

THB International Micro Cap Fund – Class W

Monthly Report – August 2019

Market commentary

The MSCI World ex USA Small Cap® Index returned -0.1% (AUD) in August.

Real Estate (+3.0%) was the best performing sector, followed by Utilities (+0.8%) and Communication Services (+0.3%). Energy (-7.9%) was the worst performing sector, followed by Financials (-5.1%) and Information Technology (-3.6%). Belgium (+0.3%) was the best performing country, followed by Israel (-0.4%) and Canada (-0.5%). Hong Kong (-8.6%), Netherland (-5.2%) and Australia (-5.0%) were the worst performing countries.

Global stocks were broadly lower as escalations of the US/China trade negotiations increased concerns about global economic conditions. To offset some of the potential economic fallout, a trio of central banks surprised markets with rate cuts. Markets stabilised towards the end of the month as Trump sought to ease trade tensions.

Portfolio commentary

The THB International (ex-USA) Micro Cap Fund - Class W returned -1.2% (net of fees) in August.

Contributors to the portfolio's performance were positive stock selection in Australia, Sweden, and Germany. Detractors from performance included stock selection in Japan, United Kingdom and New Zealand. From a sector perspective, primary detractors in performance mainly came from stock selection in Information Technology, Industrials and underallocation to Real Estate. Stock selection in Healthcare, Consumer Disc, and Materials were the primary contributors in performance.

THB's top five performing stocks (from a contribution standpoint) were Eckert & Ziegler AG. (Germany, Healthcare +0.5%), Nanosonic Limited (Australia, Healthcare, +0.2%), IBI, Inc. (Japan, Consumer Disc, +0.2%), Ramelius Resources Limited (Australia, Materials, +0.2%) and Vetropack Holding AG (Switzerland, Materials, +0.2%). The bottom five performing stocks were Vista Group International Ltd. (New Zealand, IT, -0.3%), u-blox Holding AG (Switzerland, IT, -0.2%), Dr. Hoenle AG (Germany, Industrials, -0.2%), Digital Arts Inc. (Japan, IT, -0.2%), and ZIGExN Co. Ltd. (Japan, Comm Services, -0.2%).

During the month, 58 of the 150 portfolio holdings reported earnings. Most (90%) portfolio companies have now reported and trends were very good. Positive topline growth was experienced by 91% of holdings which equates to aggregate annual revenue growth of approximately 13% for the portfolio. Two Japanese companies announced share repurchase information; Retail Partners will repurchase 6.5% of shares outstanding while Yumeshin Holding continued their goal of repurchasing 3% of outstanding shares with \$6M of activity this month.

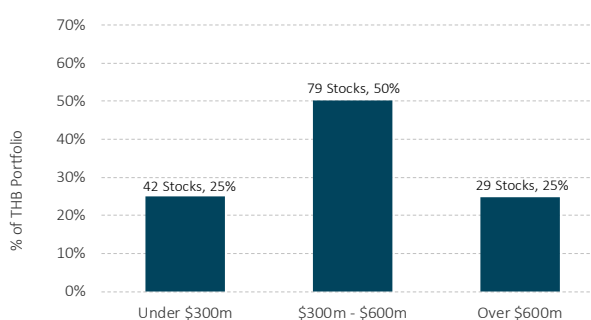
Michael Burry, the centerpiece of Michael Lewis' *Big Short* book, recently stated "the trend to very large size among asset managers has orphaned smaller value type securities globally...There is all this opportunity, but so few active managers looking to take advantage". THB agrees, see many great opportunities for outsized gains in microcap equities and are looking to take advantage.

Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) ²
Inception date	23 August 2018
Fund size	A\$66.5 million

Net performance – 31 August 2019			
	Fund ¹	MSCI World ex USA Small Cap®	MSCI World ex USA Micro Cap®
1 month ¹	(1.2%)	(0.1%)	(1.5%)
3 months	1.0%	4.6%	1.6%
Since inception	(5.0%)	(0.1%)	(3.7%)

1. 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 23 August 2018 however inception performance for this class is calculated from 7 September 2018.

Companies by market capitalisation



Source: THB Asset Management

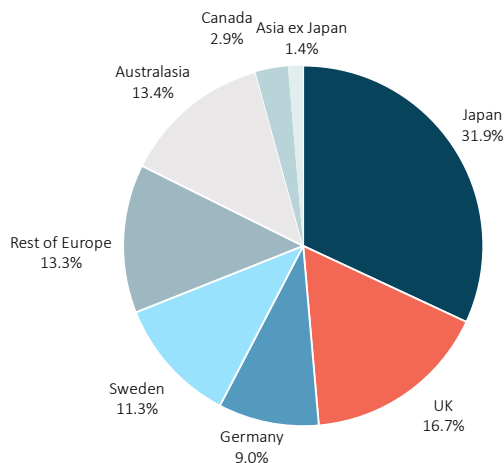
2. The MSCI World ex-USA Small Cap Total Return Index (AUD) captures small cap representation across 22 of 23 Developed Markets (DM) countries (excluding the United States). With 2,559 constituents, the Index covers approximately 14% of the free float-adjusted market capitalisation in each country. Source: MSCI

Portfolio statistics³

As at 31 August 2019		
	Fund	Benchmark
Weighted avg market cap	US\$486m	US\$2,472m
Price/sales	1.4x	0.9x
Dividend yield	2.0%	2.8%
Number of securities	150	2,552
Standard deviation	14.8%	12.6%
Sharpe ratio	0.9	0.4
Beta	1.1	
Tracking error	5.6	
Information ratio	1.4	

1. Portfolio statistics are reported in USD. Source: THB Asset Management

Country allocation⁴



Source: THB Asset Management
3. Portfolio statistics are reported in USD.

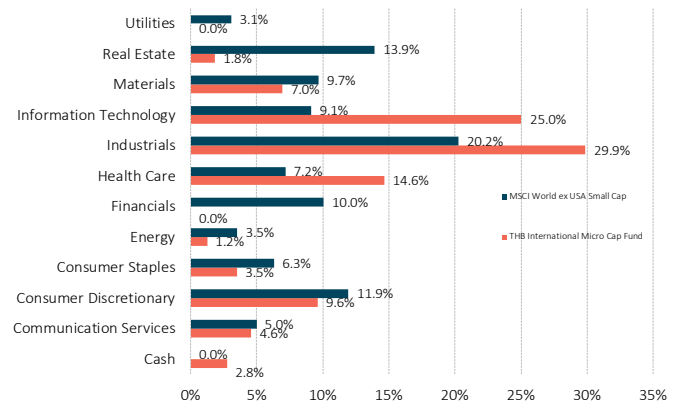
4. Portfolio holdings and allocations are subject to change and should not be considered as investment recommendations to trade individual securities. The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not 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.

Top 10 holdings⁴

Stock	Sector/Country	Portfolio weight
Eckert & Ziegler	Health Care/Germany	1.6%
Nanosonics	Health Care/Australia	1.5%
AB Dynamics	Consumer Disc./UK	1.5%
Gurit Holding	Materials/Switzerland	1.2%
Tokyo Rakutenchi Co Ltd	Real Estate/Japan	1.2%
Dr. Hoenle	Industrials/Germany	1.2%
Judges Scientific	Industrials/UK	1.1%
Lovisa Holdings	Consumer Disc/Australia	1.1%
HABA Laboratories	Consumer Staples/Japan	1.0%
Eolus Vind AB	Industrials/Sweden	1.0%

Source: THB Asset Management

Sector allocation⁴



Source: THB Asset Management

Investment strategy

THB Asset Management (THB) is an employee-owned boutique investment management firm based in Connecticut specialising in smaller company strategies. THB's International 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, limited investable options, resource constraints and difficulty in identifying value. THB utilises a disciplined, fundamental approach that blends both qualitative and quantitative methods to construct a well-diversified, low-risk portfolio of companies that possess attractive operating metrics, yet with comparable valuation to the MSCI World ex USA Small Cap® Index.

BROOKVINE

THB
Asset Management

For more information contact:
Natalie Hall on +61 2 9328 6445 or
nataliehall@brookvine.com.au

This document has been prepared and issued by Thomson Horstmann & Bryant, Inc. (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:EQT). Equity Trustees is the Responsible Entity of the THB International Micro Cap Fund (ARSN 623 620 744). 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 and Equity Trustees 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 and Equity Trustees 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. Neither THB, Equity Trustees nor any of its related parties, their employees or directors, provide and warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it.