

# THB US Micro Cap Fund

## Monthly Report – April 2021

### Market commentary

The Russell Microcap® Index (Index) returned -1.1% (AUD) in April.

Utilities (+9.0%) was the best performing sector, followed by Consumer Discretionary (+3.6%), and Financials (+2.4%). Energy (-5.9%) was the worst performing sector followed by Materials (-3.8%) and Information Technology (-2.3%).

US Equities were modestly higher this month as recent gains consolidate, and participants begin to analyse the post CV19 economic environment. As the number of vaccinations (240 million doses have been administered) steadily increase, states have begun lifting the remaining CV19 restrictions. President Biden has met his expectations of vaccine production and distribution and the U.S. is well on its way to achieving some level of herd immunity from CV19. Consumer Confidence rose sharply during the month, exceeding estimates by 8% and hitting a new high for the CV19 period. The survey data also revealed consumers increased plans to purchase big ticket items such as cars and houses.

### Portfolio commentary

The THB US Micro Cap Fund returned -0.3% in AUD (net of fees) in April, outperforming the Index by 0.8%.

The portfolio saw positive contribution from stock selection in Information Technology (+1.4%), Consumer Discretionary (+1.1%), and Health Care (+0.4%). Negative contribution came mainly from selection in Energy (-0.5%) and overallocation to Energy (-0.3%), and an underallocation to Financials (-0.2%).

THB's top five performing stocks (from a contribution standpoint) were Bassett Furniture Industries, Inc. (Consumer Discretionary, +0.5%), PAR Technology Corporation (Information Technology +0.5%), Joint Corp. (Health Care, +0.4%), Century Communities (Consumer Discretionary, +0.3%), and Perficient, Inc. (Information Technology, +0.2%).

The bottom five performing stocks (from a contribution standpoint) were Clean Energy Fuels Corp. (Energy -0.5%), U.S. Concrete, Inc. (Materials, -0.3%), Ultra Clean Holdings, Inc. (Information Technology, -0.3%), Amneal Pharmaceuticals, Inc. (Healthcare, -0.3%) and Sleep Number Corporation (Consumer Discretionary, -0.3%).

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

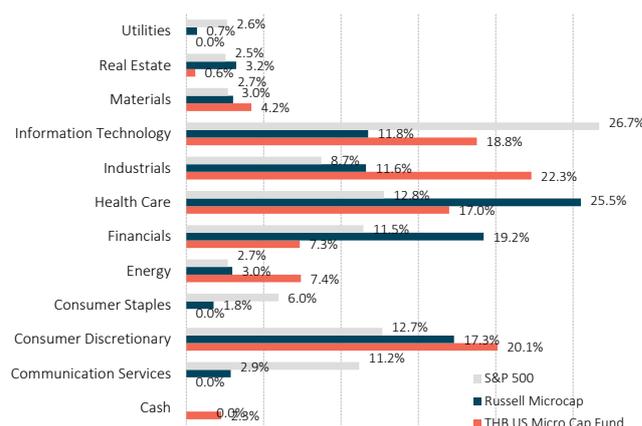
Fund details	
Benchmark	Russell Microcap® Index <sup>3</sup>
Inception date	5 September 2014
Fund size	A\$97.2 million

Performance <sup>1</sup> – 30 April 2021			
	Fund <sup>2</sup>	Russell Microcap®	Difference
1 month	(0.3%)	(1.1%)	0.8%
3 months	14.5%	8.0%	6.4%
1 year	74.4%	62.5%	11.9%
2 years p.a.	22.0%	20.6%	1.5%
3 years p.a.	16.4%	15.3%	1.1%
5 years p.a.	18.8%	17.1%	1.7%
Since inception p.a. <sup>2</sup>	15.8%	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 30 April 2021		
	Fund	Russell Microcap®
Weighted avg market cap	US\$1,300m	US\$1,396m
Price/sales	1.4x	1.8x
Price/book	2.5x	2.5x
Dividend yield	0.5%	0.8%
Number of securities	99	1,319
Standard deviation	21.7%	21.8%
Sharpe ratio	0.7	
Beta	1.0	
Tracking error	6.2	
Information ratio	0.2	

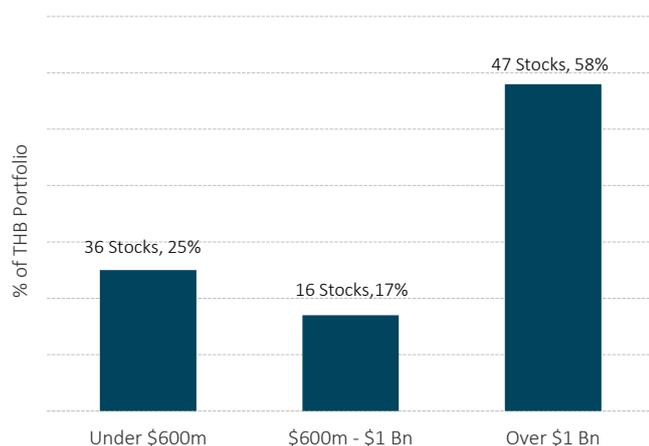
5. Portfolio statistics are reported in USD. Source: THB Asset Management

## Top 10 holdings

Stock	Sector	Composite weight
Joint Corp	Healthcare	2.9%
BJ's Restaurants	Consumer Disc	2.7%
PAR Technology	Technology	2.6%
First Busey	Financials	2.6%
Hyster-Yale Materials	Industrials	2.3%
Perficient	Technology	2.3%
TPI Composite	Industrials	2.1%
US Concrete	Materials	2.0%
Cheesecake Factory	Consumer Disc	2.0%
Ultra Clean Holdings	Technology	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), 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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