

THB US Micro Cap Fund

A broadly diversified portfolio of US micro caps taking advantage of the valuation gap

Fund Snapshot

The THB US Micro Cap Fund (the Fund) invests in a broadly diversified portfolio of US micro cap stocks. The Fund targets a long term average return of at least 4% p.a. (net) above the Russell Microcap® Index.

Why US Micro Caps?

The world's deepest and broadest source of micro cap stocks is in the US.

Over a full market cycle a well-diversified portfolio of high quality micro cap companies run by top calibre management teams should significantly outperform larger cap portfolios. These companies tend to grow faster than their larger counterparts and have more rapid earnings growth.

Micro cap investing also presents abundant alpha opportunities. Research coverage is limited, which creates an information void and resulting inefficiency. As well, more than 50% of all US merger and acquisition activity is typically in micro cap companies and balance sheets appear healthier than at any time in the past 20 years.

About Thomson Horstmann & Bryant

Thomson Horstmann & Bryant, Inc. (THB) is a dedicated US micro and small cap specialist investment management firm. Founded in 1982 and 100% employee-owned, it has more than 30 years' experience investing in the hard-to-reach, smallest segment of the US share market.

THB Investment Approach

THB thinks and acts like a business owner. It seeks to invest alongside 'owner entrepreneurs', pursuing experienced management teams who have extensive experience, a proven track record and a material level of outstanding shares.

THB identifies companies where the market has undervalued its potential based on its operating structure and profitability, failed to recognise inherent value on a cost replacement basis, and/or overlooked synergies available to potential acquirers.

THB's approach is also distinguished by its focus on companies with:

- Strong balance sheets, little debt, high tangible asset ratios, stable profitability and strong corporate governance.
- Well entrenched competitive positions and a unique 'advantage' not fairly valued by the market.
- Obvious near term catalysts for growth and change, including special situations such as spin-offs and recapitalisations.
- Strong secular tailwinds such as improving demand dynamics and structural industry change.
- Ownership catalysts such as positive insider activity, share buy-backs and activist intervention.

Investment Process

THB undertakes more than 95% of the research on companies internally. Idea generation comes from a combination of the manager's proactive search for opportunities, market activity and meetings. A quantitative screen is used to flag companies that display attractive characteristics.

Challenging Convention

First Australian-domiciled fund investing in US micro caps

Opportunity

Inefficiencies in smallest segment of the share-market provide abundant alpha opportunities

Potential for outsized returns as lack of analyst attention creates information void

Strategy

Well diversified and efficient exposure, over 100 stocks

Active management based on market tested investment philosophy

Fundamental analysis is then conducted on each company to develop and test an investment thesis, understand business growth drivers, appraise management and assess value.

THB sets a price target based on a blend of historical, relative and private markets valuations. Price targets are adjusted using an internal 'quality rank' that forces consideration of factors including management, alignment, market dynamics and standard deviation/risk. This metric typically steers THB away from higher volatility, riskier companies.

Capital is then allocated within portfolio constraints and having regard to the market cap and volatility distributions.

Key Characteristics of the Fund

The portfolio is well diversified, typically holding over 100 stocks. Stock and sector limits limit the risk of overly concentrated positions.

THB's Micro Cap strategy typically considers stocks with market capitalisations that are consistent with the Russell Microcap® Index at time of purchase. However there is a bias towards the smallest part of the micro cap universe, and lower volatility stocks.

Reputation

More than 70% of client assets have been with THB for 10+ years

One of the longest established micro cap managers with 30+ years' experience

Key Fund Features

Fund Name	THB US Micro Cap Fund
Investment Manager	Thomson Horstmann & Bryant, Inc.
Responsible Entity	Equity Trustees Limited
Fund Inception Date	5 September 2014
Management Costs	1.25% p.a. (inclusive of GST and RITC) including all investment management fees, responsible entity fees, administration fees, custody fees and other expenses incurred in operating the Fund
Performance Fee	Nil
Buy/Sell Spread	0.30% on applications and 0.30% on withdrawals
Investment Universe	All securities included in the Russell Microcap® Index and other permitted securities. See PDS for further details
Currency Hedging	None. The Fund does not hedge its currency exposure. The underlying investments are typically denominated in US Dollars
Offering Document	Product Disclosure Statement (PDS)
Investor Class	'Wholesale clients' as defined in the Corporations Act 2001
Minimum Application	\$250,000
Applications	Daily
Withdrawals	Daily

About the Manager

Founded in 1982 and 100% employee owned
 US\$803 AUM
 4 Portfolio Managers with average 27 years' experience and 17 years' tenure

Contact

Stephen Holl
 Director
 Brookvine Pty Limited
 w: +61 2 9328 6445
 m: +61 402 468 050
 stephenholl@brookvine.com.au
 brookvine.com.au

This document has been prepared and issued by Thomson Horstmann & Bryant, LLC. (THB) and is intended for the general information of 'wholesale clients' (as defined in the Corporations Act 2001) only. THB is exempt from holding an Australian Financial Services Licence pursuant to ASIC Class Order 03/1100 'Relief for US SEC regulated financial service providers' in respect of the financial services it provides to Wholesale Clients, and is not licensed to provide financial services to retail clients, in Australia. THB is regulated by the Securities and Exchange Commission of the United States of America under US laws, which differ from Australian laws. Equity Trustees Limited (Equity Trustees) (ABN 46 004 031 298, AFSL 240975) is a subsidiary of EQT Holdings Limited (ABN 22607 797 615), a publicly listed company on the Australian Securities Exchange (ASX:EQI). Equity Trustees is the Responsible Entity of the THB US Micro Cap Fund (ARSN 600 158 450). This document is neither an offer to sell or a solicitation of any offer to acquire interests in any investment. The information contained in this document is of a general nature only. Accordingly, reliance should not be placed on this information as the basis for making an investment, financial or other decision. In preparing this document, THB has not taken into account the investment objectives, financial situation and needs of any particular person. Before making any investment decision, you should consider whether the investment is appropriate in light of those matters. Whilst every effort is taken to ensure the information in this document is accurate, THB provides no warranty as to the accuracy, reliability and completeness of the information in this document and you rely on this information at your own risk. To the extent permitted by law, THB disclaims all liability to any person relying on the information contained in this document in respect of any loss or damage (including consequential loss or damage) however caused, which may be suffered or arise directly or indirectly in respect of such information. Past performance is not a reliable indicator of future performance. The return of capital or any particular rate of return from the Fund is not guaranteed. You should obtain and consider the Fund's Product Disclosure Statement (PDS) before deciding whether to acquire, or continue to hold, an interest in the Fund. Applications can only be accepted on an application form attached to a current Product Disclosure Statement.