

# THB US Micro Cap Fund

## Monthly Report – February 2021

### Market commentary

The Russell Microcap® Index (Index) returned +5.1% (AUD) in February 2021.

Energy (+29.6%) was the best performing sector, followed by Materials (+17.6%), and Information Technology (+13.6%). Consumer Discretionary (-11.6%) was the worst performing sector followed by Utilities (-0.3%) and Consumer Staples (+3.9%).

US equities responded positively to continued rollout of Covid vaccines and stronger than anticipated economic reports. US markets were led by smaller capitalisation equities as the Russell 2000 Small Cap and Russell Microcap returned 6.2% and 6.0% (in USD) respectively. Large cap equities as measured by the S&P 500 gained 2.8%. During the month retail sales rose 5.3% and handily exceeded the consensus estimate of 1.0%. Total vaccinations within the US approached the 100M mark and momentum is building as supply of the vaccines spread throughout the individual states.

The latest stimulus package of \$1.9T passed through Congress and will be signed by President Biden. The bill is heavily front end loaded with ~\$1.2T going mostly to consumers during the next five months. The current package directed to consumers is almost 2.5x greater (~\$403B in December versus ~\$850B in the current package) than the amount dispersed in December. The sizable stimulus package will likely flow through the economy and will complement the increased spending naturally occurring due to the reopening.

### Portfolio commentary

The THB US Micro Cap Fund returned +9.1% in AUD (net of fees) in February.

The portfolio saw positive contribution from stock selection in Consumer Discretionary (+5.3%), overallocation to Energy (+0.9%) and Information Technology (+0.5%). Negative contribution came from underallocation to Financials (-0.7%), stock selection in Energy (-0.5%) and Industrials (-0.4%).

THB's top five performing stocks (from a contribution standpoint) were PAR Technology Corporation (Information Technology, +0.9%), RPC, Inc. (Energy, +0.7%), Sleep Number Corporation (Consumer Discretionary, +0.5%), SkyWest, Inc. (Consumer Discretionary, +0.5%) and BJ's Restaurants, Inc. (Consumer Discretionary, +0.5%).

The bottom five performing stocks (from a contribution standpoint) were TPI Composites, Inc. (Industrials, -0.4%), Renewable Energy Group, Inc. (Energy, -0.2%), Ping Identity Holding Corp (Information Technology, -0.2%), ModivCare, Inc. (Industrials, -0.1%) and Iteris, Inc. (Consumer Discretionary, -0.1%).

During the month, THB's portfolio companies announced one new acquisition and one share repurchase authorisation.

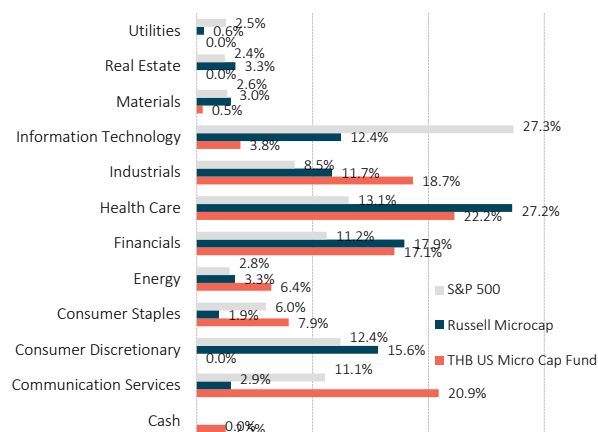
Fund details	
Benchmark	Russell Microcap® Index <sup>3</sup>
Inception date	5 September 2014
Fund size	A\$92.0 million

Performance <sup>1</sup> – 28 February 2021			
	Fund <sup>2</sup>	Russell Microcap®	Difference
1 month	9.1%	5.1%	4.0%
3 months	24.3%	24.1%	0.2%
1 year	46.3%	37.3%	8.9%
2 years p.a.	18.5%	19.0%	(0.5%)
3 years p.a.	17.6%	16.5%	1.1%
5 years p.a.	18.1%	17.3%	0.8%
Since inception p.a. <sup>2</sup>	15.4%	15.6%	(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 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.

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

As at 28 February 2021		
	Fund	Russell Microcap®
Weighted avg market cap	US\$1,340m	US\$1,231m
Price/sales	1.4x	1.8x
Price/book	2.6x	2.4x
Dividend yield	0.5%	0.8%
Number of securities	100	1,309
Standard deviation	21.8%	21.9%
Sharpe ratio	0.7	
Beta	1.0	
Tracking error	6.1	
Information ratio	0.2	

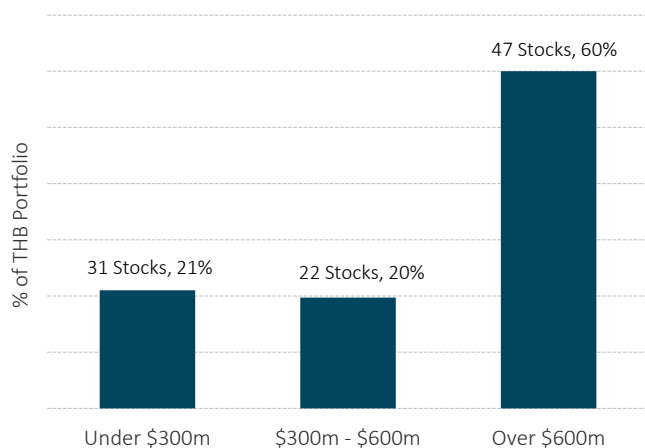
5. Portfolio statistics are reported in USD. Source: THB Asset Management

## Top 10 holdings

Stock	Sector	Composite weight
PAR Technology	Technology	2.9%
Hyster-Yale Materials	Industrials	2.6%
BJ's Restaurants	Consumer Disc	2.5%
Joint Corp	Healthcare	2.3%
Clean Energy Fuels Corp	Energy	2.3%
Sleep Number Corp	Consumer Disc	2.3%
RPC Inc	Energy	2.2%
First Busey Corporation	Financials	2.1%
Perficient	Technology	2.1%
Ultra Clean Holdings	Technology	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), 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 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.

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