

Ophir Global Opportunities Fund



Figures as at 31 August 2023
Date of Issue: 14 September 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

\$1.3923



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

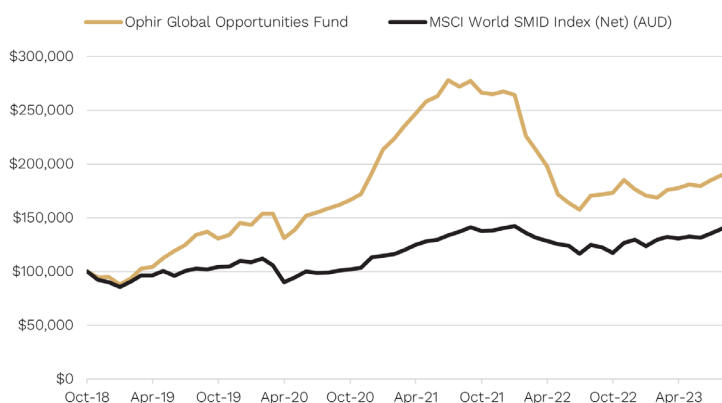


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.

	Since Inception (p.a.)	3 Years (p.a.)	1 Year	6 Months	3 Months	1 Month
Fund Return (Net)	13.9%	5.4%	10.5%	8.1%	5.8%	-0.1%
Benchmark*	7.2%	11.7%	14.6%	6.4%	6.9%	0.2%

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.



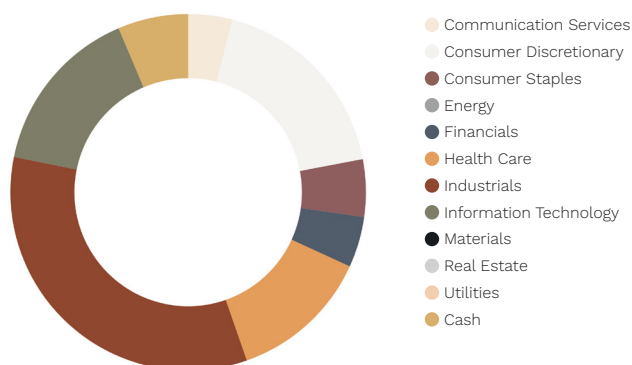
Steven Ng B Acc, CFA
Portfolio Manager
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

Key Information

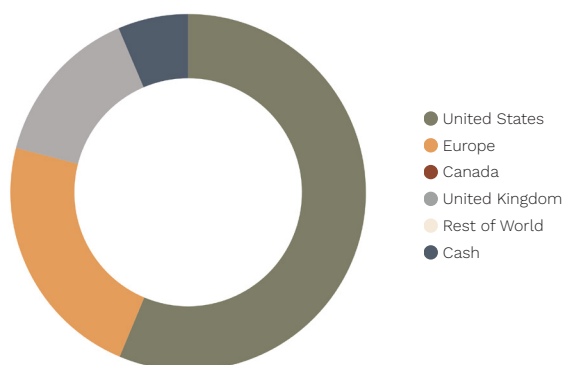
Responsible Entity:	The Trust Company (RE Services) Limited
Investment Manager:	Ophir Asset Management Pty Ltd
Fund Inception:	October 2018
Min Investment Amount:	\$100,000
Number of Stocks:	20-50
Cash Distributions:	Annually
Redemptions:	Monthly
Investment Objective:	Outperform benchmark (after fees)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

Allocation of Investments

Portfolio Sector Exposures



Geographic Exposures



Portfolio Characteristics

Number of Equity Holdings	43
Cash	6.4%
Weighted Average Market Cap	\$6.9bn

Portfolio Metrics

Price / Earnings	17.7x
EPS Growth	22.4%
Net Debt / EBITDA	0.5

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

Market Commentary

Following a strong month in July on the back of strong earnings reports and positive messaging coming out of the Federal Reserve, equity markets took a step backwards in August. The Australian stock market was one of the most resilient though, with the ASX 100 and ASX Small Ordinaries indices returning -0.4% and -1.2% respectively, whilst the Japanese market fell a little further with the Nikkei 225 retracing by -1.6%. There was a material divergence in returns in the U.S. for large and small stocks, with the S&P 500 (-1.6%) outperforming the Russell 2000 (-5.0%) by 3.4%. The Nasdaq and MSCI Europe indices returned -2.1% and -2.5% over the month.

In terms of Growth vs Value stocks in the U.S., Growth stocks outperformed Value stocks for larger companies with the S&P 500 Growth index outperforming its Value counterpart by 2.1% in August. The opposite was true for smaller companies, with the Russell 2000 Growth index underperforming its Value counterpart by 0.4% over the month.

During the month, the Jackson Hole Economic Policy Symposium took place where Federal Reserve Chair Jerome Powell delivered an incrementally hawkish speech. He noted there were “signs that the economy may not be cooling as expected” and this could “warrant further tightening of monetary policy”. Powell, after noting inflation remains too high, said the Fed “intend to hold policy at a restrictive level until we are confident that inflation is moving sustainably down toward our objective”. Whilst it looks as though peak inflation is now behind us, the key question in investors’ minds is when will the Fed start cutting interest rates. Market pricing at writing suggests the first full cut is priced by around mid-2024.

Looking at U.S. Small Cap companies, the Energy (+2.2%), Consumer Staples (-0.8%) and Industrials (-3.5%) sectors were the best relative performers whilst the Health Care (-8.7%), Utilities (-6.9%) and Financials (-6.3%) sectors were the worst performers.

Portfolio Commentary

During August, the Ophir Global Opportunities Fund returned -0.1% (net of fees) versus the index which returned +0.2%. Since its inception in October 2018, the Fund has returned +13.9% p.a. (net of fees) while the index has returned +7.2% p.a.

In terms of currency movements, the AUD depreciated against the USD by 3.5% over the month which was a tailwind for absolute performance of the Fund.

In terms of portfolio positioning, the number of holdings increased to 43 and cash levels increased to 6.4% in August. We are overweight companies with good visibility and liquidity as we come out of the reporting season and have an overall neutral position with the portfolio beta at around 1x.

In the Q2 U.S. reporting season, 84% of the Fund beat expectations, 11% provided results in line with expectations and 4% missed expectations. In terms of guidance, 58% of the Fund raised, 27% maintained, 4% downgraded and 11% didn't provide guidance. These figures have been reweighted to only include stocks that reported in the latest reporting season.

Some of the key insights we've gathered from the reporting season include; (1) a wide disparity of results across sectors and regions; (2) general slowdown continues (enterprise and consumer spending particularly); and (3) inventory destock continues as demand slows and supply chains normalise.

One of the largest stock contributors to performance during the month was an AUD \$3.8bn business listed on the New York Stock Exchange. It manufactures heat-transfer and heat-storage equipment used in a diverse set of end markets. The company's share price rose +26.7% in August as the company outperformed expectations on its June quarter result and raise full year revenue and EBITDA expectations on the back of strong overall execution.

One of the largest stock detractors to performance during the month was an AUD \$3.3bn business listed on the Nasdaq called Transmedics. It is an organ transplant technology company that utilises in-house surgeons and FDA-approved technologies to extract and deliver organs. The company announced a solid earnings beat in its result, though there were questions over its heart transplant business which was below expectations, resulting in the stock price to fall by -29.6% over the month after a solid run since the start of the year. The market is concerned that the company's market share in hearts transplants has stopped growing but in our view market share can move quarter to quarter depending on which hospitals do the transplants and where the organs become available. Our channel checks continue to suggest the business' heart transplant business will continue to take market share going forward.

Outlook

As noted in the RBA's latest Statement of Monetary Policy, "global growth is forecast to remain well below its historical average over the next two years, as the lagged effects of monetary policy tightening continue to weigh on demand". It remains yet to be seen whether central banks will be able to pull off a soft landing and the extent of the slowdown will largely depend on whether inflation continues to dissipate and whether rate cuts shortly follow.

We remain 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 main bias is currently towards businesses with greater earnings visibility over the next 6-12 months given the uncertain macro backdrop.

Whether soft or hard landing eventuates in key advanced economies over the next year we believe we are in for below trend economic growth. With interest rates largely having normalised from their COVID induced lows, the environment should be more conducive to our style of investing where companies we have traditionally looked for that can outgrow the market's earnings estimates and maintain or grow margins are likely to find favour.

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.

The Trust Company (RE Services) Limited ABN 45 003 278 831 AFSL 235150 (Responsible Entity) is the responsible entity of Ophir Global Opportunities Fund (the Fund). This document has been prepared by Ophir Asset Management Pty Ltd ABN 88 156 146 717 AFSL 420 082 (Ophir), the investment manager of the Fund and is issued by The Trust Company (RE Services) Limited as responsible entity and the issuer of units in the Trust. The information is of general nature only and has been prepared without taking into your account your objectives, financial situation or needs. Before making an investment decision, you should consider obtaining professional investment advice that takes into account your personal circumstances and should read the current product disclosure statement (PDS) of the Fund. Neither the Responsible Entity nor Ophir guarantees repayment of capital or any particular rate of return from the Fund. All opinions and estimates included in this document constitute judgements of Ophir as at the date of the document and are subject to change without notice. Past performance is not a reliable indicator of future performance. Ophir accepts no liability for any inaccurate, incomplete or omitted information of any kind or any losses by using this information.

Key Investor Contacts

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