

THB International Micro Cap Fund – Class W

Monthly Report – May 2020

Market commentary

The MSCI World ex USA Small Cap® Index (Index) returned 5.5% (AUD) in May.

Information Technology (+10.1%) was the best performing sector, followed by Communication Services (+9.2%) and Materials (+9.2%). Energy (-1.3%) was the worst performing sector, followed by Real Estate (+3.8%) and Financials (+4.9%).

Australia (+13.1%) was the best performing country, followed by Sweden (+12.8%) and Norway (+12.6%). Hong Kong (-3.4%), Israel (-3.2%) and Spain (+1.9%) were the worst performing countries in the Index.

International developed market equities moved higher with leadership coming from smaller capitalisation stocks for the second consecutive month. Countries have begun reopening their economies and positive early readings of nontraditional, higher frequency data points are starting to translate into improving traditional macroeconomic readings. German IFO data has surprised to the upside with retail surveys rising the most and Sweden reported 1Q GDP of +.1% q/q. Interestingly, Sweden was one country which did not choose to endure a full lockdown and their GDP may be indicative for sharp recoveries as countries end restrictions. Markets welcomed the EU announcement of a sizeable \$825B stimulus package this month aimed at helping EU companies and countries across the 27 member states.

Portfolio commentary

The THB International (ex-USA) Micro Cap Fund - Class W returned 8.7% (net of fees) in May, outperforming the Index by 3.1%.

Contributors to the portfolio's performance were positive stock selection in Japan, New Zealand and overallocation to Sweden. Detractors from performance included stock selection in Australia, Switzerland and overallocation to United Kingdom.

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

THB's top five performing stocks (from a contribution standpoint) were Pushpay Holdings Ltd (New Zealand, Information Technology, +0.5%), Ramelius Resources Ltd. (Australia, Materials, +0.4%), Dr. Hoenle AG (Germany, Industrials, +0.3%), Sectra AB (Sweden, Health Care, +0.3%) and Comture Corporation (Japan, Information Technology, +0.3%).

The bottom five performing stocks (from a contribution standpoint) were Robert Walters Plc. (United Kingdom, Industrials, -0.1%), Porvair plc (United Kingdom, Industrials, -0.1%), AB Dynamics Plc (United Kingdom, Consumer Discretionary, -0.1%), Aptitude Software Group Plc. (United Kingdom, Information Technology, -0.1%) and Tristel Plc (United Kingdom, Health Care, -0.1%).

THB's well capitalised holdings are utilising their strong cash flows and balance sheets to capitalise on equity market drawdowns and dislocations within their industries. Six portfolio companies

Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) ²
Inception date	23 August 2018
Fund size	\$72 million

Net performance – 31 May 2020			
	Fund ¹	MSCI World ex USA Small Cap ²	MSCI World ex USA Micro Cap ³
1 month	8.7%	5.5%	5.8%
3 months	0.9%	(5.1%)	(2.8%)
1 year	7.2%	3.8%	0.9%
Since inception	0.5%	(0.5%)	(2.6%)

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 2,529 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 4,739 constituents, the index covers approximately 1% of the free float-adjusted market capitalisation in each country.

announced new share repurchase authorisations this month and three companies announced strategic acquisitions. Kardex, a recent addition to the strategy, acquired a majority share in Robomotive which develops smart robot technologies that utilises robots, 3D cameras and software to mimic the adaptive eye-hand coordination of humans. The acquisition will expand Kardex's capabilities in the field of order picking and full automation of material handling systems.

Portfolio statistics⁴

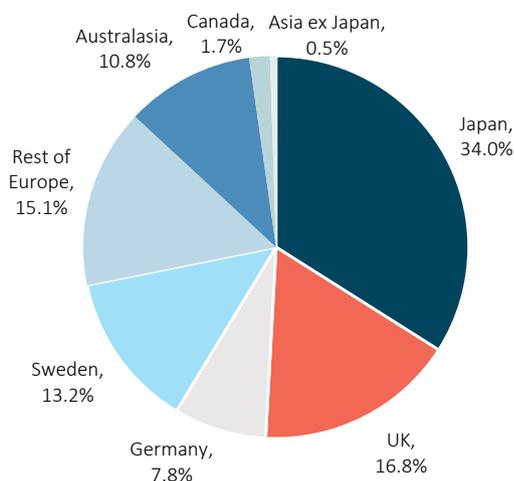
As at 31 May 2020		
	Fund	Benchmark
Weighted avg market cap	US\$552m	US\$2,629m
Price/sales	1.3x	0.8x
Price/Book	1.4x	1.3x
Dividend yield	3.0%	2.9%
Number of securities	150	2,527
Standard deviation	18.5%	16.3%
Sharpe ratio	0.7	0.2
Beta	1.1	
Tracking error	5.4	
Information ratio	1.5	

Source: THB Asset Management

Top 10 holdings⁵

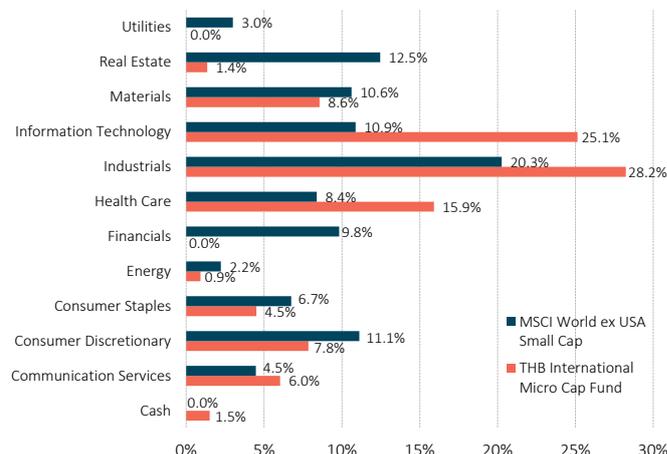
Stock	Sector/Country	Portfolio weight
Judges Scientific	Industrials/UK	1.4%
Gurit Holding AG	Materials/Switzerland	1.3%
Ramelius Resources	Materials/Australia	1.3%
Avon Rubber	Industrials/UK	1.3%
SeSa S.p.A.	Technology/Italy	1.2%
Eolus Vind AB	Industrials/Sweden	1.2%
Sectra AB	Health Care/Sweden	1.2%
secunet Security Networks	Technology/Germany	1.2%
NEXUS AG	Health Care/Germany	1.1%
Vetropack Holding AG	Materials/Switzerland	1.1%

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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