 the S&P 500 has returned 9.2% in total return terms to the end of April. Whilst the index has beaten most people's expectations heading into the year, the breadth of stocks that have returned strong performance has been narrow – the top 10 performing stocks made up 80% of total returns. The average return of these 10 stocks was +41.0% whilst the remaining 490 stocks returned +2.5% on average.

Q1 reporting season kicked off in the U.S. during the last week of April which is a great barometer of trends with relevance for different parts of the Australian market. Some of the key insights we've gathered so far include (1) a material deterioration in enterprise software and hardware spend towards the end of the quarter with lumpy project spending getting deferred, (2) demand for old world businesses including transport falling and (3) consumers are still spending but using funds on more affordable alternatives.

At the time of writing the U.S. Federal Reserve had just increased its policy rate by 0.25% in early May. There was strong indications though in commentary that followed the announcement this may be the last rate hike of this cycle as the lagged impact of previous hikes, ongoing quantitative tightening and credit restrictions from U.S. banks continue to weigh on demand.

Looking at U.S. Small Cap companies, the Health Care (+5.7%), Consumer Staples (+1.3) and Communication Services (-0.8%) sectors were the best relative performers whilst the Information Technology (-9.9%), Materials (-4.1%) and Financials (-3.2%) sectors were the worst performers.

Portfolio Commentary

During April, the Ophir Global Opportunities Fund returned +1.9% (net of fees) versus the index which returned +1.5%. Since its inception in October 2018, the Fund has returned +13.9% p.a. (net of fees) while the index has returned +6.4% p.a.

In terms of currency movements, the AUD depreciated against the USD by 1.1% over the month which was a tailwind for absolute performance of the Fund.

In terms of portfolio positioning, the number of holdings increased from 39 to 43 and cash levels fell marginally to 8.7% in April.

As noted earlier, reporting season in the U.S. kicked off during the month. At the time of writing in early May approximately half of the portfolio companies reported earnings. We look forward to updating our investors on full reporting season outcomes next month.

One of the largest stock contributors to performance during the month was an AUD\$2.8bn online education business listed on the New York Stock Exchange. After conservatively providing guidance in October 2022, the business has continued to surprise on the upside demonstrating consistent earnings growth. In its latest report the business continued to see increasing enrolments and beat consensus expectations, along with increasing full year guidance by 5%. Its stock price rose +9.5% in April.

One of the largest detractors to performance during the month was an AUD\$3.5bn cloud-driven networking solutions business listed on the Nasdaq. The company sold off alongside enterprise networking equipment sales companies. The business is winning share but its earnings are linked to project spend which is slowing. We think this business is a long-term structural winner so we still own it albeit at a lower weight. Its stock price fell -7.0% in April.

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.

We continue to focus on identifying good businesses in our areas of expertise and remain comfortable with the diversification of stocks owned in the portfolio and their more resilient earnings characteristics.

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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