



THB US Micro Cap Fund

Monthly Report – July 2017

Market Commentary

The Russell Microcap® Index (Index) returned -4.5% in AUD in July, giving back all of the gains made in June.

Real Estate (+1.5%) was the best performing sector, followed by Information Technology (+1.5%) and Utilities (+0.8%). Consumer Discretionary (-2.9%) was the worst performing sector, followed by Materials (-2.5%) and Health Care (-1.9%).

Debate over the Republican health care plan dominated the political headlines and seemed to partly overshadow solid US economic data.

Manufacturing ISM reached its highest level since August 2014 and new orders, production, backlog of orders, and employment continued their positive trajectories. Housing starts, new and existing home sales, and house price data point to healthy demand in the housing sector aided by improving employment. Strong employment is also contributing to rising consumer spending and consumer confidence, which remains at multi-year highs.

Portfolio Commentary

The THB US Micro Cap Fund returned -4.9% in AUD (net of fees) in July, underperforming the Index by 0.4%.

Health Care (+0.7%) was the biggest contributor to the portfolio's performance, followed by Materials (+0.1%) and Financials (+0.1%). The biggest detractor to performance was Consumer Staples (-0.5%), followed by Energy (-0.3%) and Information Technology (-0.3%).

THB's top five performing stocks (from a contribution standpoint) were LeMaitre Vascular (Health Care, +0.3%), Allied Motion Technologies (Industrials, +0.2%), ePlus Inc (Information Technology, +0.1%), First Internet Bancorp (Financials, +0.1%), and Merit Medical Systems (Health Care, +0.1%).

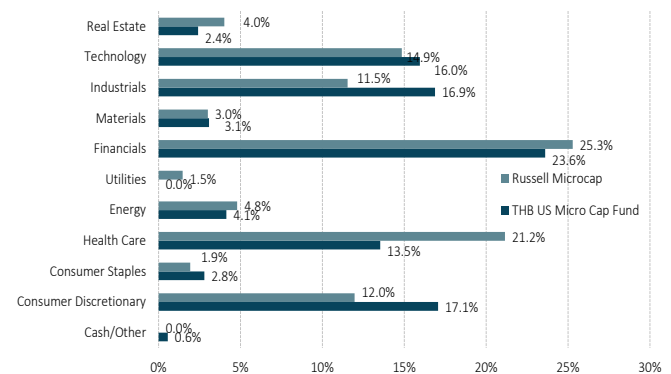
The bottom five performing stocks (from a contribution standpoint) were Landec Corp (Consumer Staples, -0.3%), Insteel Industries (Industrials, -0.2%), Smart Sand (Energy, -0.2%), MarineMax Inc (Consumer Discretionary, -0.2%), and Mammoth Energy Services (Energy, -0.1%).

The THB Micro Cap portfolio has had five portfolio companies acquired year-to-date, which THB believes is a sign of increasing optimism and a growing willingness of boardrooms to start putting high levels of corporate cash balances to work.

Fund Details	
Benchmark	Russell Microcap® Index ¹
Inception Date	5 September 2014
Fund Size	A\$183.2million

Net Performance – 31 July 2017			
	Fund ²	Russell Microcap®	Difference
1 Month	(4.9%)	(4.5%)	(0.4%)
3 Months	(5.7%)	(4.3%)	(1.4%)
1 Year	19.3%	14.8%	4.5%
Since Inception p.a. ³	13.0%	13.8%	(0.8%)

Sector Allocation⁴



- The Russell Microcap Index is a capitalisation weighted index of 2,000 stocks that captures the smallest 1,000 companies in the Russell 2000 and 1,000 smaller US based listed stocks.
- Performance figures are presented in AUD on a net, pre-tax basis and assume the reinvestment of distributions. Past performance is not an indicator of future performance.
- Fund inception date was 5 September 2014 however inception performance is calculated from 1 October 2014.
- Portfolio holdings and allocations are subject to change and should not be considered as investment recommendations to trade individual securities. The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified were or will be profitable. There is no assurance that any securities discussed herein will remain in the portfolio at the time you receive this report, or that securities sold have not been repurchased. There can be no assurance that investment objectives will be achieved. A full list showing every holding's contribution to the overall account's performance during the measurement period and calculation methodology is available upon request.

Portfolio Statistics¹

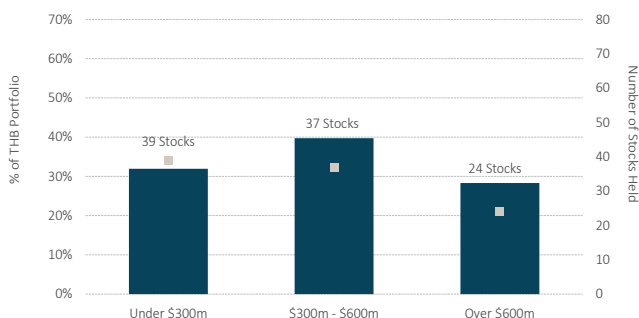
As at 31 July 2017		
	Fund	Russell Microcap®
Weighted Avg Market Cap	\$517m	\$508m
Price/Sales	1.1x	1.0x
Price/Book	1.9x	2.6x
Dividend Yield	0.8%	1.3%
Number of Securities	100	1,522
Standard Deviation	14.5%	15.7%
Sharpe Ratio	0.8	0.7
Beta	0.9	
Tracking Error	5.4	
Information Ratio	0.02	

1. Portfolio statistics are reported in USD.

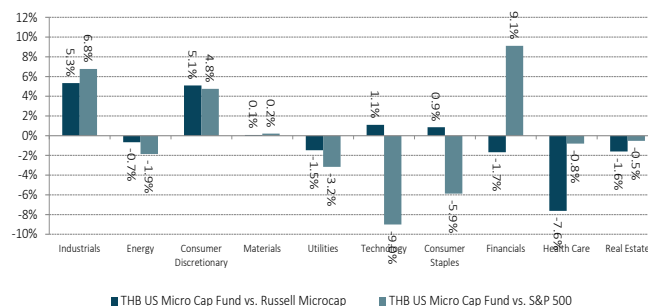
Top 10 Holdings

Stock	Sector	Weight
Old Second Bancorp	Financials	2.7%
UFP Technologies	Materials	2.1%
First Busey Corp	Financials	2.1%
LeMaitre Vascular	Healthcare	2.0%
Heritage Financial Corp	Financials	2.0%
Allied Motion Technologies	Industrials	1.9%
Bassett Furniture	Consumer Disc	1.9%
PCSB Financial	Financials	1.8%
Overstock.com	Consumer Disc	1.7%
Merit Medical Systems	Healthcare	1.7%

Companies by Market Capitalisation



Active Sector Positioning



Investment Strategy

Thomson Horstmann & Bryant, Inc. (THB) is an employee-owned boutique investment management firm based in Connecticut specialising in smaller company strategies. THB's US Micro Cap strategy is based on the belief that there are inefficiencies in the micro cap segment of the market due to lack of analyst coverage, difficulty in identifying value and the impact that management skill has on the direction of smaller companies. THB utilises a disciplined, fundamental bottom-up approach that blends both qualitative and quantitative methods to construct a well-diversified portfolio of companies that possess attractive operating metrics, yet with comparable valuation to the Russell Microcap® Index.

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