

THB Asset Management

THB International (ex-USA) Micro Cap Fund

INVESTING IN	BASED IN	FIRM INVESTING SINCE	FUND INCEPTION
International micro cap stocks (excluding USA)	Connecticut, USA	1982	2018

37
YEARS INVESTING AS A FIRM

20+ year
TRACK RECORD IN MICRO CAPS

US\$618m
FIRM AUM AT 30 SEPTEMBER 2019

-2.6% p.a.
SINCE INCEPTION¹

US\$473m
WEIGHTED AVG MKT CAP

A\$68m
AUM IN AUSTRALIAN FUND
AS AT 30 SEPTEMBER 2019

150
STOCKS IN PORTFOLIO

Past performance is not an indicator of future performance.

“High quality exposure to an inefficient asset class at the early stages of institutionalisation”

Christopher Cuesta, CEO and Portfolio Manager, THB

The THB International (ex-USA) Micro Cap Fund invests in a broadly diversified portfolio of developed market micro cap stocks.

Why International micro caps?

International micro cap stocks are an underinvested and overlooked segment of the global share market and provide investors with an opportunity to generate outsized returns relative to larger capitalisation stocks. Like its US counterpart, international micro cap stocks exhibit favourable characteristics including a large universe of companies, little-to-no sell side coverage, few investment managers with a credible track record and process, and a valuable correlation benefit with respect to other segments of global equities markets. Moreover, those stocks are largely absent from global small and large cap oriented portfolios.

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 began investing internationally in 2015.

THB investment approach

THB International Micro Cap is a long-only, quantitative strategy with a qualitative overlay. The strategy seeks to exploit inefficiencies amongst international micro cap companies. These are companies domiciled in developed markets outside the US but including Australia.

THB uses a series of proprietary quantitative screening tools, developed

over 10 years within their fundamental US Micro Cap strategy, to filter the international universe (which includes all common stock listed within these countries' primary exchanges) into an investable subset of securities. From this subset, THB creates a lower-risk and low turnover portfolio in the most inefficient and under-invested segment of the non-US equity market.

The strategy is based on the same premise as the US strategy which holds that the most inefficient and under-researched segment of the market has significant opportunities to produce returns well in excess of market benchmarks and large-capitalisation stocks.

Investment process

Through the screening process, companies are initially filtered out based on trading status and market cap ranges. Companies that are overly levered, lack profitability, do not have a minimum three years of trading history, or have excessive valuations are excluded. Companies with nonsensical financials or are mischaracterised, have high intangibles, or have excessive dilution are also removed. High risk companies, as determined by THB's proprietary risk grading process, are then excluded from the universe.

THB then creates a model portfolio by ranking the securities using a multi-factor model based on revenue trends, cash flow trends, margin profile, profitability metrics, and valuation. This aligns with THB's fundamental approach to stock selection within its US Micro Cap strategy.

THB International (ex-USA) Micro Cap Fund Class W

Net Performance as at 30 September 2019

	Fund ³	MSCI World ex USA Small Cap*	MSCI World ex USA Micro Cap*
1 month	2.3%	2.4%	1.6%
3 months	1.1%	3.8%	1.8%
CYTD	20.8%	17.5%	12.4%
1 year	(3.2%)	1.3%	(3.6%)
Since inception p.a. ³	(2.6%)	2.2%	(2.0%)

Source: Link Fund Solutions

1. Fund inception date was 23 August 2018 however inception performance is calculated from 7 September 2018.
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 2,547 constituents, the Index covers approximately 14% of the free float-adjusted market capitalisation in each country. Source: MSCI
3. 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.

THB International (ex-USA) Micro Cap Fund

APIR CODE
ETL3238AU

INVESTMENT MANAGER
THB Asset Management

RESPONSIBLE ENTITY
Equity Trustees Limited

FUND INCEPTION DATE
23 August 2018

BENCHMARK
MSCI World ex USA Small Cap*
Index²

FUND SIZE
A\$68 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
0.50% on applications and 0.50% on withdrawals

INVESTMENT UNIVERSE
Stocks with market capitalisations of companies included in the MSCI World ex USA Micro Cap Index and the smallest 35% of the MSCI World ex USA Small Cap Index

CURRENCY HEDGING
None. The Fund does not hedge its currency exposure. The underlying investments are typically denominated in various global currencies

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

Low volatility, high quality exposure to an inefficient asset class at the early stages of institutionalisation

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

Strategy

Well diversified and efficient exposure, 150 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

Finally, the highest ranked securities are subject to a fundamental review before being added to the portfolio, subject to portfolio constraints. The team looks for issues that warrant further consideration and/or disqualification, including philosophical alignment, accounting irregularities, legal/regulatory issues, corporate actions, environmental/ labour violations, and ESG grades. Short interest levels and geographic revenue breakdown are also reviewed.

Key characteristics of the fund

The portfolio is well diversified, holding 150 stocks, and maintains broad country, economic, and sector diversification. Annually, the basket of securities and the corresponding target lists (after exclusions and THB risk grades) are quantitatively recreated to control excessive portfolio turnover (targeted around 45%).

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

Signatory of:

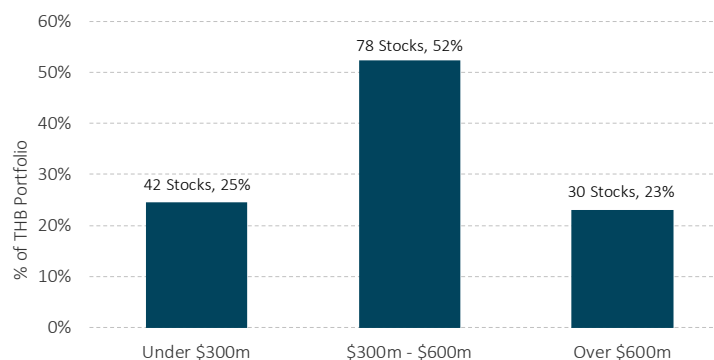


Top 10 holdings⁴

Stock	Sector	Country	Weight
Eolus Vind AB	Industrials	Sweden	1.4%
Gurit Holdings	Materials	Switzerland	1.4%
Judges Scientific	Industrials	UK	1.3%
Tokyo Rakutenchi	Real Estate	Japan	1.2%
AB Dynamics	Consumer Disc.	UK	1.2%
Dr Hoenle AG	Industrials	Germany	1.2%
SeSa S.p.A	Technology	Italy	1.1%
4imprint Group	Communications	UK	1.1%
Lovisa Holdings	Consumer Disc.	Australia	1.1%
HABA Laboratories	Consumer Staples	Japan	1.1%

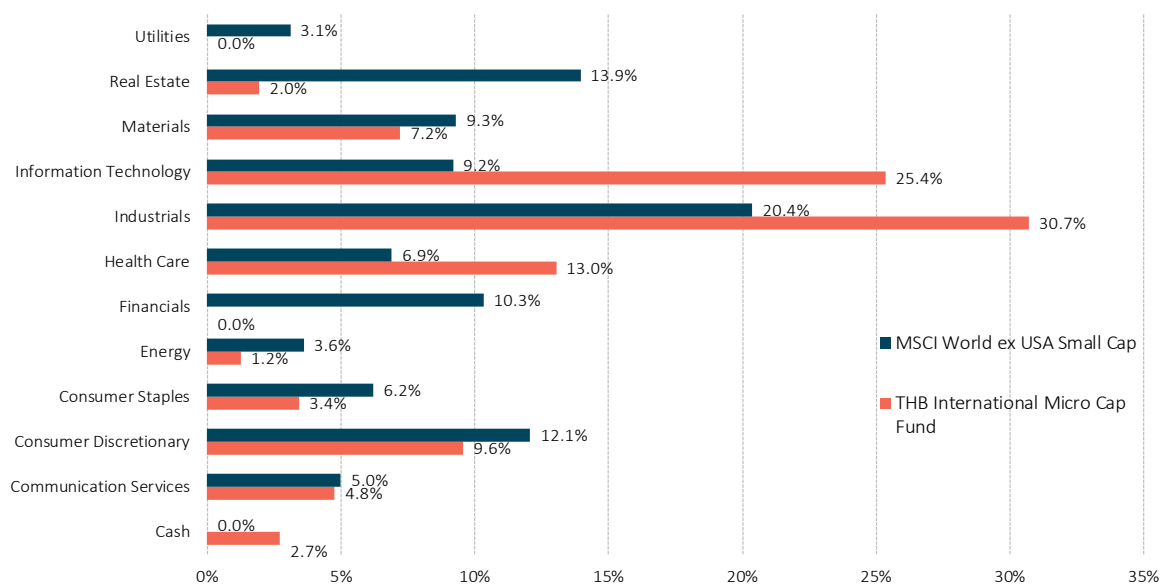
Source: THB Asset Management

Companies by market capitalisation



Source: THB Asset Management

Sector allocation as at 30 September 2019⁴



Source: THB Asset Management

Portfolio statistics in USD as at 30 September 2019

	Fund	MSCI World ex USA Small Cap [®]
Weighted avg market cap	US\$473m	US\$2,515m
Prices/sales	1.4x	0.9x
Price/book	2.8x	1.4x
Dividend yield	2.0%	2.7%
Number of securities	150	2,547
Standard deviation	14.7%	12.5%
Sharpe ratio	1.0	0.5
Beta	1.1	
Tracking error	5.6	
Information ratio	1.4	

Source: THB Asset Management

Brookvine Pty Limited
 ABN 53 098 072 390
 AFSL 246450

Suite 2, 60 Moncur St
 Woollahra NSW 2025
 T: +61 2 9328 6445

brookvine.com.au

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.

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 (ex-USA) 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 provide 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.