THB Asset Management

THB US Micro Cap Fund

INVESTING IN	BASED IN	INVESTING SINCE	FUND INCEPTION
US micro cap stocks	Connecticut, USA	1982	2014

39
YEARS INVESTING EXPERIENCE

22+ year
TRACK RECORD IN MICRO CAPS

~80 - 110
STOCKS IN PORTFOLIO

> "Lack of analyst attention in the smallest segment of the sharemarket provides abundant opportunities for outsized returns."
>
> Christopher Cuesta, CIO and Portfolio Manager, THB

The THB US Micro Cap Fund invests in a broadly diversified portfolio of US micro cap stocks.

About THB

THB Asset Management (THB), an investment franchise of Victory Capital Management is a dedicated micro and small cap specialist investment franchise based in Connecticut, USA. Founded in 1982, THB Asset Management has 39 years' experience investing in micro and small cap companies.

Why US micro caps?

US micro cap stocks are an underinvested and overlooked segment of the global share market and provide investors with an opportunity to generate outsized returns relative to larger capitalisation stocks. Like their International counterparts, US micro cap stocks exhibit favourable characteristics including a large, high quality and diverse universe of companies, little-to-no sell side coverage, few investment managers with a credible track record and process, and a valuable correlation benefit with respect to other segments of global equities markets.

The investment universe targeted by THB also gives meaningful, direct exposure to some secular growth drivers not so prevalent in more traditional large and small cap portfolios.

THB investment approach

THB has an active approach which utilises both qualitative and quantitative disciplines to construct a portfolio of companies with valuation metrics similar to or lower than the broader market of securities into which it invests, yet with superior long term characteristics. THB's style is best described as core, and has elements of both growth and value.

The THB US Micro Cap Fund is well diversified, holding between 80- 110 stocks and maintains broad economic, sector and stock diversification.

THB has a long history investing in the smallest end of the US and (more recently) international markets. It has a deep understanding of what works and a keen awareness of the risks inherent when investing down the market cap spectrum. This is reflected in its investment proposition, throughout the investment process and across all of its investment disciplines.

Opportunity

Inefficiencies in smallest segment of the share-market provide abundant alpha opportunities

Potential for outsized returns as lack of analyst attention creates information void

Reputation

More than 40% of client assets have been with THB for 10+ years

One of the longest established micro cap managers with 39 years' experience

BROOKVINE | THB Asset Management
A VICTORY CAPITAL INVESTMENT FRANCHISE

THB US Micro Cap Fund

APIR CODE
ETL0413AU

RESPONSIBLE ENTITY
Equity Trustees Limited

FUND INCEPTION DATE
5 September 2014

BENCHMARK
Russell Microcap® Index[1]

FUND SIZE
A$99 million[2]

MANAGEMENT COSTS
1.25% p.a. (inclusive of GST and RITC), including all investment management fees, responsible entity fees, administration fees, custody fees and other expenses incurred in operating the Fund

PERFORMANCE FEE
Nil

BUY/SELL SPREAD
0.30% on applications and 0.30% on withdrawals

INVESTMENT UNIVERSE
All securities included in the Russell Microcap Index and other permitted securities

CURRENCY HEDGING
None. The Fund does not hedge its currency exposure. The underlying investments are typically denominated in US dollars

OFFERING DOCUMENT
Product Disclosure Statement

INVESTOR CLASS
'Wholesale clients' as defined in the Corporations Act 2001 and Retail Clients investing indirectly via a platform (master trust or wrap account)

MINIMUM APPLICATION
$250,000 or via platform

APPLICATIONS & WITHDRAWALS
Daily

THB leverages a proprietary multi-factor quality assessment when reviewing new opportunities, including management quality, financial strength, industry position, and ESG factors.

THB's investment universe

The THB US Micro Cap Fund typically pursues high quality, low risk businesses that can sustain a high return on operating capital, with many (if not all) of the following characteristics:

- A dominant player in a market niche, with high barriers to entry, medium-low demand variability and unique 'advantage' not fairly valued by the market;
- little debt, strong free cash flow, strong operating leverage, a high tangible asset ratio and a low-cost structure versus peers;
- recent aligned insider activity, a material level of outstanding shares in management hands and recent share buybacks;
- strong secular tail winds i.e. improving demand dynamics, structural industry change,
- obvious catalysts for growth/ change, also including special situations such as spin-offs and recapitalisations,
- good corporate governance, with appropriately aligned incentive compensation and high/ material insider investment,
- entrepreneurial management team,
- a proven track record in public markets (THB does not invest in IPOs, for example),
- a valuation considered by THB to be attractive, and
- a businesses whose ESG risks are appropriately reflected in the price that THB was willing to pay.

Top holdings will often be in mature companies that dominate their market niches. These are businesses that are likely to be acquisition targets for private equity and larger listed companies.

Strategy

Well diversified and efficient exposure, 80 - 110 stocks

Active management based on market tested investment philosophy

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Signatory of:
PRI Principles for Responsible Investment

1. The Russell Microcap Index is a capitalisation weighted index of approximately 1,500 stocks that captures the smallest 1,000 companies in the Russell 2000 and up to 1,000 smaller US based listed stocks.
2. As at 30 June 2021.

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