

THB Asset Management

THB US Micro Cap Fund

INVESTING IN

US micro cap stocks

BASED IN

Connecticut, USA

FIRM INVESTING SINCE

1982

FUND INCEPTION

2014

35+

YEARS INVESTING AS A FIRM

20+ year

TRACK RECORD IN MICRO CAPS

US\$753m

FIRM AUM AT 31 MARCH 2019

12.8% p.a.

SINCE INCEPTION³

US\$582m

WEIGHTED AVG MKT CAP

A\$282m

AUM IN AUSTRALIAN FUND
AS AT 31 MARCH 2019

100+

STOCKS IN PORTFOLIO

Past performance is not an indicator of future performance.

“Lack of analyst attention in the smallest segment of the sharemarket provides abundant opportunities for outsized returns.”

Christopher Cuesta, CEO and Portfolio Manager, THB

The THB US Micro Cap Fund invests in a broadly diversified portfolio of US micro cap stocks.

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 the size range of micro cap companies and balance sheets appear healthier than at any time in the past 20 years.

About THB

THB Asset Management (THB) is a dedicated micro cap specialist investment management firm. Founded in 1982 and 100% employee-owned, it has 37 years' experience investing in micro and small cap companies, having successfully managed through multiple economic crises and cycles.

THB US Micro Cap Fund

Net performance (AUD) as at 31 March 2019

	Fund ²	Russell Microcap [*]	Difference
1 Month	(3.8%)	(2.8%)	(1.0%)
3 Months	6.2%	12.1%	(5.9%)
1 Year	6.0%	5.4%	0.6%
2 Years p.a.	9.3%	9.1%	0.2%
3 Years p.a.	17.1%	15.4%	1.8%
Since Inception p.a. ³	12.8%	13.1%	(0.3%)

Source: Link Fund Solutions

1. The Russell Microcap Index is a capitalisation weighted index of approximately 1,600 stocks that captures the smallest 1,000 companies in the Russell 2000 and up to 1,000 smaller US based listed stocks.

2. 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.

3. Fund inception date was 5 September 2014 however inception performance is calculated from 1 October 2014.

THB US Micro Cap Fund

APIR CODE
ETL0413AU

INVESTMENT MANAGER
THB Asset Management

RESPONSIBLE ENTITY
Equity Trustees Limited

FUND INCEPTION DATE
5 September 2014

BENCHMARK
Russell Microcap^{*} Index¹

FUND SIZE
A\$281.9 million

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

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

INVESTOR CLASS
'Wholesale clients' as defined in the Corporations Act 2001 and Retail Clients investing indirectly via a platform (master trust or wrap account)

MINIMUM APPLICATION
\$250,000 or via platform

APPLICATIONS & WITHDRAWALS
Daily

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

Reputation

More than 40% of client assets have been with THB for 10+ years

One of the longest established micro cap managers with 35+ years' experience

Investment process

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

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.

THB leverages a proprietary multi-factor quality assessment when reviewing new opportunities, including management quality, financial strength, industry position, and ESG factors.

Signatory of:



Top 10 holdings⁴

Stock	Sector	Weight
Johnson Outdoors Inc	Consumer Disc.	2.5%
PAR Technology Corp	Technology	2.5%
Old Second Bancorp	Financials	2.3%
Mesa Laboratories	Technology	2.2%
UFP Technology Inc	Materials	2.0%
Graham Corp	Industrials	2.0%
Luminex Corp	Health Care	1.9%
Argan Inc	Industrials	1.8%
MarineMax Inc	Consumer Disc.	1.8%
US Physical Therapy	Health Care	1.7%

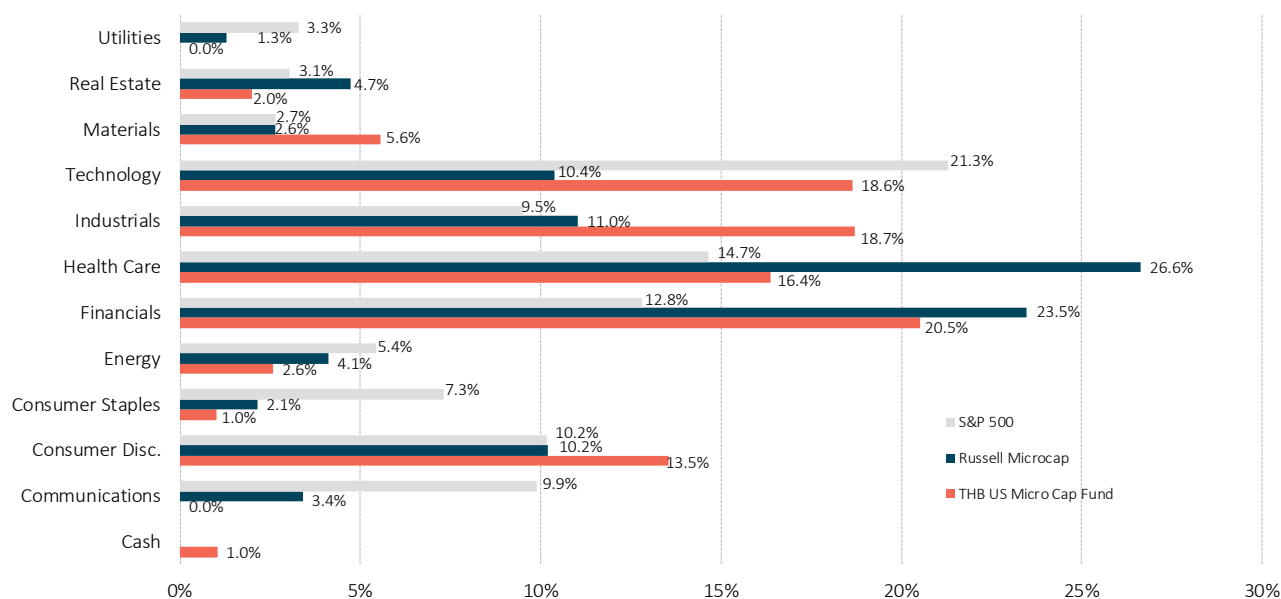
Source: THB Asset Management

Companies by market capitalisation



Source: THB Asset Management

Sector allocation as at 31 March 2019⁴



Source: THB Asset Management

Portfolio statistics in USD as at 31 March 2019

	Fund	Russell Microcap [®]
Weighted Avg Market Cap	US\$582m	US\$644m
Prices/Sales	1.1x	0.9x
Price/Book	1.7x	1.7x
Dividend Yield	0.8%	1.2%
Number of Securities	100	1,557
Standard Deviation	15.3%	16.9%
Sharpe Ratio	0.6	0.5
Beta	0.9	
Tracking Error	5.5	
Information Ratio	0.1	

Source: THB Asset Management

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