Ophir Global Opportunties Fund

APIR: OPH2093AU

Figures as at 31 August 2024
Date of Issue: 18 September 2024

OPHIR

About The Fund

The Ophir Global Opportunities Fund (the 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
$1.7270	15.6%	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

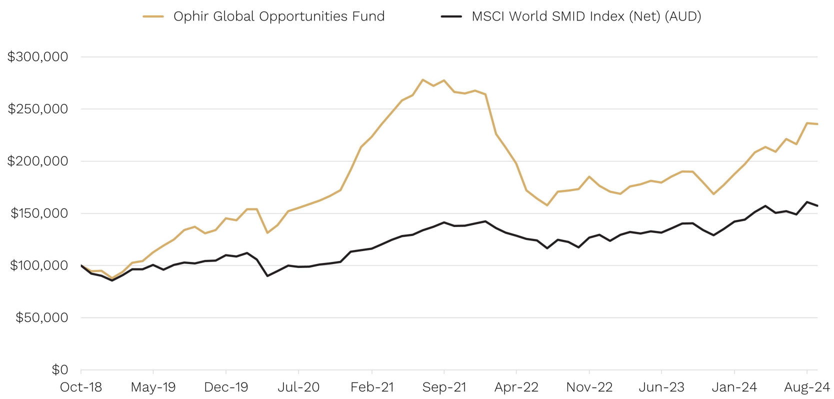


Chart represents net value of $100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.

	Since Inception (p.a.)	5 Years (p.a.)	3 Years (p.a.)	1 Year	3 Months	1 Month
Fund Return (Net)	15.6%	11.4%	-5.3%	24.0%	6.5%	-0.4%
Benchmark*	8.0%	9.0%	3.7%	12.0%	3.4%	-2.1%

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

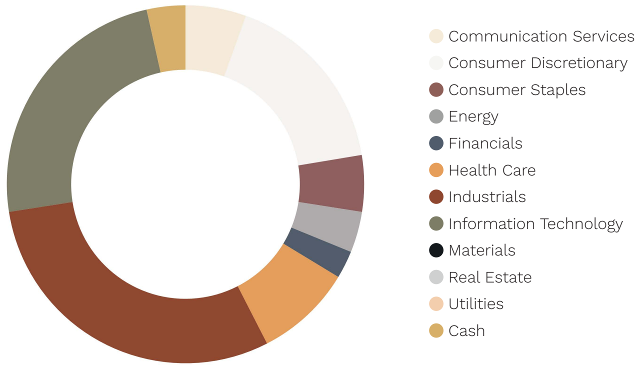
23+ years experience in financial markets, previously Paradice Investment Management and ING Investment Management

Key Information

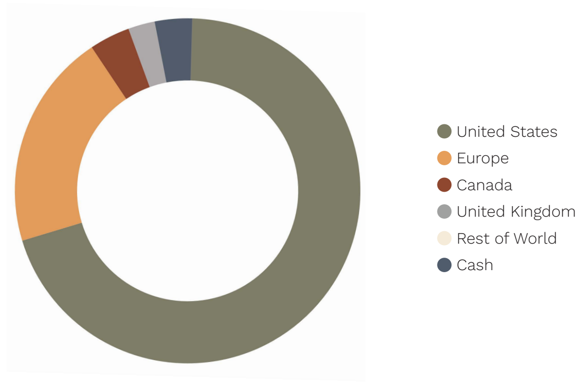
Responsible Entity:	The Trust Company (RE Services) Limited
Investment Manager:	Ophir Asset Management Pty Ltd
Fund Inception:	October 2018
Min Investment Amount:	$100,000
Number of Stocks:	20-50
Cash Distributions:	Annually
Redemptions:	Monthly
Investment Objective:	Outperform benchmark (after fees)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

Allocation of Investments

Portfolio Sector Exposures



Geographic Exposures



Portfolio Characteristics

Number of Equity Holdings	45
Cash	3.5%
Weighted Average Market Cap	$5.7bn

Portfolio Metrics

Price / Earnings	19.2x
EPS Growth	24.1%
Net Debt / EBITDA	0.5x

*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 August, despite a shaky start, the global share market generally saw on gains across the major regions. Two factors caused the less than stellar start, a somewhat unexpected rate increase by the Bank of Japan saw the unwind of the "carry trade" and a very sluggish non-farm payrolls report in the U.S. raised recession fears in the world's largest economy.

While the S&P 500 was down just over -6% in the first few business days of the month, the Japanese stock market, as measured by the MSCI Japan Index was down just over -20% (!!!). Fortunately, a recovery took hold over the second week of August though with S&P 500, MSCI World and MSCI Europe up +2.3%, +2.5% and +1.4% respectively by month end.

The Aussie market was a laggard though, with the ASX 200 flat (+0.0%), and despite a mammoth recovery the Japan stock market ended down -2.8% (MSCI Japan). Smalls caps also fared worse than large caps with the Russell 2000 Index and the ASX Small Ordinaries Index down -1.6% and -2.2% respectively.

For the second month in a row, in the large cap space Value outperformed Growth for the month of August in the U.S. with the S&P 500 Value index (+3.0%) outperforming its counterpart the S&P 500 Growth index (+2.2%) by +0.8%. However, in the U.S. small cap land roles were reversed with the Russell 2000 Growth index (-1.1%) edging out its Value counterpart (-1.9%) by a modest +0.8%. Value stocks have outperformed Growth stocks in the small cap part of the U.S. share market in the last 12 months at +19.2% versus +17.6% respectively.

In August U.S. CPI data was released for July. Headline and Core inflation both rose +0.2% MoM, with the annual Core rate decelerating to 3.2%. Equity markets seem to have shifted their focus from inflation concerns to worries about economic growth, with labour market weakness now the greater market moving data point.

The Federal Reserve's policy rate remained unchanged at 5.50% (the highest since 2001) during August, where it has been since July last year. Fed Chair Powell reinforced his expectation for a rate cut in September, with the primary question now being whether it will be 0.25% or a super-sized 0.5% at the Fed's 18th September meeting.

The U.S. second quarter earnings season concluded in August, presenting a mixed picture with a bi-furcated U.S. economy. Defense, A.I. exposed, Pharma, Investment Banks and some e-commerce businesses continued to show strength, however they are increasingly outnumbered by companies in industries such as Autos, Airlines, Restaurants, Discount apparel, Furniture, Hotels and Theme Parks amongst others, that are struggling as the U.S. savings rate edges lower and excess savings are spent.

Looking at U.S. Small Cap companies for the month of August, the Real Estate (+3.0%), Communication Services (+1.0%), and Healthcare (+0.5%) were the best performing sectors whilst Energy (-8.9%), Materials (-4.4%) and Industrials (-3.3%) were the worst relative performers, with Energy in particular facing a tough time as energy/uranium commodity prices were softer.

Portfolio Commentary

During August, the Ophir Global Opportunities Fund returned -0.4% (net of fees) versus the index which returned -2.1%. Since its inception in October 2018, the Fund has returned +15.6% p.a. (net of fees) while the index has returned +8.0% p.a.

In terms of currency movements, the AUD appreciated against the USD by +3.4% over the month, which was a headwind for the absolute performance of the Fund.

In terms of portfolio positioning, the number of holdings decreased to 45 and cash levels decreased to 3.5% in August. Most of the outperformance for the month was due to businesses in our global portfolio producing better than expected earnings results for the second quarter of 2024.

Portfolio Commentary

One of the largest stock contributors to performance during August was a $19.8bn AUD consumer products business listed on the New York Stock Exchange. The company posted a strong earnings update that highlighted strong ex-US market penetration where it remains underrepresented and has a long runway for growth. Its revenue was 15% above market expectations, which was pleasing despite a choppy macro backdrop and flattish industry growth. Its share price rose +24.7% for the month of August.

One of the largest detractors to performance during the month was an $6.8bn AUD Irish nutritional products business listed on the Dublin and London Stock Exchanges. While it moved its guidance slightly higher for the year, the market was expecting a stronger second half outlook given the first half growth and margin momentum. Management have historically proven conservative and while we think a tighter consumer will limit pricing and margin upside, our thesis remains unchanged given they are the leader in the global powdered protein market which remains a defensive growth category. The company's share price fell -12.6% in August.

Outlook

Market attention regarding the U.S. economy has shifted from falling inflation to concerns around the health of the labour market. Whilst not falling off a cliff, labour market indicators suggest that rate hikes by the U.S. Federal Reserve are finally starting to bite. This has seen the Fed, and market pricing, indicate that a U.S. rate cutting cycle is about to begin in September. The key question for markets is - will this be a gradual "soft landing" rate cutting cycle or will greater emergency "hard landing" cuts be needed to support demand?

Market pricing has about 2.5% of Fed Funds Rate (FFR) cuts priced in by the end of 2025 taking the FFR to about 2.9%. Given the lags in monetary policy though, the effects of restrictive policy should still be felt throughout much of 2025, keeping recession risks alive. We also expect heightened volatility near term as the U.S. approaches its 5th November election date.

The portfolio remains balanced with a mixed of cyclical and defensive growth companies, with an incremental bias at present for adding companies with less macro sensitive and more resilient earnings streams, which we believe is appropriate given the current market environment. Given our focus on earnings growth, our portfolio is poised to benefit from positive market news. Smaller growth companies remain cheap relative to large caps which provides opportunity for the portfolio.

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

Automic Group

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Investment Enquiries

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