

THB International Micro Cap Fund – Class W

Monthly Report – July 2020

Market commentary

The MSCI World ex USA Small Cap® Index (Index) declined 0.3% (AUD) in July.

Utilities (+7.3%) was the best performing sector, followed by Materials (+6.9%), and Information Technology (+4.8%). Consumer Discretionary (+0.6%) was the worst performing sector, followed by Energy (+3.0%) and Industrials (+3.0%).

Finland (+13.8%) was the best performing country, followed by Sweden (+13.1%) and Norway (+10.7%). Japan (-2.7%), Hong Kong (+1.8%), and Singapore (+2.9%) were the worst performing countries in the Index.

International equities moved higher this month. Global COVID-19 cases continued to rise, but certain regions and countries have experienced lower levels of infection and transmission. Within the developed markets, countries continue the reopening process and are witnessing sharp increases in economic activity. In Europe, high frequency data continues to improve as both driving and mobility readings increase sequentially. In Germany, the Ifo survey registered a third month of higher levels. Japan continues to show improved activity data, although recent PMI readings remain below 50.

Portfolio commentary

The THB International (ex-USA) Micro Cap Fund - Class W returned 1.8% (net of fees) in July, outperforming the Index by 2.1%.

Contributors to the portfolio's performance were positive stock selection in United Kingdom, Japan and overallocation to Sweden. Detractors from performance included overallocation to Japan, underallocation to Canada, and stock selection in Netherlands. From a sector perspective, primary contributors to performance mainly came from stock selection in Health Care, Information Technology and Consumer Discretionary. Stock selection in Communication Services, Real Estate and underallocation to Utilities were the primary detractors of performance this month.

THB's top five performing stocks (from a contribution standpoint) were Kainos Group Plc. (United Kingdom, Information Technology, +0.4%), SeSa S.p.A. (Italy, Information Technology, +0.3%), Esker SA (France, Information Technology, +0.3%), Gurit Holding AG (Switzerland, Materials, +0.3%) and Sectra AB (Sweden, Health Care, +0.3%).

The bottom five performing stocks (from a contribution standpoint) were TOW Co. Ltd. (Japan, Communication Services, -0.1%), Giken Ltd (Japan, Industrials, -0.1%), IBJ Inc. (Japan, Consumer Discretionary, -0.1%), Fixstars Corp. (Japan, Information Technology, -0.1%) and Amiyaki Tei Co. Ltd. (Japan, Consumer Discretionary, -0.1%).

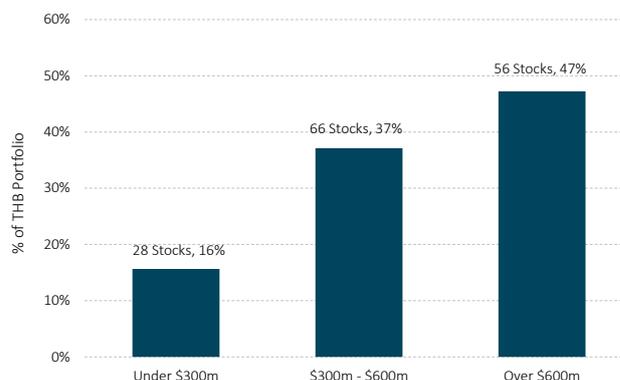
China's relations with various nations continue to deteriorate on multiple fronts. With many nations adopting a domestic bias, nationalistic policies should continue to expand and bring a sizable amount of opportunities to domestic companies. For example, Japan announced programs in which companies will receive stimulus from the government to invest in production in Japan or Southeast Asia.

Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) ²
Inception date	23 August 2018
Fund size	\$73 million

Net performance – 31 July 2020			
	Fund ¹	MSCI World ex USA Small Cap ²	MSCI World ex USA Micro Cap ³
1 month	1.8%	(0.3%)	0.0%
3 months	8.1%	3.2%	5.7%
1 year	4.4%	(3.0%)	(2.3%)
Since inception	0.2%	(1.6%)	(2.4%)

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 2,506 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 4,770 constituents, the index covers approximately 1% of the free float-adjusted market capitalisation in each country.

Such projects are likely to not only benefit the particular companies involved, but also have a halo effect on other domestic business.

During the month, two companies announced small acquisitions and four Japanese holdings announced new share repurchase authorisations.

Portfolio statistics⁴

As at 31 July 2020		
	Fund	Benchmark
Weighted avg market cap	US\$705m	US\$2,496m
Price/sales	1.7x	0.8x
Price/Book	3.2x	1.2x
Dividend yield	1.6%	2.9%
Number of securities	150	2,506
Standard deviation	18.3%	16.1%
Sharpe ratio	0.7	0.3
Beta	1.1	
Tracking error	5.4	
Information ratio	1.5	

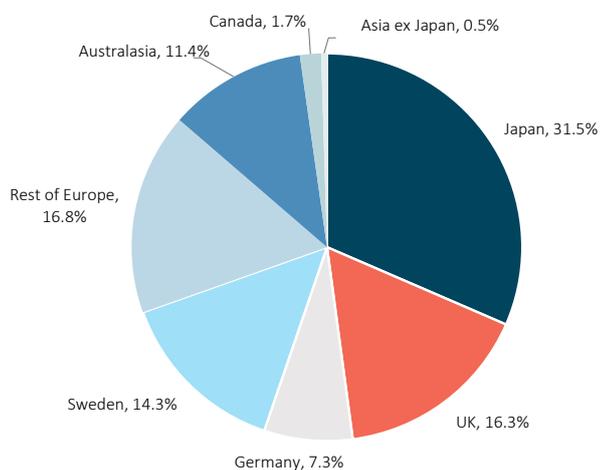
Source: THB Asset Management

Top 10 holdings⁵

Stock	Sector/Country	Portfolio weight
Ramelius Resources	Materials/Australia	1.6%
SeSa S.p.A.	Technology/Italy	1.5%
Gurit Holding AG	Materials/Switzerland	1.4%
Sectra AB	Health Care/Sweden	1.3%
Eolus Vind AB	Industrials/Sweden	1.3%
Avon Rubber	Industrials/UK	1.2%
secunet Security Networks	Technology/Germany	1.2%
NEXUS AG	Health Care/Germany	1.2%
Judges Scientific	Industrials/UK	1.2%
Basler AG	Technology/Germany	1.2%

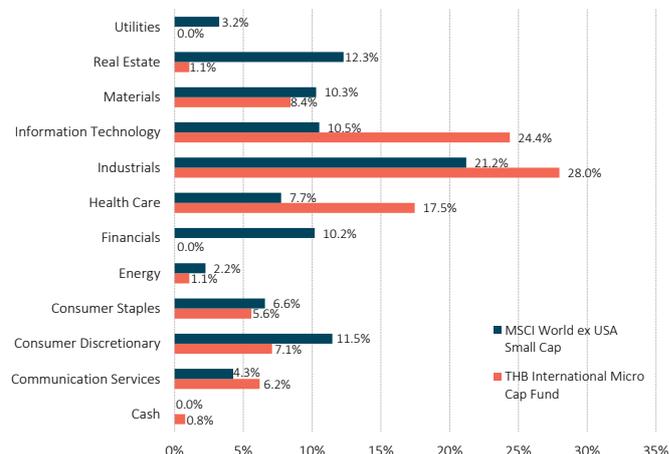
Source: THB Asset Management

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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