

Ophir Global High Conviction Fund



APIR: PIM4401AU

Figures as at 30 September 2024

Date of Issue: 17 October 2024

About The Fund

The Ophir Global High Conviction 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. This fund is appropriate for investors with "High to Very High" risk and return profiles. A suitable investor for this fund is prepared to accept high to very high risk in the pursuit of capital growth with a medium to long investment timeframe. Investors should refer to the Target Market Determination (TMD) for further information.



Unit Price

\$1.4470



Net Return Since Inception (p.a.)

+10.1%



Fund Status

Enquire

Ophir Asset Management

- 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 the Fund

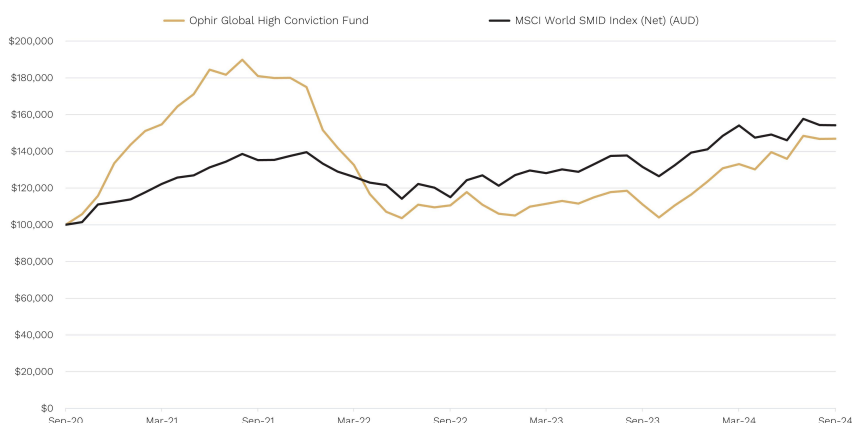


Chart represents net value of \$100,000 invested since inception and assumes distributions reinvested. Please note past performance is not a reliable indicator of future performance. Total returns have been calculated using NAV prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation.

	Since Inception (p.a.)	3 Years (p.a.)	1 Year	6 Months	3 Months	1 Month
Fund Return (Net)	10.1%	-6.7%	32.3%	10.5%	8.1%	0.1%
Benchmark*	11.4%	4.5%	17.3%	0.1%	5.6%	-0.1%

The figures in the table above assumes distributions reinvested. 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.



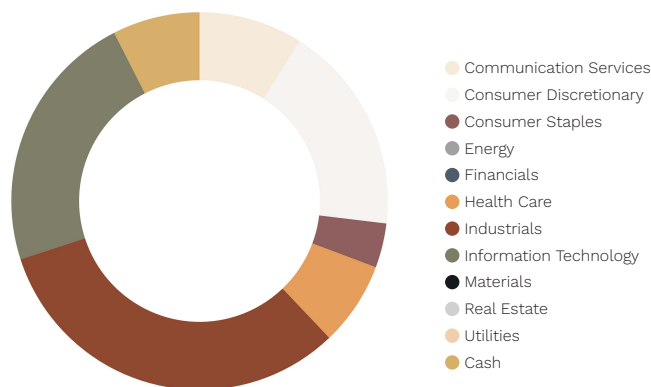
Steven Ng B Acc, CFA
Portfolio Manager
23+ years experience in financial markets, previously Paradise Investment Management and ING Investment Management

Key Information

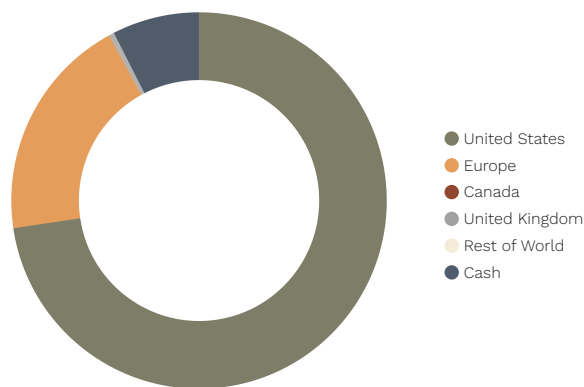
Responsible Entity:	The Trust Company (RE Services) Limited
Investment Manager:	Ophir Asset Management Pty Ltd
Fund Inception:	September 2020
Min Investment Amount:	\$100,000
Number of Stocks:	20-40
Cash Distributions:	Annually
Redemptions:	Monthly
Investment Objective:	Outperform benchmark (after fees) over long term (5+ yrs)

Allocation of Investments

Portfolio Sector Exposures



Geographic Exposures



Portfolio Characteristics

Number of Equity Holdings	31
Cash	7.5%
Weighted Average Market Cap	\$6.0bn

Portfolio Metrics

Price / Earnings	17.3x
EPS Growth	22.3x
Net Debt / EBITDA	0.6x

*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 September, the global share market began the month down but finished higher. The Federal Reserve cutting by an outsized 0.5% was a welcomed surprise to markets, and news from the People's Republic of China of a multi-faceted stimulus package sent major indices in Asia soaring. The package was unveiled by regulators and includes a policy-rate cut, mortgage-rate cuts and 500bn yuan (\$71bn USD) in support of the share market.

Most major global indices finished the month up, but Japan (MSCI Japan) finished down -2.1%. The Aussie market also ended the month higher with the ASX200 up +3.2%. U.S. Small Caps lagged Large Caps with the Russell 2000 Index finishing +0.7% while the S&P 500 rose +2.1%. Chinese equities (MSCI China) had an incredible month up +23.4% on the back of the aforementioned stimulus program.

Large Cap Growth outperformed Value in the U.S. with the S&P 500 Growth Index (+2.8%) outperforming its counterpart the S&P 500 Value Index (+1.1%) by +1.7%. The same occurred in small cap land in the U.S. with the Russell 2000 Growth Index up (+1.3%) while its Value counterpart rose but only just (+0.1%).

In September, the majority of economic data releases out of the U.S. for August were broadly in-line with estimates. Headline CPI rose +0.2% MoM, with the annual Core rate coming in at 3.2%. Equity markets are focused on how fast or slow the Federal Reserve will be in bringing down interest rates. The Federal Reserve cut its policy rate by 0.5% to 5.0% in September, marking its first cut this cycle. Fed Chair Powell has subsequently noted the central bank would likely stick with 0.25% interest rate cuts moving forward and was not "in a hurry" after data boosted confidence that economic growth and consumer spending were remaining resilient.

Looking at U.S. Small Cap companies for the month of September, the Real Estate (+3.6%), Materials (+3.1%) and Communication Services (+3.1%) were the best performing sectors whilst Energy (-3.7%), Financials (-1.2%) and Healthcare (-0.8%) were the worst relative performers. The Energy sector faced a particularly tough time as the oil price continued to fall.

Portfolio Commentary

During September, the Ophir Global High Conviction Fund returned +0.1% (net of fees) versus the index which returned -0.1%. Since its inception in September 2020, the Fund has returned +10.1% p.a. (net of fees) while the index has returned +11.4% p.a.

In terms of currency movements, the AUD appreciated against the USD by +2.2% 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 31 and cash levels increased to 7.5% in September.

One of the largest stock contributors to performance during September was a \$4.0bn AUD electrical power equipment company listed on the NASDAQ.

The company's share price continued on in September from its strong Q3 result at the end of July where estimates for Q4 were also upgraded. A new broker initiated coverage during the month putting an "outperform" rating on the stock. Its share price rose +32.6% for the month of September.

One of the largest detractors to performance during the month was an \$6.9bn AUD services company in France that offers rental and cleaning services to hotels and restaurants for linen, flat wear, and workwear. The company looked to buy a US peer, which was not received positively by investors or the market, resulting in a downgrade by one broker analyst from "outperform" to "market perform". We have a different view of the company to some in the market. We believe it is a growth company story and not a capital return story as some market commentators believe. The share price fell -16.2% in September.

Outlook

The market continues to focus on the U.S. economy, with particular attention on the health of the labour market. The market is pricing in 2-3 more rate cuts for the rest of the year as the prospect of a recession has reduced, but is not off the table totally just yet. The key question for markets is still whether the Federal Reserve can bring the economy to a “soft landing” or “hard landing”; the latter requiring greater cuts to support demand.

At writing, market pricing indicates another 1.5% of Fed Funds Rate (FFR) cuts by the end of 2025, taking the FFR to about 3.3%. Given the lags in monetary policy, the effects of restrictive policy are expected to persist 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 mix of cyclical and defensive growth companies, focusing on positions in companies with more resilient earnings. We believe this 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 cap companies 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

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The Trust Company (RE Services) Limited ABN 45 003 278 831 AFSL 235150 (Responsible Entity) is the responsible entity of Ophir Global High Conviction 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 for release 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. The PDS and target market determination can be obtained by calling 02 8188 0397. The target market determination is also available via the FE Fundinfo link: <https://documents.feprecisionplus.com/tmd/PCT/TMD/UIEL-PIM4401AU.pdf>.