

THB US Micro Cap Fund

Monthly Report – November 2020

Market commentary

The Russell Microcap® Index (Index) returned 14.8% in November in AUD.

Energy (+29.6%) was the best performing sector, followed by Consumer Discretionary (+27.2%), and Communication Services (+26.0%). Utilities (+9.1%) was the worst performing sector followed by Financials (+14.4%), and Health Care (+17.6%).

US equities rallied this month led by smaller capitalisation equities. Positive results regarding multiple COVID-19 vaccines, continued strong economic data and resolution to the US Presidential election, propelled equities to all-time highs and drove strong monthly returns for the Russell 2000 and Russell Micro Cap indices which rose 18.4% and 20.4% (USD) respectively. Breadth was on display in larger cap equities as the S&P 500 Equal Weighted Index rose 14.3% which outpaced the S&P 500 (+10.95%) and NYSE FAANG Index (+7.99%). Election results largely came through in line with polling expectations and markets viewed the divided government (Republican Senate, Democratic Congress and Democratic Executive Branch) positively. Economic data remains solid especially housing and related industries. Sentiment indicators prove to be especially noisy around elections, but US Consumers have continued to exhibit their confidence by making one of their largest purchase decisions (home buying). Strong demand for housing drove national prices 12% higher and inventory (homes available for sale) down 19.2% in the third quarter.

Portfolio commentary

The THB US Micro Cap Fund returned 14.6% in AUD (net of fees) in November, underperforming the Index by 0.1%.

The THB portfolio saw positive contribution from stock selection in Information Technology (+0.9%), underallocation to Financials (+0.7%), and overallocation to Industrials (+0.6%). Negative contribution came from stock selection in Industrials (-1.0%), Consumer Discretionary (-0.7%), and Energy (-0.7%).

THB's top five performing stocks (from a contribution standpoint) were PAR Technology Corporation (Information Technology, +1.1%), Guess Inc. (Consumer Discretionary, +0.8%), Ultra Clean Holdings, Inc. (Information Technology, +0.7%), Cardlytics, Inc. (Communication Services, +0.6%), and Joint Corporation (Health Care, +0.6%).

The bottom five performing stocks (from a contribution standpoint) were Ping Identity Holding Corp (Information Technology, -0.3%), Amneal Pharmaceuticals (Health Care, 0.0%), Clean Energy Fuels Corp (Energy, -0.0%), Cardiovascular Systems, Inc. (Health Care, 0.0%), and Johnson Outdoors Inc. (Consumer Discretionary, 0.0%).

THB have discussed the long-awaited rotation from large/mega capitalisation equities to other parts of the capitalisation spectrum during the past few years. History may show that the historical performance delivered by small capitalisation equities this month could be signal of a regime shift within share markets. Markets are forward looking and likely recognising many of positive relative and absolute characteristics of smaller cap securities. A clear valuation opportunity, high operating leverage to an improving economy and meaningful market share gain opportunities could be powerful drivers for small and micro cap equities.

During the month, four of THB's portfolio companies announced acquisitions and three announced new share repurchase authorisations totaling \$155M.

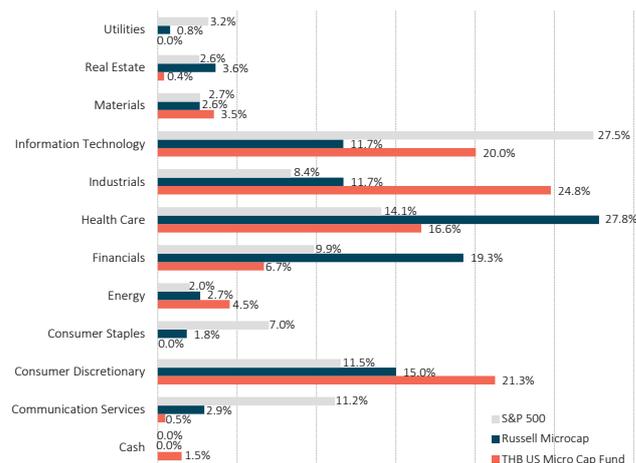
| Fund details | |
|----------------|--------------------------------------|
| Benchmark | Russell Microcap® Index ³ |
| Inception date | 5 September 2014 |
| Fund size | A\$71 million |

| Performance ¹ – 30 November 2020 | | | |
|---|-------------------|-------------------|------------|
| | Fund ² | Russell Microcap® | Difference |
| 1 month | 14.6% | 14.8% | (0.1%) |
| 3 months | 21.3% | 18.6% | 2.7% |
| 1 year | 10.7% | 9.0% | 1.7% |
| 2 years p.a. | 8.2% | 9.5% | (1.3%) |
| 3 years p.a. | 7.0% | 7.0% | (0.0%) |
| 5 years p.a. | 10.8% | 8.7% | 2.1% |
| Since inception p.a. ² | 12.0% | 12.2% | (0.2%) |

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 table may not sum correctly due to rounding.

2. Fund inception date was 5 September 2014 however inception performance is calculated from 1 October 2014.

Sector allocation⁴



3. The Russell Microcap Index is a capitalisation weighted index of 2,000 stocks that captures the smallest 1,000 companies in the Russell 2000 and 1,000 smaller US based listed stocks.

4. 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.

Portfolio statistics⁵

| As at 30 November 2020 | | |
|-------------------------|------------|-------------------|
| | Fund | Russell Microcap® |
| Weighted avg market cap | US\$1,032m | US\$741m |
| Price/sales | 0.9x | 0.8x |
| Price/book | 2.1x | 1.7x |
| Dividend yield | 0.6% | 1.2% |
| Number of securities | 100 | 1,310 |
| Standard deviation | 21.5% | 21.5% |
| Sharpe ratio | 0.5 | 0.4 |
| Beta | 1.0 | |
| Tracking error | 5.8 | |
| Information ratio | 0.1 | |

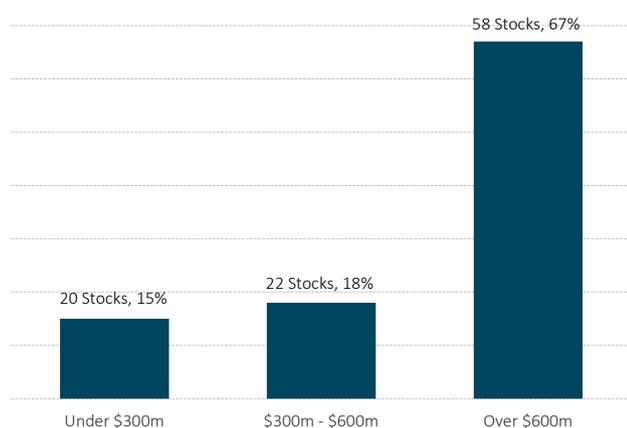
5. Portfolio statistics are reported in USD. Source: THB Asset Management

Top 10 holdings

| Stock | Sector | Composite weight |
|---------------------|----------------|------------------|
| PAR Technology Corp | Technology | 2.5% |
| First Busey Corp | Financials | 2.5% |
| Guess? | Consumer Disc. | 2.5% |
| Perficient | Technology | 2.3% |
| TPI Composites | Industrials | 2.3% |
| BJ's Restaurants | Consumer Disc. | 2.1% |
| BioLife Solutions | Health Care | 2.1% |
| Joint Corp | Health Care | 2.0% |
| ePlus | Technology | 2.0% |
| Hyster-Yale | Industrials | 1.9% |

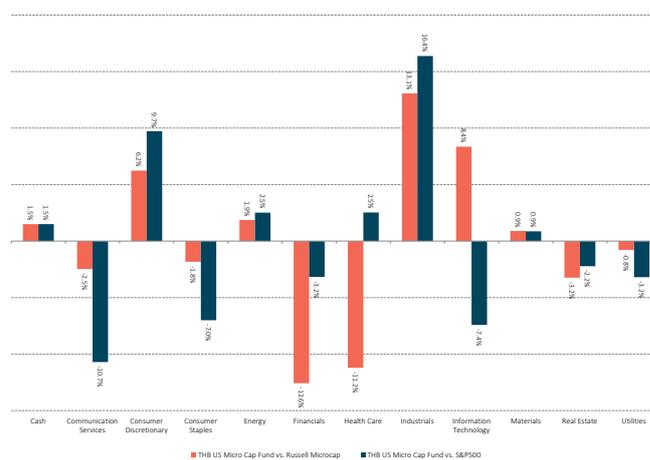
Source: THB Asset Management

Companies by market capitalisation



Source: THB Asset Management

Active sector positioning



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 US 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, difficulty in identifying value and the impact that management skill has on the direction of smaller companies. THB utilises a disciplined, fundamental bottom-up approach that blends both qualitative and quantitative methods to construct a well-diversified portfolio of companies that possess attractive operating metrics, yet with comparable valuation to the Russell Microcap® Index.

BROOKVINE

THB
Asset Management

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