

# THB International Micro Cap Fund – Class W

## Monthly Report – January 2020

### Market commentary

The MSCI World ex USA Small Cap® Index (Index) returned 2.0% (AUD) in January.

Utilities (+4.7%) was the best performing sector, followed by Real Estate (+1.5%) and Information Technology (-1.7%). Energy (-13.2%) was the worst performing sector, followed by Consumer Discretionary (-5.0%) and Materials (-4.9%).

Switzerland (-0.6%) was the best performing country, followed by Australia (-0.6%) and Israel (-0.7%). Hong Kong (-6.8%), Norway (-6.7%) and France (-4.4%) were the worst performing countries in the Index.

Developed market equities ended lower this month as the positive start to the year quickly reversed as fears of Coronavirus spread through the markets. Evidence that global growth is bottoming was outweighed by the exogenous shock to economic growth that could stem from the virus spreading. Carmen Reinhart (Harvard University economist) said, “the Global Economy is entering a ‘sweet spot’” during meetings at the World Economic Forum in Davos. She cited benign inflation and renewed optimism stemming from the US/China trade deal.

### Portfolio commentary

The THB International (ex-USA) Micro Cap Fund- Class W returned 3.0% (net of fees) in January outperforming the Index by 1.0%.

Contributors to the portfolio’s performance were positive stock selection in United Kingdom, Sweden, and France. Detractors from performance included stock selection in Australia, Switzerland and Canada.

From a sector perspective, primary contributors to performance mainly came from stock selection in Industrials, Consumer Discretionary, Materials, and Energy. Underallocation in Real Estate, stock selection in Information Technology and Health Care were the primary detractors of performance this month.

THB’s top five performing stocks (from a contribution standpoint) were Eolus Vind AB (Sweden, Industrials +0.5%), INVISIO Communication AB (Sweden, Industrials, +0.2%), Avon Rubber Plc. (United Kingdom, Materials, +0.2%), Porvair Plc. (United Kingdom, Industrials, +0.1%) and Focusrite Plc. (United Kingdom, Consumer Discretionary, +0.1%).

The bottom five performing stocks (from a contribution standpoint) were El.En. S.p.A. (Italy, Health Care, -0.2%), Aptitude Software Group Plc (United Kingdom, Information Technology, -0.1%), Lovisa Holdings Ltd. (Australia, Consumer Discretionary, -0.1%), Micro Systemation AB (Sweden, Information Technology, -0.1%) and u-blox Holding AG (Switzerland, Information Technology, -0.1%).

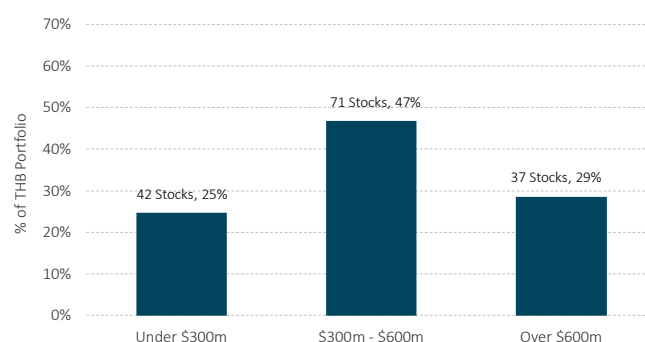
Top portfolio performer Eolus Vind is an excellent example of how Micro Cap companies offer direct, meaningful exposure to growing demand for renewable energy sources. The company is a leading designer, owner and operator of global wind farms.

Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) <sup>2</sup>
Inception date	23 August 2018
Fund size	\$78 million

Net performance – 31 January 2020			
	Fund <sup>1</sup>	MSCI World ex USA Small Cap <sup>2</sup>	MSCI World ex USA Micro Cap <sup>3</sup>
1 month	3.0%	2.0%	3.2%
3 months	9.9%	6.9%	8.3%
1 year	28.7%	22.3%	20.9%
Since inception	6.6%	8.1%	5.6%

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 2,551 constituents, the Index covers approximately 14% of the free float-adjusted market capitalisation in each country. Source: MSCI

3. The MSCI World ex USA Micro Cap Index captures micro cap representation across 22 of 23 Developed Markets (DM) countries (excluding the United States). With 4,769 constituents, the index covers approximately 1% of the free float-adjusted market capitalisation in each country.

## Portfolio statistics<sup>4</sup>

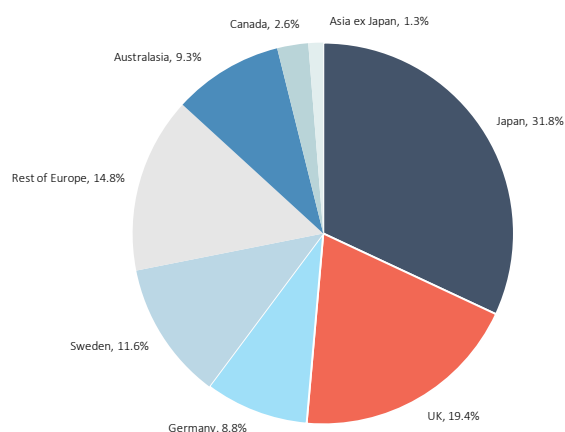
As at 31 January 2020		
	Fund	Benchmark
Weighted avg market cap	US\$548m	US\$2,706m
Price/sales	1.5x	1.0x
Price/Book	3.0x	1.5x
Dividend yield	1.8%	2.6%
Number of securities	150	2,551
Standard deviation	14.4%	12.4%
Sharpe ratio	1.1	0.6
Beta	1.1	
Tracking error	5.4	
Information ratio	1.5	

Source: THB Asset Management

## Top 10 holdings<sup>5</sup>

Stock	Sector/Country	Portfolio weight
Eolus Vind	Industrials/Sweden	1.8%
Judges Scientific	Industrials/UK	1.7%
Gurit Holding	Materials/Switzerland	1.5%
SeSa S.p.A.	Technology/Italy	1.4%
4imprint Group	Comm Services/UK	1.3%
AB Dynamics	Consumer Disc/UK	1.2%
Verbio Vereinigte BioEnergie	Energy/Germany	1.2%
Tokyo Rakutenchi	Real Estate/Japan	1.2%
El.En. S.p.A.	Health Care/Italy	1.2%
S-Pool	Industrials/Japan	1.2%

## Country allocation<sup>5</sup>

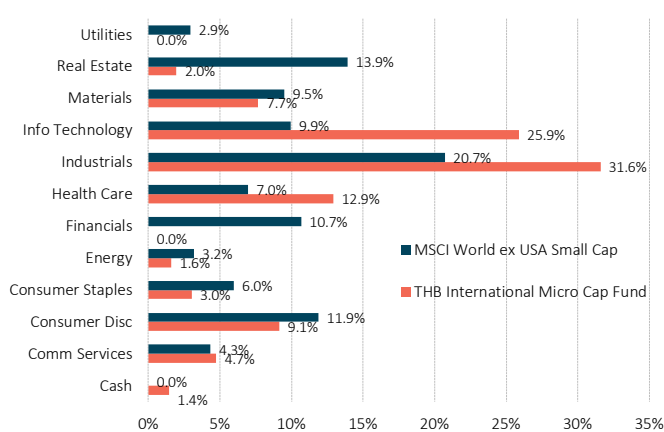


Source: THB Asset Management

4. Portfolio statistics are reported in USD.

5. 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.

## Sector allocation<sup>5</sup>



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 (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 provides no warranty as to the accuracy, reliability and completeness of this 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.