

THB International Micro Cap Fund – Class W

Monthly Report – February 2021

Market commentary

The MSCI World ex USA Small Cap® Index (Index) returned 2.0% (AUD) in February.

Energy (+12.3%) was the best performing sector, followed by Financials (+7.7%), and Consumer Discretionary (+5.8%). Energy (-1.8%) was the worst performing sector, followed by Communication Services (-1.6%) and Real Estate (-1.3%).

Hong Kong (+11.9%) was the best performing country, followed by Italy (+7.4%) and Spain (+7.2%). Switzerland (-0.9%), Japan (+0.5%), and Singapore (+0.5%) were the worst performing countries in the Index.

International developed market equities responded positively to continued rollout of Covid vaccines and stronger than anticipated economic reports. Across the DM countries, Covid-19 cases are falling or leveling off. Global PMIs rose to 55 in February, exhibiting broad improvements and all metric of the German IFO survey improved. The IFO manufacturing level reached the highest reading since 2018 with economist Klaus Wohlrabe stating, “the order books are well filled”. It is expected that most DM economies will fully reopen in the coming two to three months, with service sectors which have lagged other areas of the economy hopefully reacting positively and sharply to the reopening.

Portfolio commentary

The THB International (ex-USA) Micro Cap Fund- Class W returned -3.3% (AUD, net of fees) in February.

Contributors to the portfolio’s performance were positive stock selection in Italy, New Zealand, and underweight to Singapore. Detractors from performance included stock selection in Japan, United Kingdom, and Sweden.

From a sector perspective, primary contributors to performance mainly came from stock selection in Health Care and underweight to Utilities and Real Estate. Stock selection in Industrials, Materials and Communication Services were the primary detractors of performance this month.

THB’s top five performing stocks (from a contribution standpoint) were Lovisa Holdings Ltd. (Australia, Consumer Discretionary, +0.3%), SeSa S.p.A. (Italy, Information Technology, +0.3%), PWR Holdings Ltd. (Australia, Consumer Discretionary, +0.1%), IBJ, Inc. (Japan, Consumer Discretionary, +0.1%), and Lectra SA (France, Information Technology, +0.1%).

The bottom five performing stocks (from a contribution standpoint) were Gurit Holding AG (Switzerland, Materials, -0.3%), Dr. Hoenle AG (Germany, Industrials, -0.1%), Ramelius Resource Ltd (Australia, Materials, -0.1%), Frontier Developments Plc (United Kingdom, Communication Services, -0.1%), and Eolus Vind AB (Sweden, Industrials, -0.1%).

During the month, THB’s portfolio companies announced three new share repurchase authorisations and three acquisitions.

Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) ²
Inception date	23 August 2018
Fund size	A\$84.7million

Net performance – 28 February 2021			
	Fund ¹	MSCI World ex USA Small Cap ²	MSCI World ex USA Micro Cap ³
1 month	(3.3%)	2.0%	4.0%
3 months	(0.3%)	4.3%	9.5%
1 year	14.3%	10.0%	24.4%
2 years p.a.	13.0%	9.7%	14.4%
Since inception	5.5%	5.8%	8.5%

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 ~2,496 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 28 February 2021		
	Fund	Benchmark
Weighted avg market cap	US\$912m	US\$3,099m
Price/sales	2.0x	1.2x
Price/Book	3.4x	1.6x
Dividend yield	1.3%	2.0%
Number of securities	150	2,542
Standard deviation	18.6%	16.8%
Sharpe ratio	0.9	0.5
Beta	1.1	
Tracking error	5.5	
Information ratio	1.4	

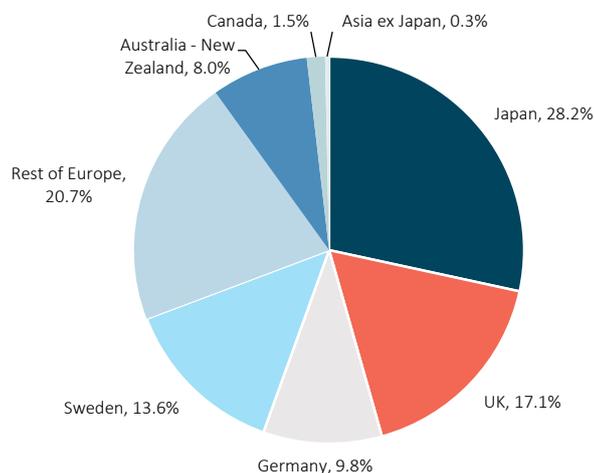
Source: THB Asset Management

Top 10 holdings⁵

Stock	Sector/Country	Portfolio weight
SeSa S.p.A.	Technology/Italy	2.0%
Gurit Holding	Materials/Switzerland	1.6%
Revenio Group	Healthcare/Finland	1.5%
Basler	Technology/Germany	1.5%
Focusrite	Consumer Disc/UK	1.4%
secunet Security Networks	Technology/Germany	1.3%
Esker	Technology/France	1.3%
Treatt	Materials/UK	1.3%
NEXUS	Healthcare/Germany	1.3%
Sectra	Healthcare/Sweden	1.3%

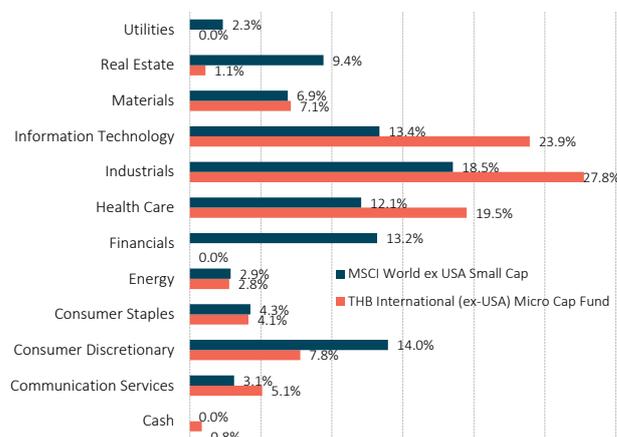
Source: THB Asset Management

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), an investment franchise of Victory Capital Management Inc., is a dedicated micro and small cap specialist investment franchise based in Connecticut, USA. Founded in 1982, THB Asset Management has 37 years' experience investing in micro and small cap companies. THB's International Opportunities 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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