

THB International Micro Cap Fund – Class W

Monthly Report – January 2021

Market commentary

The MSCI World ex USA Small cap[®] Index (Index) returned 0.3% (AUD) in January.

Health Care (+3.0%) was the best performing sector, followed by Information Technology (+0.9%), and Consumer Discretionary (+0.2%). Energy (-1.8%) was the worst performing sector, followed by Communication Services (-1.6%) and Real Estate (-1.3%).

Hong Kong (+5.7%) was the best performing country, followed by Netherland (+4.7%) and Germany (+3.4%). Denmark (-5.6%), Sweden (-3.1%), and Italy (-3.0%) were the worst performing countries in the Index.

International Developed Market equities were flat this month as stocks consolidated the strong gains from 2020. Most regions are returning to pre Covid-19 levels of activity as the coordinated government policies and rapid vaccine developments appear to have limited long-term economic damage. As we enter the northern hemisphere spring, additional US stimulus, a strong US Consumer, continued vaccine rollouts and pent-up capex demand should enable developed market economies to register above average growth levels. The US Consumer is in the healthiest position since the early 2000s and that bodes well for Asian export demand. Asian capex demand has been limited due to the 2018 trade tensions and Covid-19 downturn and now appears set to accelerate.

Portfolio commentary

The THB International (ex-USA) Micro Cap Fund- Class W returned +0.7% (net of fees) in January outperforming the Index by 0.4%.

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

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

THB's top five performing stocks (from a contribution standpoint) were Verbio Vereinigte BioEnergie AG (Germany, Energy, +0.6%), Esker SA (France, Information Technology, +0.3%), Hexatronic Group AB (Sweden, Industrials, +0.2%), Basler AG (Sweden, Information Technology, +0.2%), and Aptitude Software Group plc (United Kingdom, Information Technology, +0.2%).

The bottom five performing stocks (from a contribution standpoint) were INVISIO AB (Sweden, Information Technology, -0.3%), Gremz, Inc. (Japan, Industrials, -0.3%), Xvivo Perfusion AB (Sweden, Health Care, -0.1%), SHIFT, Inc. (Japan, Information Technology, -0.1%), and SeSa S.p.A. (Italy, Information Technology, -0.1%).

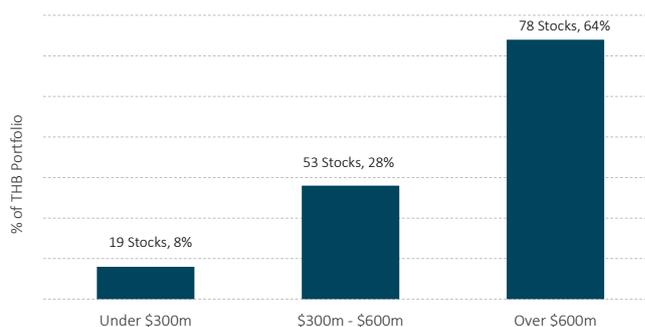
During the month one holding announced a new repurchase authorisation and seven companies announced acquisitions.

Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) ²
Inception date	23 August 2018
Fund size	\$87 million

Net performance – 31 January 2021			
	Fund ¹	MSCI World ex USA Small Cap ^{®2}	MSCI World ex USA Micro Cap ^{®3}
1 month	0.7%	0.3%	2.6%
3 months	9.9%	10.9%	13.7%
1 year	8.0%	1.1%	8.9%
2 years p.a.	17.9%	11.2%	14.8%
Since inception	7.2%	5.1%	7.0%

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 ~2,900 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 ~4,735 constituents, the index covers approximately 1% of the free float-adjusted market capitalisation in each country.

Portfolio statistics⁴

As at 31 January 2021		
	Fund	Benchmark
Weighted avg market cap	US\$922m	US\$2,920m
Price/sales	2.0x	1.1x
Price/Book	3.5x	1.6x
Dividend yield	1.3%	2.1%
Number of securities	150	2,511
Standard deviation	18.7%	16.9%
Sharpe ratio	0.9	0.5
Beta	1.1	
Tracking error	5.5	
Information ratio	1.5	

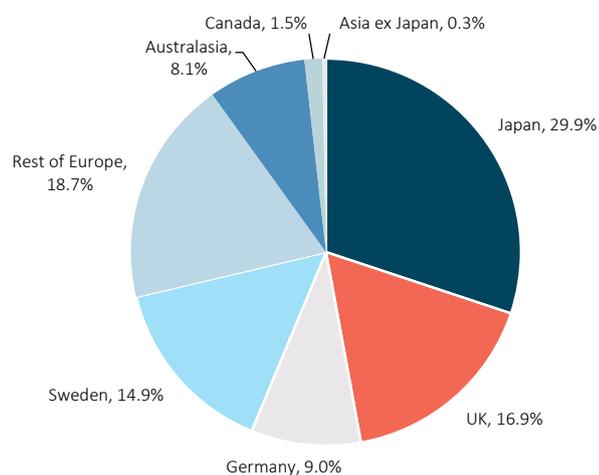
Source: THB Asset Management

Top 10 holdings⁵

Stock	Sector/Country	Portfolio weight
Gurit Holding AG	Materials/Switzerland	1.9%
VERBIO Vereinigte BioEnergie	Energy/Germany	1.8%
SeSa S.p.A.	Technology/Italy	1.7%
Swedencare AB	Healthcare/Sweden	1.5%
Revenio Group Oyj	Healthcare/Finland	1.4%
Basler AG	Technology/Germany	1.4%
secunet Security Networks	Technology/Germany	1.4%
Esker SA	Technology/France	1.4%
Focusrite	Consumer Disc/UK	1.3%
Trealt	Materials/UK	1.3%

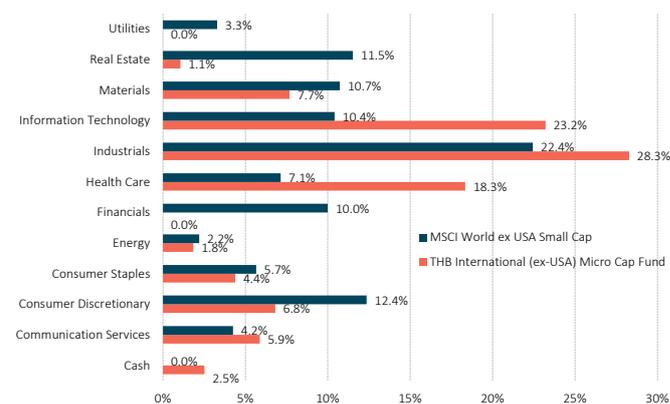
Source: THB Asset Management

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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Asset Management

For more information contact:
Natalie Hall on +61 2 9328 6445 or
nataliehall@brookvine.com.au

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