

THB International Micro Cap Fund – Class W

Monthly Report – July 2021

Market commentary

The MSCI World ex USA Small Cap® Index (Index) returned +3.7% (AUD) in July.

Real Estate (+4.3%) was the best performing sector, followed by Materials (+3.5%), and Industrials (+2.7%). Energy (-6.7%) was the worst performing sector, followed by Consumer Discretionary (-1.4%) and Consumer Staples (-0.5%).

Sweden (+9.2%) was the best performing country, followed by Switzerland (+6.1%) and Finland (+5.2%). Hong Kong (-7.1%), Israel (-1.3%), and New Zealand (-1.2%) were the worst performing countries in the Index.

International equities were modestly higher this month as high level of vaccine coverage in advanced economies is providing a degree of reassurance about the economic outlook while the spread of the Delta variant is dominating the headlines.

The IMF's latest World Economic Outlook left the 2021 global GDP growth forecast unchanged at 6.0%. The forecast includes an upward revision from previous estimate for developed markets while the emerging economies forecast was revised down with emerging Eurozone data in July remained positive with the economy expanding at 2.0% q/q in Q2 after the 0.3% contraction in the first quarter. July Eurozone ESI (Economic Sentiment Indicator) hit all-time high record of 119.0 (i.e. since 1985). The data for July out of Japan was also positive with growth in industrial production of +6.2% m/m and +3.1% m/m retail sales.

Portfolio commentary

The THB International (ex-USA) Micro Cap Fund returned 6.8% (net of fees) in May outperforming the Index by 3.1%. Contributors to the portfolio's performance were positive stock selection in Japan, overallocation to Germany, and overallocation to Sweden. Detractors from performance included selection in the Netherlands, Singapore and Denmark.

From a sector perspective, primary contributors to performance mainly came from overallocation to Health Care, stock selection in Real Estate, and overallocation to Information Technology. Underallocation to Real Estate, stock selection in Financials and Materials were primary detractors of performance this month.

THB's top five performing stocks (from a contribution standpoint) were secunet Security Networks AG (Germany, Information Technology, +0.5%), Hexatronic Group AB (Sweden, Industrials +0.4%), Xvivo Perfusion AB (Sweden, Health Care, +0.3%), Biotage AB (Sweden, Health Care, +0.2%) and Eckert & Ziegler Strahlen-und Medizintechnik AG (Germany, Health Care, +0.2%).

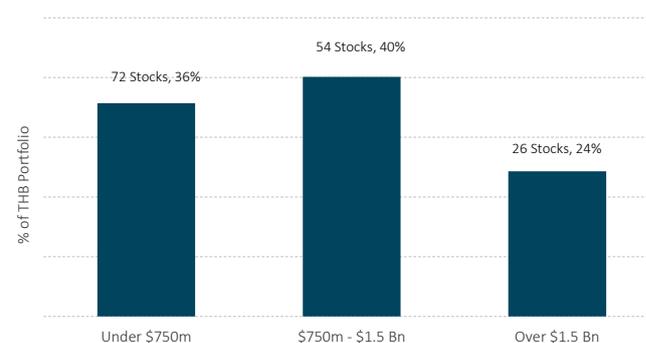
The bottom five performing stocks (from a contribution standpoint) were Probi AB. (Sweden, Health Care,-0.2%), Treatt plc (United Kingdom, Materials,-0.1%), Transaction Co. Ltd (Japan, Consumer Staples,-0.1%), 2G Energy AG (Germany, Industrials,-0.1%), and AB Dynamics plc. (United Kingdom, Consumer Discretionary-0.1%)

Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) ²
Inception date	23 August 2018
Fund size	A\$102.2 million

Net performance – 31 July 2021			
	Fund ¹	MSCI World ex USA Small Cap ²	MSCI World ex USA Micro Cap ³
1 month	6.8%	3.7%	1.5%
3 months	10.0%	7.4%	5.9%
1 year	36.0%	35.7%	43.5%
2 years p.a.	19.2%	14.8%	18.4%
Since inception	11.4%	10.0%	11.5%

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.

THB's portfolio companies continue to deploy capital with the goal of increasing shareholder value. Five share repurchase authorisations and 10 acquisitions were announced. Interestingly, three were developed market cross border deals. Hexatronic (Sweden, Technology) simultaneously acquired two Australian companies (OSA and FOS) to expand their product set. Probi (Sweden, Health Care) purchased a minority stake in Blis Technologies (New Zealand, Health Care) to enhance their collaboration on innovative probiotic products.

Portfolio statistics⁴

As at 31 July 2021		
	Fund	Benchmark
Weighted avg market cap	US\$1,158m	US\$3,339m
Price/sales	2.1x	1.3x
Price/Book	3.6x	1.7x
Dividend yield	1.2%	1.9%
Number of securities	152	2,588
Standard deviation	18.2%	16.3%
Sharpe ratio	1.0	
Beta	1.1	
Tracking error	5.9	
Information ratio	1.4	

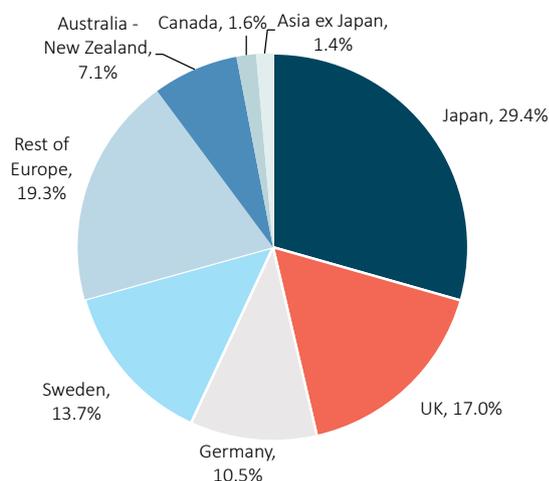
Source: THB Asset Management

Top 10 holdings⁵

Stock	Sector/Country	Portfolio weight
SeSa S.p.A.	Technology/Italy	1.8%
Focusrite PLC	Consumer Disc/UK	1.6%
El.En. S.p.A.	Health Care/Italy	1.5%
secunet Security Networks	Technology/Germany	1.4%
Hexatronic Group AB	Industrials/Sweden	1.4%
NEXUS AG	Healthcare/Germany	1.4%
Xvivo Perfusion AB	Health Care/Sweden	1.4%
SHIFT, Inc	Technology/Japan	1.3%
Revenio Group Oyj	Health Care/Finland	1.3%
Biotage AB	Health Care/Sweden	1.3%

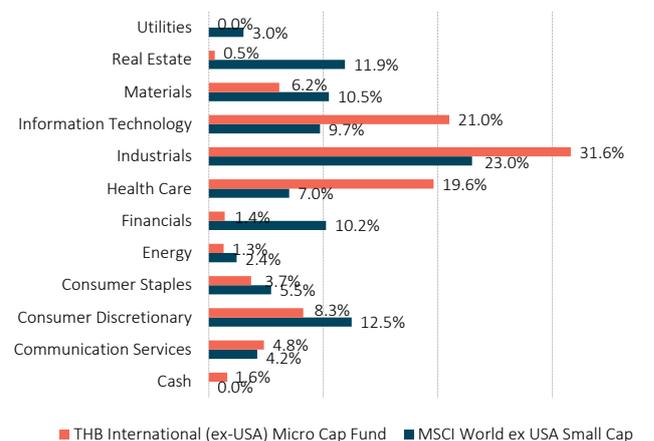
Source: THB Asset Management

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 39 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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