

Ophir Global Opportunities Fund



APIR: OPH2093AU

Figures as at 31 July 2024

Date of Issue: 26 August 2024

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

\$1.7342



Net Return Since Inception (p.a.)

15.9%



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

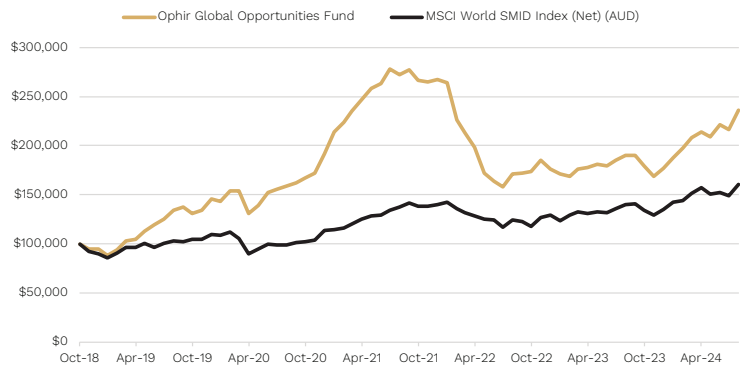


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance.

	Since Inception (p.a.)	5 Years (p.a.)	3 Years (p.a.)	1 Year	3 Months	1 Month
Fund Return (Net)	15.9%	12.0%	-4.6%	24.4%	13.1%	9.3%
Benchmark*	8.5%	9.4%	5.5%	14.7%	6.9%	8.0%

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.



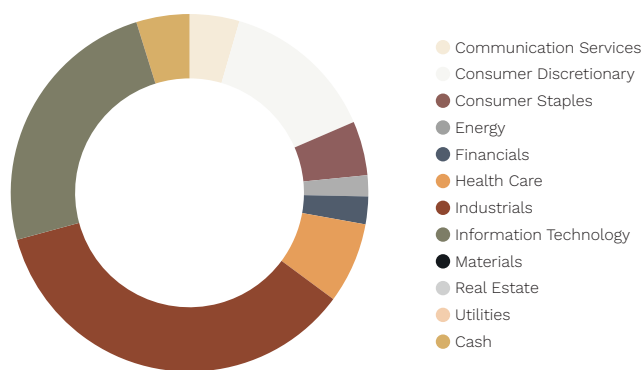
Steven Ng B Acc, CFA
Portfolio Manager
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

Key Information

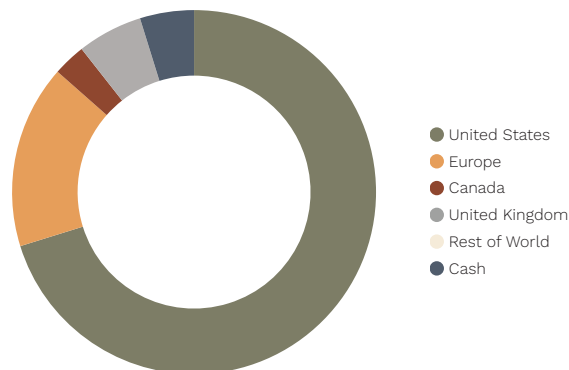
Responsible Entity:	The Trust Company (RE Services) Limited
Investment Manager:	Ophir Asset Management Pty Ltd
Fund Inception:	October 2018
Min Investment Amount:	\$100,000
Number of Stocks:	20-50
Cash Distributions:	Annually
Redemptions:	Monthly
Investment Objective:	Outperform benchmark (after fees)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

Allocation of Investments

Portfolio Sector Exposures



Geographic Exposures



Portfolio Characteristics

Number of Equity Holdings	49
Cash	4.8%
Weighted Average Market Cap	\$5.9bn

Portfolio Metrics

Price / Earnings	19.6x
EPS Growth	23.3%
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 July, the global stock market experienced strong returns for the third consecutive month, continuing its gains in 2024. In Australia, larger companies outperformed smaller ones, with the ASX 100 returning +4.2% and the ASX Small Ordinaries Index returning +3.5% for the month. Over the past 12 months, larger Australian companies have also consistently outperformed their smaller counterparts.

In the U.S., July was notable for small-cap outperformance, with the Russell 2000 Index rising +10.2%, compared to the S&P 500's +1.2% gain. European stocks, as measured by the MSCI Europe Index, posted a modest gain of +1.2%, while Japan's Nikkei Index declined by -1.2% during the month.

In July, Value stocks significantly outperformed Growth stocks in the U.S. for the first time in four months. The S&P 500 Value Index gained 4.7%, surpassing the S&P 500 Growth Index (-1.3%), by +6.0%. Similarly, the Russell 2000 Value Index rose by 12.2%, outperforming the Russell 2000 Growth Index (+8.2%), by +4.0%. Over the past 12 months, Value stocks have consistently outperformed Growth stocks in the small-cap segment of the U.S. equity market.

U.S. CPI data for June revealed that Headline inflation fell by 0.1% month-over-month, marking its first decline since 2020. Meanwhile, Core Inflation increased by 0.1%, which was below consensus expectations. Core CPI rose 3.3% year-over-year through June and 2.1% on a three-month annualised basis.

Last week, the Federal Reserve held its policy rate steady at 5.50%, the highest level since 2001, where it has remained since July of the previous year. Market expectations have shifted to a 100% likelihood of a Fed rate cut in September, with futures now pricing in more than four 0.25% rate cuts by the end of 2024.

On the last day of July, the Bank of Japan (BOJ) took a significant step towards normalising its monetary policy by increasing its key policy rate from a 0-0.1% range to 0.25%. Meanwhile, the RBA is expected to be the last major central bank in the developed markets to cut rates; which we forecast to begin in February.

In July, the U.S. second-quarter earnings season persisted with mixed results. While the percentage of S&P 500 companies reporting positive earnings surprises is above average, revenue beats have been below average. This discrepancy reflects a continued emphasis on "cost out" rather than revenue growth.

Looking at U.S. Small Cap companies for the month of July, the Financials (+16.2%), Communication Services (+13.0%), and Utilities (+11.8%) were the best performing sectors. Conversely, Energy (+4.3%), Information Technology (+5.2%) and Consumer Staples (+8.5%) were the worst relative performers. Despite this variation, all sectors within the Russell 2000 ended in positive territory.

Portfolio Commentary

During July, the Ophir Global Opportunities Fund returned +9.3% (net of fees) versus the index which returned +8.0%. Since its inception in October 2018, the Fund has returned +15.9% p.a. (net of fees) while the index has returned +8.5% p.a.

In terms of currency movements, the AUD depreciated by -1.9% against the USD over the month. This depreciation acted as a tailwind for the Fund's absolute performance.

In terms of portfolio positioning, the number of holdings rose to 49, and cash levels decreased to 4.8% in July. The majority of the month's outperformance was driven by positive earnings results from leading businesses in our global portfolio for the second quarter of 2024.

One of the largest contributors to performance in July was a \$2.9 billion AUD energy and infrastructure provider listed on the Nasdaq.

The company's share price surged by 28.1% over the month, driven by a positive reaction to its second-quarter earnings results. The report highlighted substantial growth across all its end markets, including Oil & Gas (energy transition), Electric Utility, and Data Center. The company's growing pipeline of opportunities and stable backlog further supported the share price re-rate during the month.

One of the largest detractors from performance over the month was a \$1.7 billion AUD environmental laboratory services provider listed on the Nasdaq. The company's share price drifted lower by -28.4% following a U.S. Supreme Court decision that appears to restrict the authority of federal agencies, including the EPA, to interpret ambiguous statutory provisions. This ruling raises concerns about potential rollbacks in environmental regulations. We view the decline as overdone, with immediate impacts likely minimal and longer-term effects quite uncertain.

Outlook

As the U.S. economy continues to soften, economic data releases have been mixed; U.S. GDP and labour market data were weaker than expected, while housing starts, a leading indicator of growth, were higher than expected. Overall, markets are pricing in a Fed rate cut in September as U.S. inflation continues to decline. After the July FOMC meeting, Fed Chair Jerome Powell indicated that a September cut is possible if economic data meets expectations. According to current market pricing (Bloomberg), a reduction of approximately 1% in the Fed Funds Rate is expected by the end of 2024.

Globally, most advanced economies have experienced relatively stable inflation figures compared to emerging markets. This stability is partly due to the continued faster growth in service sector prices relative to goods. Sticky inflation keeps expectations around monetary policy somewhat fluid. Many advanced economies are now shifting towards easing monetary policy, with several already having started this journey. However, a notable exception is Japan, which raised its short-term interest rate from 0.10% to 0.25% in July.

The portfolio remains well-balanced, featuring a mix of cyclical and defensive growth companies, which we believe is suitable for the current market environment. With our focus on earnings growth, the portfolio is poised to benefit from positive market developments. Smaller growth companies, especially in the U.S., continue to be undervalued relative to large-cap companies. This presents an opportunity for the portfolio to re-rate as liquidity shifts down the market cap spectrum.

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

☎ 02 8072 1478 @ ophir@automicgroup.com.au

Investment Enquiries

George Chirakis (Chief Executive)

☎ 02 8006 5476 @ george.chirakis@ophiram.com

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 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.