

THB International Micro Cap Fund – Class W

Monthly Report – February 2020

Market commentary

The MSCI World ex USA Small Cap® Index (Index) returned -6.3% (AUD) in February.

Utilities (-6.4%) was the best performing sector, followed by Real Estate (-6.9%) and Health Care (-7.9%). Energy (-16.0%) was the worst performing sector, followed by Information Technology (-11.0%) and Consumer Discretionary (-10.9%).

Hong Kong (-1.2%) was the best performing country, followed by Denmark (-3.9%) and Israel (-5.2%). Australia (-12.5%), Japan (-11.9%) and United Kingdom (-11.3%) were the worst performing countries in the Index.

Equities broadly declined as the number of global Coronavirus cases increases, various mitigation steps were put in place and investors priced in uncertainty regarding the overall impact on economic growth and company profits. The situation remains fluid with each country enacting measures to halt the spread. Early efforts by China appear to have halted the spread.

Portfolio commentary

The THB International (ex-USA) Micro Cap Fund- Class W returned -8.6% (net of fees) in February underperforming the Index by 2.3%.

As the virus fears rippled through the global markets, bonds rallied, and interest rates fell across all regions. THB's underweight to REITS and Utilities (these groups typically carry high amounts of debt and do not fit its philosophy) hurt relative performance this month. Due to their higher dividend yield, these groups can act like bond proxies and perform relatively well when interest rates decline.

Contributors to the portfolio's performance were positive overallocation to Sweden, as well as stock selection in Switzerland and Spain. Detractors from performance included stock selection in Japan, Australia and Finland.

From a sector perspective, primary contributors to performance mainly came from stock selection in Information Technology, Health Care, and overallocation to Health Care. Stock selection in Consumer Discretionary, Industrials and Consumer Staples were the primary detractors of performance this month.

THB's top five performing stocks (from a contribution standpoint) were ISRA Vision AG (Germany, Information Technology, +0.3%), CTT Systems AB (Sweden, Industrials, +0.1%), Tristel Plc. (United Kingdom, Health Care, +0.1%), Avon Rubber Plc. (United Kingdom, Industrials, +0.1%) and Mamezou Holdings Co Ltd. (Japan, Information Technology, +0.1%).

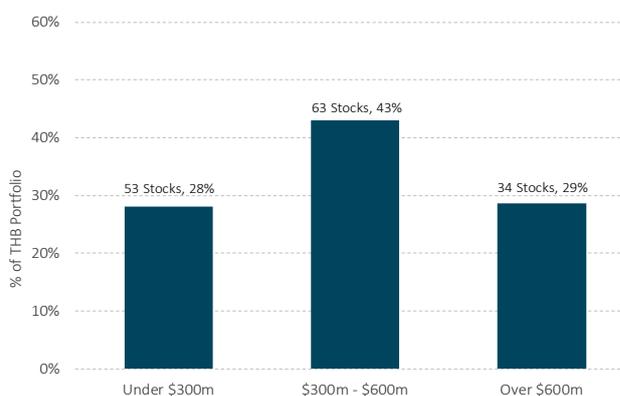
The bottom five performing stocks (from a contribution standpoint) were HABA Laboratories, Inc. (Japan, Consumer Staples, -0.3%), Focusrite Plc (United Kingdom, Consumer Discretionary, -0.3%), VERBIO Vereinigte BioEnergie AG (Germany, Energy, -0.3%), AB Dynamics Plc. (United Kingdom, Consumer Discretionary, -0.3%) and Tokyo Rakutenchi Co. Ltd. (Japan, Real Estate, -0.3%).

Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) ²
Inception date	23 August 2018
Fund size	\$71 million

Net performance – 28 February 2020			
	Fund ¹	MSCI World ex USA Small Cap ²	MSCI World ex USA Micro Cap ³
1 month	(8.6%)	(6.3%)	(8.9%)
3 months	(4.5%)	(3.8%)	(4.6%)
1 year	11.7%	9.3%	5.2%
Since inception	0.0%	3.0%	(1.1%)

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.

During the month, one of the holdings, ISRA Vision AG was acquired by Atlas Copco at a 46% premium. Such activity highlights how well capitalised companies with strong margin profiles and good market share are attractive targets for strategic acquirors.

Portfolio statistics⁴

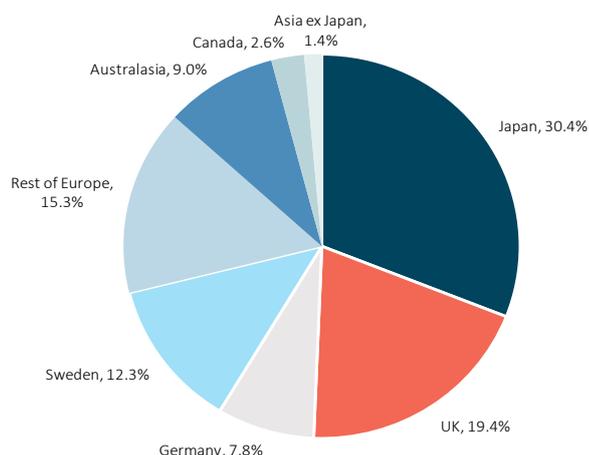
As at 28 February 2020		
	Fund	Benchmark
Weighted avg market cap	US\$488m	US\$2,511m
Price/sales	1.3x	0.9x
Price/Book	2.7x	1.3x
Dividend yield	2.1%	2.8%
Number of securities	150	2,540
Standard deviation	14.4%	12.4%
Sharpe ratio	1.1	0.6
Beta	1.1	
Tracking error	5.4	
Information ratio	1.5	

Source: THB Asset Management

Top 10 holdings⁵

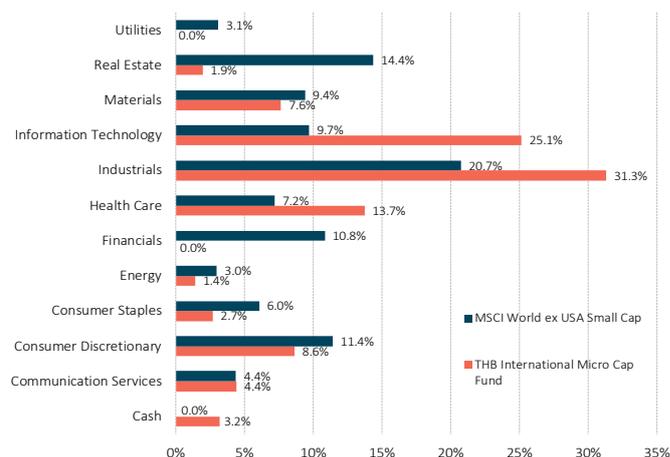
Stock	Sector/Country	Portfolio weight
Judges Scientific	Industrials/UK	1.7%
Gurit Holding	Materials/Switzerland	1.6%
Eolus Vind AB	Industrials/Sweden	1.6%
SeSa S.p.A.	Technology/Italy	1.5%
Avon Rubber	Industrials/UK	1.4%
Tristel	Health Care/UK	1.3%
NEXUS	Health Care/Germany	1.2%
El.En. S.p.A.	Health Care/Italy	1.2%
4imprint Group	Communications/UK	1.2%
S-Pool	Industrials/Japan	1.2%

Country allocation⁵



Source: THB Asset Management

Sector allocation⁵



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.

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.

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Asset Management

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