

Ophir Global Opportunities Fund



Figures as at 30 June 2023
Date of Issue: 25 July 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

\$1.3586



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

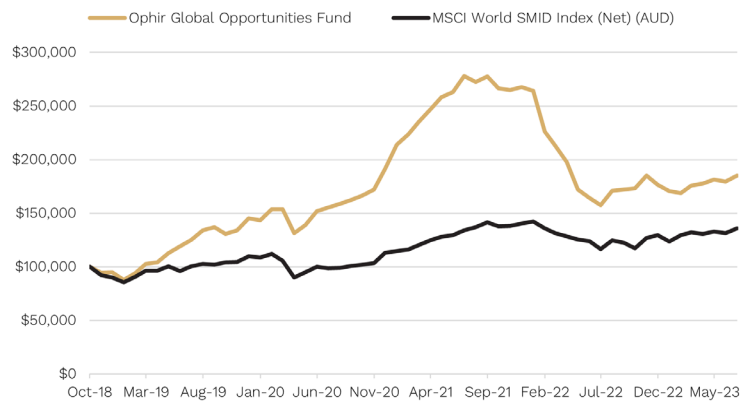


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.

| | Since Inception (p.a.) | 3 Years (p.a.) | 1 Year | 6 Months | 3 Months | 1 Month |
|--------------------------|------------------------|----------------|--------|----------|----------|---------|
| Fund Return (Net) | 13.9% | 6.1% | 17.5% | 8.5% | 4.2% | 3.2% |
| Benchmark* | 6.6% | 11.2% | 16.5% | 9.7% | 3.8% | 3.3% |

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.



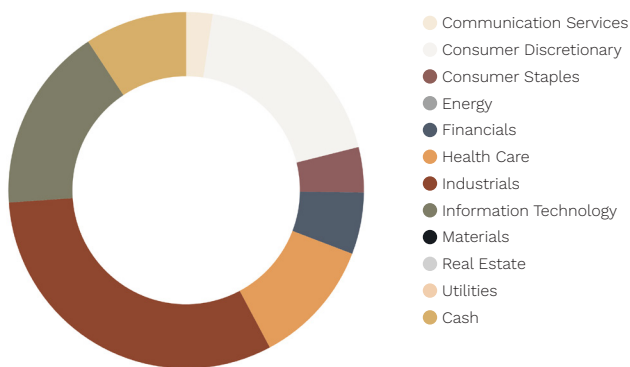
Steven Ng B Acc, CFA
Portfolio Manager
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

Key Information

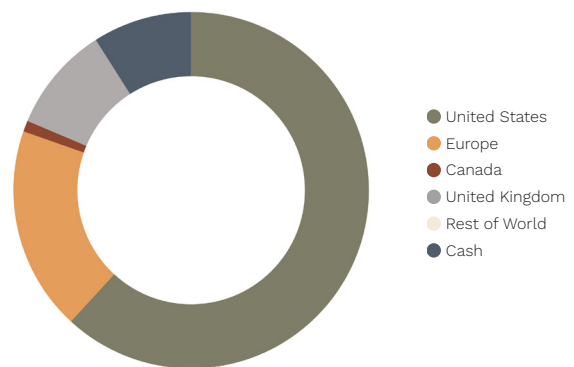
| | |
|--|---|
| Responsible Entity & Manager: | Ophir Asset Management Pty Ltd |
| Fund Inception: | October 2018 |
| Min Investment Amount: | \$100,000 |
| Number of Stocks: | 20-50 |
| Cash Distributions: | Annually |
| Redemptions: | Monthly |
| Investment Objective: | Outperform benchmark (after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

Allocation of Investments

Portfolio Sector Exposures



Geographic Exposures



Portfolio Characteristics

| | |
|-----------------------------|---------|
| Number of Equity Holdings | 38 |
| Cash | 9.3% |
| Weighted Average Market Cap | \$7.3bn |

Portfolio Metrics

| | |
|-------------------|-------|
| Price / Earnings | 19.3x |
| EPS Growth | 22.6% |
| 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

Equity markets marched forward in June to conclude the Financial Year. The Japanese equity market continued its surge with the Nikkei 225 returning +7.6% in June. The index has returned a very healthy +18.5% over the last quarter spurred by corporate reforms, a weak currency and increased foreign interest. The U.S. share market also made solid gains in June with the S&P 500, Nasdaq and Russell 2000 indices returning +6.6%, +6.7% and +8.1% respectively, with some greater breadth to returns shown. Gains in the Australian and European markets were muted in comparison, with the MSCI Europe, ASX 100 and ASX Small Ords indices returning +2.4%, +1.9% and +0.0% respectively.

During the month, the S&P 500 officially exited bear market territory and entered a new bull market (up +20% off its October 2022 lows). Tech behemoths positively leveraged to A.I. drove the index forward but the rally has started to broaden outside of these handful of companies. It is yet to be seen whether this is the start of a sustained bull market though, with the 2001 dot com bubble experiencing three bear market rallies of greater than +20% gains.

In terms of Growth vs Value stocks in June, there was very little divergence of returns for U.S. stocks of both the large and small cap variety. There was evidence of short covering during the month with the Goldman Sachs Most Short basket up +14.4% in June as investors ditched their negativity and chased returns that until recently has mostly been driven by a small handful of stocks in the Mega Cap tech cohort in the U.S.

In line with expectations, the Federal Reserve left rates on hold during the month at a range of 5% to 5.25%. Powell noted however that the next move is likely to be up rather than down. The median projection across FOMC members is a further 50 basis points of rate hikes by year-end. Financial markets aren't as hawkish though with only one full 25 basis point hike expected after June's slower than expected rise in CPI.

Looking at U.S. Small Cap companies, in what was a risk-on cyclical rally, the Industrials (+13.6%), Energy (+12.7%) and Materials (+11.0%) sectors were the best performers whilst the more defensive Utilities (-1.0%), Health Care (+3.6%) and Consumer Staples (+4.5%) sectors were the worst relative performers.

Portfolio Commentary

During June, the Ophir Global Opportunities Fund returned +3.2% (net of fees) versus the index which returned +3.3%. Since its inception in October 2018, the Fund has returned +13.9% p.a. (net of fees) while the index has returned +6.6% p.a.

In terms of currency movements, the AUD appreciated against the USD by 2.5% over the month which was a headwind for absolute performance of the Fund.

In terms of portfolio positioning, the number of holdings reduced to 38 and cash levels increased to 9.3% in June.

One of the larger stock contributors to performance during the month was an AUD \$10.3bn business listed on the New York Stock Exchange. The business has a dominant position in the U.S. luxury furniture market with 28 Galleries. Stabilisation in the U.S. luxury furniture market and the successful launch of its first non-U.S. store in the U.K. resulted in the company's stock price increasing by +34.5% in June.

One of the largest stock detractors to performance during the month was an AUD \$2.3bn online education business headquartered in the US and listed on the New York Stock Exchange. The share price was down -7.9% during June on no material company news.

Outlook

While it looks like we may be getting closer to the end of the interest rate hiking cycles for many key central banks, the messaging coming out of these banks generally still sees more work to do. Recession probabilities in advanced economies remains high as the long and variable monetary policy lags make their way through the system.

The macroeconomic backdrop remains uncertain and with more rate hikes likely to take place this year, global economic growth should continue to slow, impacting earnings for many companies. The extent of the slowdown will depend in large degree on whether inflation continues to dissipate and whether rate cuts shortly follow.

We are comfortable with the balanced positioning of the portfolio for the current environment, which we believe is positioned well for a range of potential outcomes. The Fund is overweight businesses with more defensive and resilient earnings growth, given the heightened economic growth risks, whilst underweight more cyclically orientated 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.

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