

# Ophir Global Opportunities Fund

Figures as at 29 February 2024

Date of Issue: 14 March 2024



## 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

\$1.5287



Net Return Since Inception (p.a.)

+14.5%

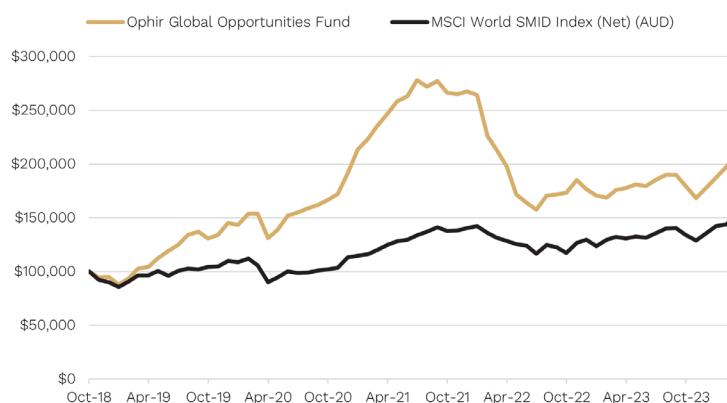


Fund Status

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



	Since Inception (p.a.)	5 Years (p.a.)	3 Years (p.a.)	1 Year	6 Months	3 Months	1 Month
<b>Fund Return (Net)</b>	14.5%	15.2%	-3.9%	18.7%	9.8%	17.6%	5.8%
<b>Benchmark*</b>	8.0%	9.5%	8.0%	14.5%	7.7%	12.0%	5.2%

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.



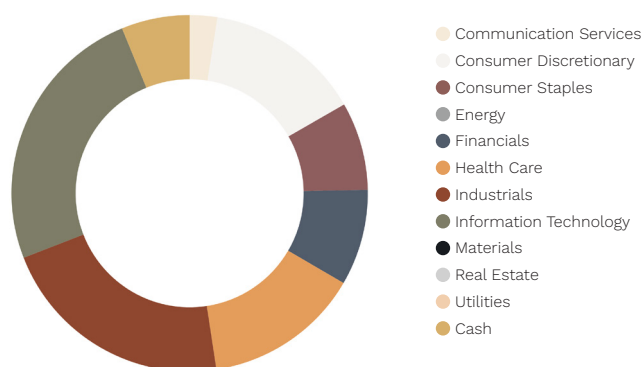
**Steven Ng** B Acc, CFA  
Portfolio Manager  
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

## Key Information

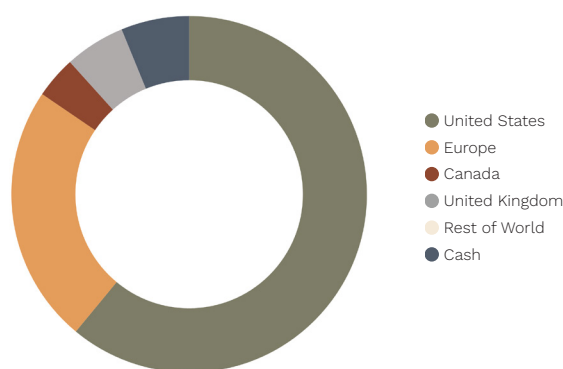
<b>Responsible Entity:</b>	The Trust Company (RE Services) Limited
<b>Investment Manager:</b>	Ophir Asset Management Pty Ltd
<b>Fund Inception:</b>	October 2018
<b>Min Investment Amount:</b>	\$100,000
<b>Number of Stocks:</b>	20-50
<b>Cash Distributions:</b>	Annually
<b>Redemptions:</b>	Monthly
<b>Investment 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	48
Cash	6.2%
Weighted Average Market Cap	\$5.3bn

## Portfolio Metrics

Price / Earnings	18.7x
EPS Growth	26.0%
Net Debt / EBITDA	0.8

\*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

In February, global share markets maintained their upward momentum. Japanese stocks continued to surge with the Nikkei 225 up +8.0% in February and up +45.8% over the last year, benefiting from a weaker Yen. U.S. stocks also had a great month and a better breadth of returns with the Nasdaq, S&P 500 and Russell 2000 returning +6.2%, +5.3% and +5.7% respectively. The Australian and European stock markets were more subdued with the ASX 100, ASX Small Ords and MSCI Europe indices returning +1.1%, +1.8% and +2.0% respectively.

In a risk on tape, smaller companies in the Russell 2000 outperformed larger companies in the S&P 500 by 0.4% and Growth outperformed Value for both Small and Mid cap Russell indices by 4.8% and 2.7% respectively. Mega cap tech stocks also had a good month with the Magnificent 7 rising by +12.1% with NVIDIA and Meta (and to a lesser degree Amazon) leading the way on the back of strong earnings reports.

February is an important month as many companies in our global funds announce their quarterly and full year results to December 2023. Some of the key themes we witnessed in this reporting season include (1) low level of misses and downgrades compared to prior reporting seasons, (2) tailwinds in growth sectors, particularly during early February and (3) NVIDIA's strong result kept the focus on A.I. and its current and potential benefits across many businesses.

Looking at U.S. Small Cap companies, the Information Technology (+9.7%), Health Care (+9.4%) and Consumer Discretionary (+8.5%) were the best sectors whilst the Financials (-0.5%), Communication Services (-0.2%) and Utilities (-0.1%) sectors were the worst performers.

## Portfolio Commentary

During February, the Ophir Global Opportunities Fund returned +5.8% (net of fees) versus the index which returned +5.2%. Since its inception in October 2018, the Fund has returned +14.5% p.a. (net of fees) while the index has returned +8.0% p.a.

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

In terms of portfolio positioning, the number of holdings increased to 48 and cash levels rose to 6.2% in February. We continue to maintain our exposure to growing companies with good visibility into earnings at the top end of the portfolio. We have recently increased the allocations to some more cyclical companies as soft landing probabilities have increased, though still at quite a measured pace as economic growth uncertainties remain.

In this reporting season, 55% of the Fund beat expectations, 37% provided results in line with expectations and 8% missed expectations. In terms of guidance, 60% of the Fund raised, 20% maintained, 9% downgraded and 11% didn't provide guidance. These figures are reweighted to only include stocks that reported in the latest reporting season.

One of the largest stock contributors to performance during the month was a \$7.2bn AUD business listed on the NYSE. This business provides cooling systems, particularly for data centers. It is a company we've held for over a year and A.I. is helping drive demand. The stock price rose +29.9% in February.

One of the largest stock detractors to performance during the month was a \$3.6bn AUD business listed on the NYSE. It is a marketing technology business that whilst delivering a good report beating expectations, concerns around a recent acquisition saw the company trade down -10.5% in February.

# Outlook

Economists' predictions on a recession in the U.S. continues to fall with the current median probability at 40% (Bloomberg economist survey) with the majority anticipating a soft landing. Softer inflation figures have driven this shift in narrative and more of this will need to be seen for central banks to start lowering rates. It's also worth noting that although the recession probability has fallen materially, it still remains elevated with the default recession probability being around 15% in any random year.

Central banks have signalled that they will be cautious with rate cuts in case inflation returns like it did in the 1970s. Therefore, if a soft landing does eventuate, we expect rates to still stay higher for longer.

We remain comfortable with the balanced positioning of the portfolio and will rotate out of defensive growth companies and into more cyclical growth stocks when we believe share markets may look forward to a broad cyclical economic rebound. Given the significant derating that small caps, and in particular growth orientated businesses have faced in recent times, we believe mean reversion in valuations should materially benefit share price returns of the types of companies we focus on.

## 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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