

THB International Micro Cap Fund – Class W

Quarterly Report – September 2019

Market commentary

The MSCI World ex USA Small Cap® Index (Index) returned 3.8% (AUD) in Q3.

Real Estate (+6.4%) was the best performing sector, followed by Utilities (+3.3%) and communication Services (+1.9%). Energy (-5.4%) was the worst performing sector, followed by Materials (-4.4%) and industrials (-2.5%).

Israel (+10.7%) was the best performing country, followed by Japan (+4.0%) and Belgium (+2.4%). Hong Kong (-7.6%), Denmark (-7.2%) and Norway (-7.2%) were the worst performing countries in the Index.

International equities were broadly positive this month as there was some thawing in the trade tension between the US and China and the ECB announced a rate cut and additional stimulus measures. Starting November 1, the ECB will reintroduce QE via open ended asset purchases (20B Euro per month). Weak global PMIs have increased participants expectations of continued interest rate cuts and or other pro-growth policies.

Portfolio commentary

The THB International (ex-USA) Micro Cap Fund- Class W returned 1.1% (net of fees) in Q3.

Contributors to the portfolio's performance were positive stock selection in Australia, Italy and Germany. Overallocation to Japan added to performance. Detractors from performance included stock selection in Japan, United Kingdom and Canada, overallocation in Sweden and Germany.

From a sector perspective, positive contribution mainly came from stock selection in Materials, Health Care, Communication Discretionary and overallocation in Information Technology. Stock selection in Information Technology, Communication Services as well as underallocation to Real Estate were the primary detractors in performance.

THB's top five performing stocks (from a contribution standpoint) were Eckert & Ziegler AG., (Germany, Health Care, +0.7%), Eolus Vind AB (Sweden, Industrials, +0.4%), SeSa S.P.A. (Italy, Information Technology, +0.3%), Ramelius Resources Ltd. (Australia, Materials, +0.3%) and Gurit Holding AG (Switzerland, Materials, +0.3%).

The bottom five performing stocks (from a contribution standpoint) were Fixstars Corp (Japan, Information Technology, -0.3%), Vista Group International Ltd. (New Zealand, Information Technology, -0.3%), ValueCommerce Co. Ltd. (Japan, Communication Services, -0.3%), Dr. Hoenle AG (Germany, Industrials, -0.3%) and ZIGExN Co. Ltd. (Japan, Communication Services, -0.2%).

During the quarter, eight portfolio companies announced new share repurchases authorisations. Portfolio holding Cellavision acquired RAL Diagnostics SAS for \$30M. The acquisition helps broaden their product offering to existing clients, expand RAL's sales into new geographies and allows the company to expand into adjacent verticals. Such actions highlight how well capitalised companies are deploying cash flows into growth initiatives.

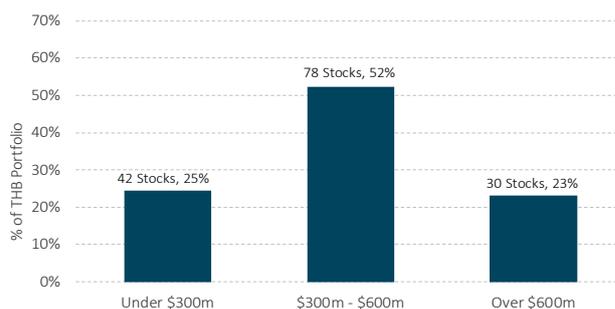
Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) ³
Inception date ²	23 August 2018
Fund size	A\$68 million

Net performance – 30 September 2019			
	Fund ¹	MSCI World ex USA Small Cap®	MSCI World ex USA Micro Cap®
1 month ¹	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 ²	(2.6%)	2.2%	(2.0%)

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. Figures in the tables may not sum correctly due to rounding.

2. 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

3. 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

Stocks in focus

Eolus Vind (EOLU)

Eolus is a leading Nordic wind power developer based in Sweden. The company engages in the design and construction of wind power facilities in attractive wind locations which it later transfers to customers as turnkey solutions. Eolus has established a combined capacity of 900+ MW, which is about 13% of the wind power constructed in Sweden. The company is well-positioned to capitalise on the rapid growth of wind power generation in Sweden. In 2006, wind power accounted for less than 0.5% of the country's electricity generation. That number was 11% in 2017. Wind power is the third highest source of electricity after hydro power and nuclear power. In 2016, Sweden adopted a target of 100% renewable electricity generation by 2040. The company has been de-risking its operations by divesting owned windfarms while expanding its other two segments: project development and asset management. It is looking to broaden its technological platform to include solar energy and energy storage. Eolus has strong balance sheet with \$40M net cash position as of 31 August 2019.

Secunet (YSN)

Over the last two decades, Secunet Security Networks has become a leading provider in Germany, as well as in the rest of Europe, of high-quality security solutions and products. It is one of the most trusted service providers to the German government and major automotive manufacturers. Its Public Sector business unit offers solutions for highly secure, cryptographic processing, transmission and storage of classified information as well as electronic passports, biometric border controls and electronic tax declaration. Its commercial business unit offers IT security consulting to the healthcare and automotive markets as well as critical infrastructures such as utilities. Secunet has achieved strong growth over the past five years and doubled its operating margin from 8% to 16%. This trend continued in the 1H of 2019 with revenues up 50% YoY driven by the approval in December 2018 of its healthcare konnektor product used to encrypt personal data in the healthcare networks. THB believes Secunet is well positioned to sustain its strong performance as increasing connectivity, digitalisation and threats from cyber-attacks will drive demand for its products and services. The company has strong balance sheet with \$23M net cash position as of 30 June 2019.

Top 10 holdings³

Stock	Sector/Country	Portfolio 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

Portfolio statistics⁴

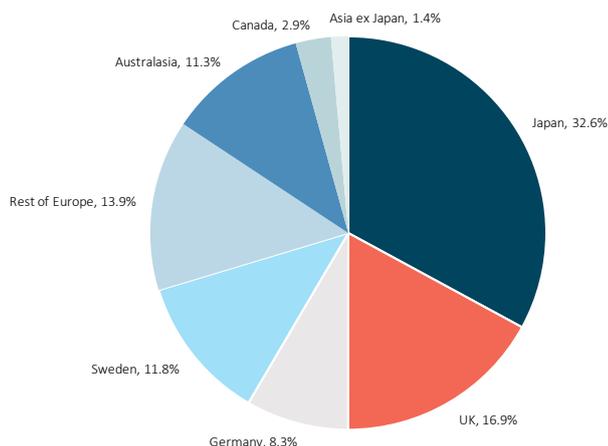
As at 30 September 2019		
	Fund	Benchmark
Weighted avg market cap	US\$473m	US\$2,515m
Price/sales	1.4x	0.9x
Price/book	2.8x	1.4x
Dividend yield	2.0%	2.7%
Number of securities	150	2,547
Standard deviation	14.7%	12.5%
Sharpe ratio	1.0	0.5
Beta	1.1	
Tracking error	5.6	
Information ratio	1.4	

Source: THB Asset Management

3. 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.

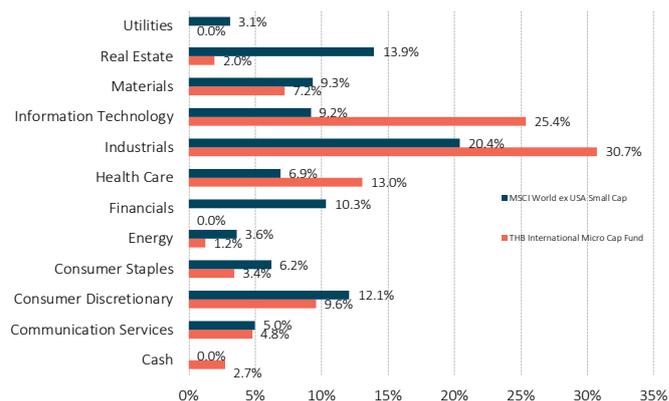
4. Portfolio statistics are reported in USD.

Country allocation⁵



Source: THB Asset Management

Sector allocation⁵



Source: THB Asset Management

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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

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Asset Management

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