

# Ophir Global Opportunities Fund



Figures as at 30 September 2023

Date of Issue: 13 October 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

\$1.3171



Net Return Since Inception (p.a.)

+12.4%



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

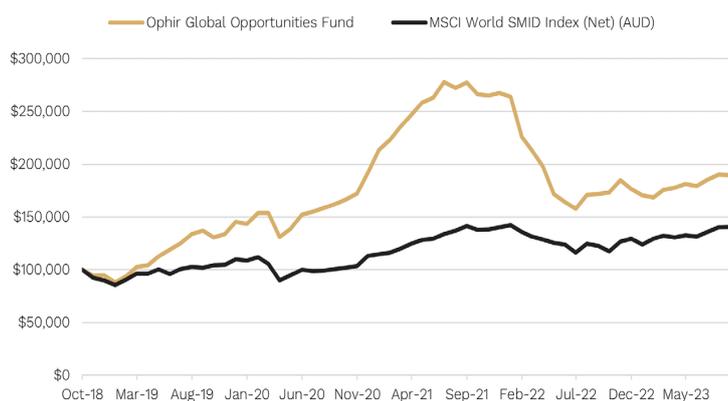


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.

	Since Inception (p.a.)	3 Years (p.a.)	1 Year	6 Months	3 Months	1 Month
<b>Fund Return (Net)</b>	12.4%	2.5%	3.7%	1.1%	-3.1%	-5.4%
<b>Benchmark*</b>	6.0%	9.6%	14.3%	2.6%	-1.2%	-4.6%

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.



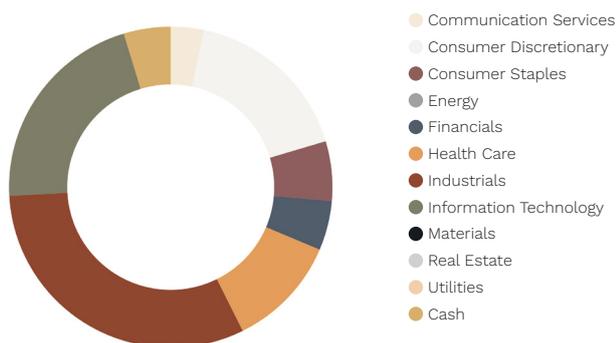
**Steven Ng** B Acc, CFA  
Portfolio Manager  
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

## Key Information

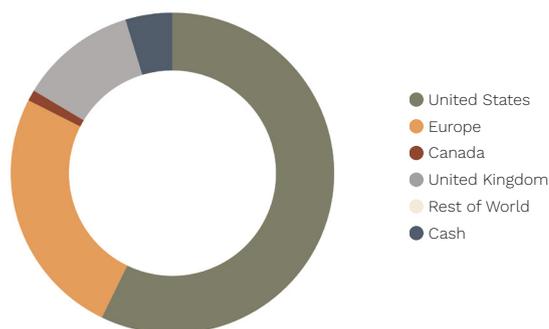
<b>Responsible Entity:</b>	The Trust Company (RE Services) Limited
<b>Investment Manager:</b>	Ophir Asset Management Pty Ltd
<b>Fund Inception:</b>	October 2018
<b>Min Investment Amount:</b>	\$100,000
<b>Number of Stocks:</b>	20-50
<b>Cash Distributions:</b>	Annually
<b>Redemptions:</b>	Monthly
<b>Investment Objective:</b>	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	4.7%
Weighted Average Market Cap	\$6.0bn

## Portfolio Metrics

Price / Earnings	16.4x
EPS Growth	21.6%
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. Net Debt / EBITDA figures as at 31 August.

## Market Commentary

Equity markets fell out of bed in September, building on August falls, as sharply higher long term bond yields in the U.S. increased selling pressure. A combination of factors drove bond yields higher (and share markets lower) including increased bond supply, higher oil prices and a more resilient U.S. economy.

Only the UK (FTSE 100, +2.4%) and Indian (MSCI India, +2.0%) stock markets were spared, with Europe (MSCI Europe, -1.5%), Australian (ASX 100, -2.5%) and U.S. (S&P500, -4.8%) markets all finishing in the red. Small Cap and Growth stocks were particularly beaten up with the Russell 2000 falling an outsized -5.9% and the Nasdaq falling a similar -5.8%.

In terms of Growth vs Value stocks in the U.S., Growth stocks underperformed Value stocks for both larger and smaller companies with the S&P 500 Growth index underperforming its Value counterpart by -0.3% and the Russell 2000 Growth index underperforming its Value counterpart by -1.4% in September.

## Portfolio Commentary

During September, the Ophir Global Opportunities Fund returned -5.4% (net of fees) versus the index which returned -4.6%. Since its inception in October 2018, the Fund has returned +12.4% 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 -0.8% over the month which was a tailwind for absolute performance of the Fund.

In terms of portfolio positioning, the number of holdings increased to 44 and cash levels decreased to 4.7% in September. We are overweight companies with good visibility as we move towards 3rd quarter reporting season and have an overall neutral position with the portfolio beta just below 1.

With little stock news to guide markets this month, equity market outcomes were mostly dictated by moves higher in bond yields which saw equity valuations compress. We spent much of the month travelling to go meet portfolio companies for 1 on 1 meetings and seeking out new ideas post August reporting season. The number of new ideas is high with many businesses trading towards the bottom of their historical valuation ranges, including some we believe have strong medium term growth prospects ahead.

Market pricing at writing suggests there is a just under 40% chance of one final 0.25% rate hike by the U.S. Fed before the end of the year with an approximate 60% chance it is done hiking this cycle. Rates are likely to stay higher for longer though with pricing indicating a still higher Fed Funds Rate of 4.6% by the end of 2024, down from its current level of 5.25-5.50%.

Higher oil prices with Brent up +9.7% in September and +27.2% across Q3, pushed headline inflation in key economies higher recently. If short lived, central banks are likely to look through the move but it adds to pressures on already strained household budgets, especially those least able to afford it.

Looking at U.S. Small Cap companies, the Energy (+2.4%) sector was the standout performer and only sector to finish in the black. The worst performing sectors were led by Healthcare (-9.1%), IT (-8.3%), Consumer Discretionary (-7.1%) and Real Estate (-6.7%).

One of the largest stock contributors to performance during the month was an AUD \$10bn business listed on the Nasdaq. It provides a technology platform that enables individuals to make healthcare saving and spending decisions. It offers access to Health Savings Accounts (HSA) for consumers in the U.S. that provides a tax advantaged way to save for future medical expenses. The company's share price rose +8.1% during the month, benefiting from the expectations of higher cash revenue from higher for longer interest rates.

One of the largest stock detractors to performance during the month was an AUD \$1.6bn business listed on the New York Stock Exchange. It is a medical software business sold into physician groups that offers solutions for appointments, registrations, clinical support, patient surveys and analysis and reporting on customers. We like the business because of the defensive nature of its end customer base. Whilst it had a beat and upgrade at its Q2 earnings result released during the month, it was clearly not as much as some market participants wanted. The company is still guiding for 25-30% revenue growth but saw its share price fall an outsized -34% during the month.

# Outlook

Recession risk remains elevated in developed economies with the Bloomberg consensus recession probability over the next 12 months currently standing at 55%, 50% and 62.5% respectively in the United States, Eurozone and the UK. Soft landing calls have gotten louder in the United States on more resilient economic growth, but time will tell whether this just means higher for longer rates are needed to slow growth and inflation.

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 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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