

# THB US Micro Cap Fund

## Monthly Report – January 2021

### Market commentary

The Russell Microcap® Index (Index) returned +14.9% (AUD) in January 2021.

Consumer Discretionary (+45.7%) was the best performing sector, followed by Health Care (+13.8%), and Consumer Staples (+11.2%). Utilities (+1.8%) was the worst performing sector followed by Financials (+2.2%) and Materials (+5.3%).

US equities turned in mixed performance this month with leadership from smaller capitalisation equities. The Russell Microcap and Russell 2000 Small Cap returned +14.2% and +5.0% (USD) respectively as compared to -1.0% for the S&P 500. President Biden and his administration took office on January 20th and has started to announce parts of his agenda. Climate change and income inequality appear to be high priorities for his team. Economic data continues to highlight a robust recovery from 2019 levels, in particular housing starts which are coming in higher than anticipated at a 1.67M annualised rate, the highest level since 2006. Migration from densely populated urban areas and higher tax locations are spreading concentrated pockets of both population and wealth to other areas of the country. The ability and acceptance of work from home as allowed large parts of the population to seek out better qualities of life.

### Portfolio commentary

The THB US Micro Cap Fund returned +9.6% in AUD (net of fees) in January, underperforming the Index by 5.2%.

The portfolio saw positive contribution from overallocation to Consumer Discretionary (+1.4%), Financials (1.3%), and stock selection in Energy. Negative contribution came from stock selection in Consumer Discretionary (-5.6%), Industrials (-1.2%), and overallocation to Industrials (-0.6%).

THB's top five performing stocks (from a contribution standpoint) were Hyster-Yale Materials Handling, Inc (Industrials, +1.0%), Renewable Energy Group, Inc. (Energy, +0.5%), Boot Barn Holdings, Inc. (Consumer Discretionary, +0.5%), Clean Energy Fuels Corp (Energy, +0.5%) and Retractable Technologies, Inc. (Health Care, +0.5%).

The bottom five performing stocks (from a contribution standpoint) were CIRCOR International, Inc. (Industrials, -0.2%), Allied Motion Technologies (Industrials, -0.1%), Randolph Bancorp, Inc. (Financials, -0.1%), NN, Inc. (Industrials, -0.1%) and Aspen Group, Inc. (Consumer Discretionary, -0.1%).

One of the largest detractors of relative performance was due Gamestop (GME), which was not held in the portfolio. The widely reported rise in the stock (+1587%) added 4.7% to the Russell Microcap benchmark return. Much of the attention has been focused on the so-called day traders who possibly caused the move higher and also the hedge funds who suffered major losses due to short positions in the stock. To understand the whole story, it might make sense to analyse why a ~\$12B hedge fund was short a sub ~\$1B market cap company with a short interest over 100% of the shares outstanding. THB have written about high short interest levels before and have often wondered if those risks might ever manifest themselves. The rise of risk parity and other hedged products has

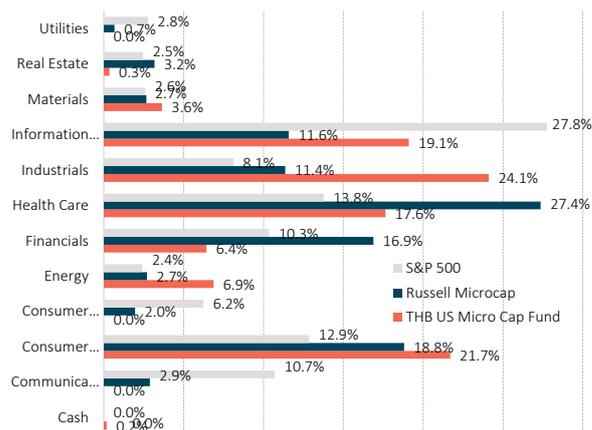
Fund details	
Benchmark	Russell Microcap® Index <sup>3</sup>
Inception date	5 September 2014
Fund size	A\$84 million

Performance <sup>1</sup> – 31 January 2021			
	Fund <sup>2</sup>	Russell Microcap®	Difference
1 month	9.6%	14.9%	(5.2%)
3 months	30.6%	35.6%	(5.0%)
1 year	25.6%	26.4%	(0.9%)
2 years p.a.	17.3%	20.7%	(3.3%)
3 years p.a.	14.2%	14.9%	(0.7%)
5 years p.a.	15.8%	15.6%	0.2%
Since inception p.a. <sup>2</sup>	14.0%	14.9%	(0.9%)

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 allocation<sup>4</sup>



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.

led to increasing levels of short interest.

During the month one holding announced a new \$100M repurchased authorisation and six companies announced new acquisitions.

## Portfolio statistics<sup>5</sup>

As at 31 January 2021		
	Fund	Russell Microcap®
Weighted avg market cap	US\$1,193m	US\$1,884m
Price/sales	1.2x	1.7x
Price/book	2.4x	2.3x
Dividend yield	0.5%	0.9%
Number of securities	100	1,321
Standard deviation	21.7%	22.0%
Sharpe ratio	0.6	0.6
Beta	1.0	
Tracking error	6.1	
Information ratio	0.0	

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

## Top 10 holdings

Stock	Sector	Composite weight
Hyster-Yale Materials	Industrials	3.0%
TPI Composites	Industrials	2.7%
BJ's Restaurants	Consumer Disc	2.4%
PAR Technology	Technology	2.3%
Perficient	Technology	2.2%
Guess	Consumer Disc.	2.1%
Joint Corp	Health Care	2.1%
First Busey Corporation	Financials	2.1%
Renewable Energy Group	Energy	2.0%
Clean Energy Fuels Corp	Energy	2.0%

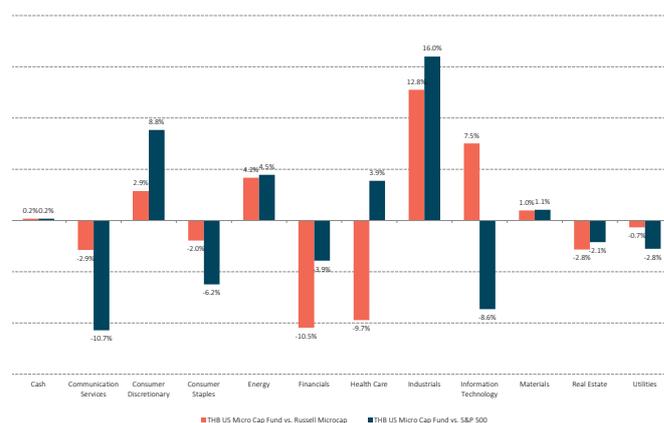
Source: THB Asset Management

## 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

For more information contact:  
Brookvine Client Service on +61 2 9328 6445  
or [clientservice@brookvine.com.au](mailto:clientservice@brookvine.com.au)

This document has been prepared and issued by Thomson Horstmann & Bryant Inc. (THB) and is intended for the general information of 'wholesale clients' (as defined in the Corporations Act 2001) only. THB is exempt from holding an Australian Financial Services Licence pursuant to ASIC Class Order 03/1100 "Relief for US SEC regulated financial service providers" in respect of the financial services it provides to Wholesale Clients, and is not licensed to provide financial services to retail clients, in Australia. THB is regulated by the Securities and Exchange Commission of the United States of America under US laws, which differ from Australian laws. Equity Trustees Limited (Equity Trustees) (ABN 46 004 031 298, AFSL 240975) is a subsidiary of EQT Holdings Limited (ABN 22607 797 615), a publicly listed company on the Australian Securities Exchange (ASX:EQT). Equity Trustees is the Responsible Entity of the THB US Micro Cap Fund (ARSN 600 158 450). This document is neither an offer to sell or a solicitation of any offer to acquire interests in any investment. The information contained in this document is of a general nature only. Accordingly, reliance should not be placed on this information as the basis for making an investment, financial or other decision. In preparing this document, THB has not taken into account the investment objectives, financial situation and needs of any particular person. Before making any investment decision, you should consider whether the investment is appropriate in light of those matters. Whilst every effort is taken to ensure the information in this document is accurate, THB and Equity Trustees provides no warranty as to the accuracy, reliability and completeness of the information in this document and you rely on this information at your own risk. To the extent permitted by law, THB and Equity Trustees disclaims all liability to any person relying on the information contained in this document in respect of any loss or damage (including consequential loss or damage) however caused, which may be suffered or arise directly or indirectly in respect of such information. Past performance is not a reliable indicator of future performance. The return of capital or any particular rate of return from the Fund is not guaranteed. You should obtain and consider the Fund's Product Disclosure Statement (PDS) before deciding whether to acquire, or continue to hold, an interest in the Fund. Applications can only be accepted on an application form attached to a current Product Disclosure Statement. Neither THB, Equity Trustees nor any of its related parties, their employees or directors, provide and warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it.