

THB International Micro Cap Fund – Class W

Monthly Report – May 2021

Market commentary

The MSCI World ex USA Small Cap® Index returned +2.0% (AUD) in May. Energy (+4.8%) was the best performing sector, followed by Communication Services (+4.8%), and Real Estate (+3.5%). Information Technology (-0.8%) was the worst performing sector, followed by Health Care (+0.1%) and Consumer Staples (+1.5%). Italy (+9.3%) was the best performing country, followed by Ireland (+8.9%) and Portugal (+8.1%). Singapore (-1.1%), Japan (-0.1%), and Hong Kong (-0.2%) were the worst performing countries in the Index.

International equities were modestly higher this month as the acceleration of vaccine rollouts in many parts of the developed world is supporting positive investor optimism for a post-pandemic economic recovery. The European Commission increased its GDP growth forecast based on improving consumer consumption, private investment and export demand from a stronger global economy. After a robust Q1 reporting season, European executives, along with their US peers, have indicated plans to launch a record wave of share buybacks as they have become more confident with the trajectory of the global economy and are seeking ways to deploy excess cash reserves. The Bank of Japan continues its Qualitative and Qualitative monetary easing with Yield Curve Control aiming to achieve price stability.

Portfolio commentary

The THB International (ex-USA) Micro Cap Fund returned +1.4% (net of fees) in May. Contributors to the portfolio's performance were positive stock selection in Singapore, Canada, and overallocation to Germany. Detractors from performance included underallocation to Canada, and stock selection in Japan and United Kingdom. From a sector perspective, primary contributors to performance mainly came from stock selection in Financials, underallocation to Real Estate, and selection in Materials. Underallocation to Financials, stock selection in Real Estate, and overallocation to Information Technology were primary detractors of performance this month.

THB's top five performing stocks (from a contribution standpoint) were El.En. S.p.A. (Italy, Health Care, +0.4%), secunet Security Networks AG (Germany, Information Technology +0.2%), SeSa S.p.A (Italy, Information Technology, +0.2%), EPS Holdings, Inc. (Japan, Health Care, +0.2%) and iFast Corporation Ltd. (Singapore, Financials, +0.2%).

The bottom five performing stocks (from a contribution standpoint) were Frontier Developments Plc. (United Kingdom, Communication Services, -0.1%), ValueCommerce Co., Ltd. (Japan, Communication Services, -0.1%), Sinko Industries Ltd. (Japan, Industrials, -0.1%), Soiken Holdings Inc. (Japan, Consumer Staples, -0.1%), and Ergomed PLC. (United Kingdom, Health Care, -0.1%).

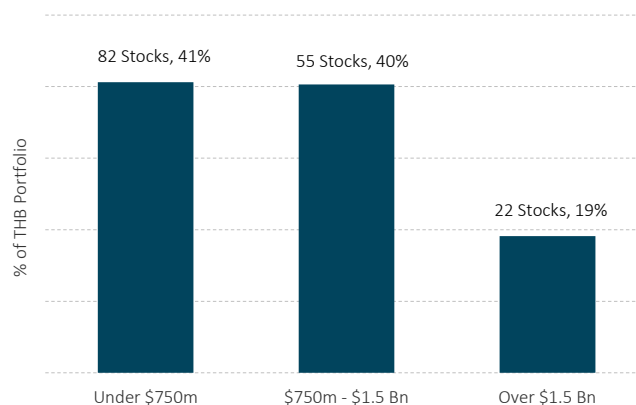
During the month, THB's portfolio companies announced nine acquisitions and four new share repurchase authorisations. Portfolio holding, EPS Holdings, Inc. (Japan) was acquired by Y&G YK at a 41% premium in an all cash offer.

Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) ²
Inception date	23 August 2018
Fund size	A\$93.7 million

Net performance – 31 May 2021			
	Fund ¹	MSCI World ex USA Small Cap ²	MSCI World ex USA Micro Cap ³
1 month	1.4%	2.0%	2.5%
3 months	10.2%	8.8%	8.3%
1 year	24.8%	26.2%	38.7%
2 years p.a.	15.6%	14.4%	18.2%
Since inception	8.8%	8.6%	10.9%

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. 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 31 May 2021		
	Fund	Benchmark
Weighted avg market cap	US\$1,047m	US\$3,320m
Price/sales	2.0x	1.3x
Price/Book	3.3x	1.7x
Dividend yield	1.5%	1.9%
Number of securities	159	2,523
Standard deviation	18.3%	16.5%
Sharpe ratio	1.0	0.6
Beta	1.1	
Tracking error	5.9	
Information ratio	1.3	

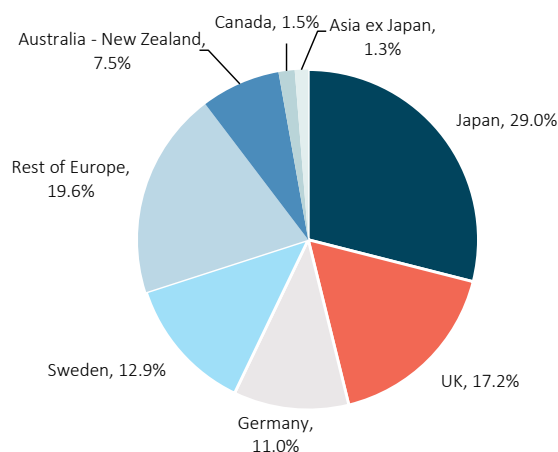
Source: THB Asset Management

Top 10 holdings⁵

Stock	Sector/Country	Portfolio weight
secunet Security Networks	Technology/Germany	1.9%
Revenio Group	Healthcare/Finland	1.7%
SeSa S.p.A.	Technology/Italy	1.7%
Focusrite	Consumer Disc/UK	1.5%
El.En. S.p.A.	Healthcare/Italy	1.5%
NEXUS	Healthcare/Germany	1.4%
Gurit Holding	Materials/Switzerland	1.3%
Hexatronic Group	Industrials/Sweden	1.3%
Basler	Technology/Germany	1.2%
Treatt	Materials/UK	1.2%

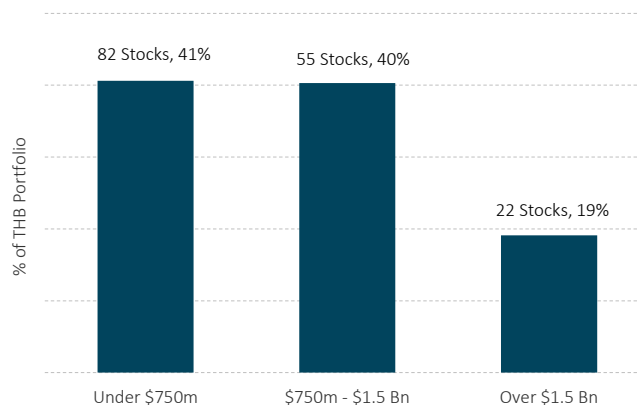
Source: THB Asset Management

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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For more information, contact Brookvine Client Service on +61 2 9328 6445 or clientservice@brookvine.com.au

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