

# THB US Micro Cap Fund

## Monthly Report – May 2021

### Market commentary

The Russell Microcap® Index returned +1.8% in May 2021.

Energy (+8.6%) was the best performing sector, followed by Consumer Discretionary (+6.2%), and Materials (+5.3%). Information Technology (-1.4%) was the worst performing sector followed by Communication Services (-1.4%) and Health Care (-1.3%).

US equities were modestly higher this month as continued consolidation of recent gains take place and participants begin to analyse what the post CV19 economic environment landscape will look like. Many US states have surpassed a fully vaccinated level of 50% which is allowing most parts of the country to enjoy full reopening of their economies. US initial jobless claims continued the recent pace of declines, with May registering 406k versus 507k in April. Claims remain high by historical levels (~220k pre CV19) but will likely reach those lower levels during the summer as the remaining elements of the service economy (restaurants, bars, hotels) go to full capacity.

US GDP grew at an annualised 6.4% rate in the first quarter of 2021, driven by strong consumer spending on durable goods such as autos. Efficiency gains accelerated by the adoption of new technologies such as automation could translate into a meaningful boost for US GDP. A recent survey published by McKinsey Global Institute estimates that productivity growth may add 1% to GDP (~\$3.5k increase in per capita) over the next four years.

### Portfolio commentary

The THB US Micro Cap Fund returned -1.3% in AUD (net of fees) in May.

The portfolio saw positive contribution from stock selection in Health Care (+0.8%), Real Estate (+0.3%), and Financials (+0.2%). Negative contribution came mainly from selection in Consumer Discretionary (-1.7%), Energy (-0.4%), and overallocation to Information Technology (-0.4%).

THB's top five performing stocks (from a contribution standpoint) were Joint Corp. (Health Care, +0.6%), Harsco Corporation (Industrials +0.2%), Perficient Inc. (Information Technology, +0.2%), First Busey Corporation (Financials, +0.2%), and Ultra Clean Holdings, Inc. (Information Technology, +0.2%).

The bottom five performing stocks (from a contribution standpoint) were Clean Energy Fuels Corp. (Energy -0.5%), PAR Technology Corp. (Information Technology, -0.5%), BJ's Restaurants, Inc. (Consumer Discretionary, -0.3%), Upland Software, Inc. (Information Technology, -0.3%) and Bassett Furniture Industries, Inc. (Consumer Discretionary, -0.2%).

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

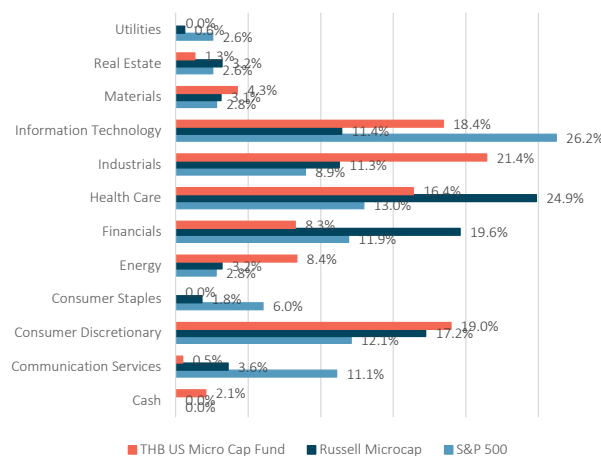
Fund details	
Benchmark	Russell Microcap® Index <sup>3</sup>
Inception date	5 September 2014
Fund size	A\$97.3 million

Performance <sup>1</sup> – 31 May 2021			
	Fund <sup>2</sup>	Russell Microcap®	Difference
1 month	(1.3%)	1.8%	(3.2%)
3 months	3.5%	4.7%	(1.2%)
1 year	64.1%	57.3%	6.7%
2 years p.a.	24.0%	25.0%	(1.0%)
3 years p.a.	13.6%	13.4%	0.2%
5 years p.a.	17.2%	16.0%	1.2%
Since inception p.a. <sup>2</sup>	15.3%	15.7%	(0.4%)

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 31 May 2021		
	Fund	Russell Microcap <sup>®</sup>
Weighted avg market cap	US\$1,111m	US\$1,458m
Price/sales	1.4x	1.8x
Price/book	2.4x	2.5x
Dividend yield	0.4%	0.7%
Number of securities	101	1,314
Standard deviation	21.4%	21.5%
Sharpe ratio	0.7	
Beta	1.0	
Tracking error	6.3	
Information ratio	0.1	

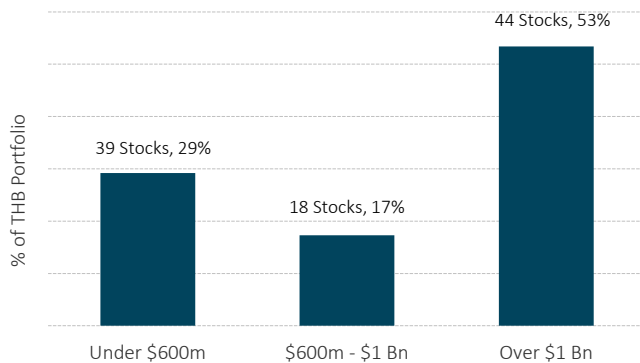
5. Portfolio statistics are reported in USD. Source: THB Asset Management

## Top 10 holdings

Stock	Sector	Weight
First Busey Corporation	Financials	2.8%
Joint Corp	Healthcare	2.6%
Perficient	Technology	2.5%
BJ's Restaurants	Consumer Disc	2.2%
Hyster-Yale Materials Handling	Industrials	2.2%
PAR Technology	Technology	2.1%
US Concrete	Materials	2.0%
Century Communities	Consumer Disc	2.0%
Ultra Clean Holdings	Technology	2.0%
TPI Composites	Industrials	1.9%

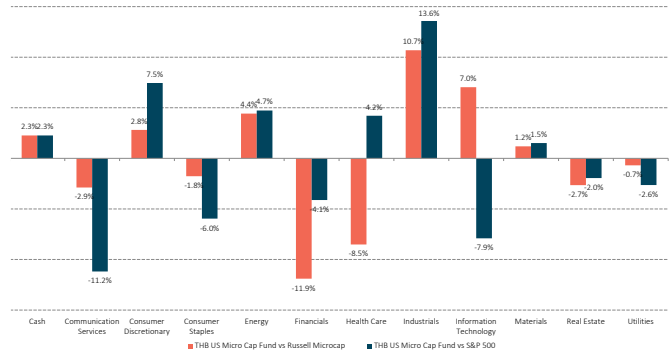
Source: THB Asset Management

## 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<sup>®</sup> Index.

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VICTORY CAPITAL INVESTMENT FRANCHISE

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