Ophir Global Opportunties Fund

Figures as at 31 May 2023
Date of Issue: 16 June 2023

OPHIR

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	Net Return Since Inception (p.a.)	Fund Status
$1.3162	+13.4%	Enquire

Ophir Asset Management

- Ophir Asset Magement 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

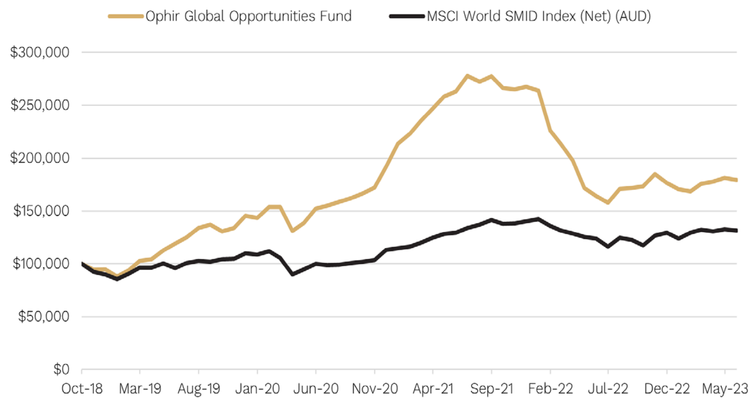


Chart represents net value of $100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.

	Since Inception (p.a.	3 Years (p.a.)	1 Year	6 Months	3 Months	1 Month
Fund Return (Net)	13.4%	5.7%	9.4%	1.7%	2.2%	-0.9%
Benchmark*	6.0%	9.5%	6.0%	1.5%	-0.5%	-1.0%

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 Paradice Investment Management and Commonwealth Treasury Department.

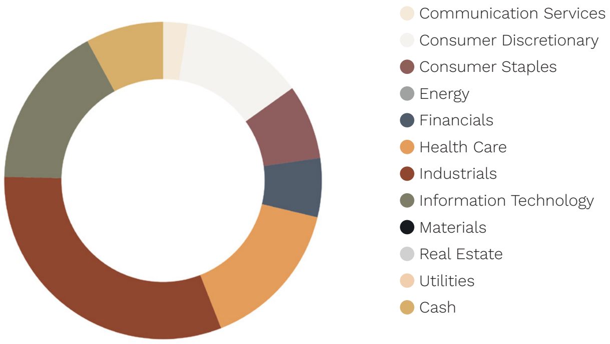
Steven Ng B Acc, CFA
Portfolio Manager
23+ years experience in financial markets, previously Paradice Investment Management and ING Investment Management

Key Information

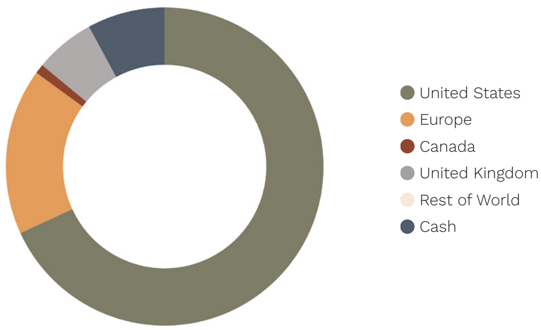
Responsible Entity & Manager:	Ophir Asset Management Pty Ltd
Fund Inception:	October 2018
Min Investment Amount:	$100,000
Number of Stocks:	20-50
Cash Distributions:	Annually
Redemptions:	Monthly
Investment Objective:	Outperform benchmark (after fees) over long term (5+ yrs)

Allocation of Investments

Portfolio Sector Exposures



Geographic Exposures



Portfolio Characteristics

Number of Equity Holdings	44
Cash	7.9%
Weighted Average Market Cap	$7.3bn

Portfolio Metrics

Price / Earnings	17.6x
EPS Growth	22.8%
Net Debt / EBITDA	0.4

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

Market Commentary

There was a significant divergence of returns for global equity markets in May. The Japanese market led global markets with the Nikkei 225 surging by +7.0% over the month on the back of corporate reforms and cheap valuations, resulting in the index closing at new multi-decade highs. The tech-dominated Nasdaq closed just behind the Nikkei, returning +5.9%, whilst the S&P 500 and Russell 2000 returned a more muted +0.4% and -0.9% respectively. The Australian and European markets had the weakest month, with the ASX 100, ASX Small Ords and MSCI Europe indices returning -2.3%, -3.2% and -2.4% respectively.

Growth stocks outperformed Value stocks in the U.S. with the S&P 500 Growth and Russell 2000 Growth indices beating their Value counterparts by 4.4% and 2.0% respectively. The same theme played out in Australia over the month, with the MSCI Australia Growth index outperforming the MSCI Australia Value index by 2.0%.

One of the key topics being discussed in meetings with company management across industries is Artificial Intelligence (A.I.) and its immense disruptive potential.

In a recent interview, Stanley Druckenmiller said "A.I. is very, very real and could be every bit as impactful as the internet". Companies positively leveraged to A.I. materially outperformed during the month, with NVIDIA, Microsoft and Amazon making up almost half of the Nasdaq's strong returns in May. This is an area we are tracking closely given the opportunity set.

In a recent update in its May Beige Book, the U.S. Federal Reserve announced there was little change in overall economic activity through April and early May. Expectations for future growth deteriorated a little albeit some districts still expect further expansion in activity. The labour market continued strongly, with some districts reporting difficulty finding workers across a range of skill levels and industries.

Looking at U.S. Small Cap companies, the Information Technology (+12.5%), Health Care (+1.8%) and Utilities (-1.0%) sectors were the best relative performers whilst the Materials (-5.9%), Consumer Discretionary (-5.9%) and Energy (-5.8%) sectors were the worst performers.

Portfolio Commentary

During May, the Ophir Global Opportunities Fund returned -0.9% (net of fees) versus the index which returned -1.0%. Since its inception in October 2018, the Fund has returned +13.4% p.a. (net of fees) while the index has returned +6.0% p.a.

In terms of currency movements, the AUD depreciated against the USD by 1.7% over the month which was a tailwind for absolute performance of the Fund.

In terms of portfolio positioning, the number of holdings increased from 43 to 44 and cash levels fell to 8.0% in May.

In the Q1 U.S. reporting season, 86% of the Fund beat expectations, 11% provided results in line with expectations and 3% missed expectations. In terms of guidance, 43% of the Fund raised, 37% maintained, 0% downgraded and 20% didn't provide guidance. These figures are reweighted to only include stocks that reported in the latest reporting season. This was one of our best reporting seasons although the Fund's performance did not reflect this outcome as capital continued to flow out of smaller companies and into larger ones. Turnover for the portfolio was low given most of our companies performed in line with our expectations.

Some of the key insights we've gathered from the reporting season include (1) a material deterioration in enterprise software and hardware spend with lumpy project spending getting deferred, (2) volatility in banks has continued and several companies have talked about access to finance for end markets tempering their growth outlooks and (3) consumers still spending but using funds on more affordable alternatives.

One of the larger stock contributors to performance during the month was an AUD$7.8bn business listed on the Nasdaq. It is the largest provider of Health Savings Accounts (HSAs) in the U.S. and due to custodial revenue from cash balances, it generates more earnings from higher bond yields (which was seen over the month). We like the exposure we get from this holding which balances the more traditional growth businesses that typically benefit from falling bond yields. Its stock price rose +2.5% in May.

One of the largest stock detractors to performance during the month was an AUD$4.1bn business listed on the Nasdaq. It is a leader in next generation aesthetic and medical treatment utilising micro-needling and radiofrequency technology for fat reduction, skin tightening and medical conditions. Its stock price fell by -15.3% in May as it released its March quarter result which was in line with its pre-announced earnings beat but the market was disappointed as the company didn't raise guidance – seeing it give back some of its April share price gains. We continue to hold this business as we believe its earnings will be more defensive than other consumer companies given its affluent customer base and competitive positioning within the aesthetics market.

Outlook

As noted by the RBA, "global growth is forecast to remain well below its historical average over the next two years, as high inflation and tighter monetary policy settings are expected to continue to weigh on demand".

As global growth slows, more companies across the market are likely to miss their earnings guidance and we expect management teams to be more conservative with guidance. We are comfortable with the positioning of the portfolio in the current environment, being overexposed to more defensive and resilient growth stocks and underexposed to more cyclical growth stocks.

We continue to focus on identifying good businesses in our areas of expertise and have built a list of cyclical growth stocks that we think can surge when the market ultimately recovers. At these inflexion points, smaller companies tend to rally out of the market bottom at a faster pace than larger companies.

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.

Key Investor Contacts

Investor Services

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Investment Enquiries

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