

# THB International Micro Cap Fund – Class W

## Monthly Report – August 2021

### Market commentary

The MSCI World ex USA Small Cap® Index (Index) returned +3.3% (AUD) in August.

Information Technology (+5.1%) was the best performing sector, followed by Health Care (+4.4%), and Financials (+4.4%). Materials (-0.4%) was the worst performing sector, followed by Energy (+0.4%) and Utilities (+0.5%). Israel (+5.5%) was the best performing country, followed by New Zealand (+5.4%) and Netherlands (+5.4%). Finland (-0.7%), Denmark (+0.3%), and Singapore (+0.3%) were the worst performing countries in the Index.

International equities moved higher this month. The global economic recovery remains on track as the rolling country re-openings take place despite supply chain challenges and concerns about the Delta variant.

German unemployment fell for a fourth straight month as businesses replenished their workforce and continued to recover from Covid-19 lockdowns. The jobless rate fell to 5.5% which is the lowest level since March of last year. German Politicians, who face a national election on Sept. 26, have vowed to avoid another lockdown which is encouraging companies to add staff. Japan reported positive retail sales growth for July, indicating that a renewed virus emergency did not deter shoppers and dampen spending.

Pandemic related supply chain disruptions combined with wage inflation are serving as a catalyst for a capital spending cycle. Companies are investing to improve efficiencies, expand production and sure up supply chains. According to S&P Global, world corporate capital expenditure is expected to increase by 13% this year with growth in all regions and sectors. Japan corporate survey capital spending rose 5.3% annually in Q2 2021, marking the first return to positive growth since the pandemic began last year.

### Portfolio commentary

The THB International (ex-USA) Micro Cap Fund returned +6.0% (net of fees) in August.

Contributors to the portfolio's performance were positive stock selection in Sweden, selection in Japan, and overallocation to Sweden. Detractors from performance included selection in Switzerland, underallocation to Norway, and selection in Finland.

From a sector perspective, primary contributors to performance mainly came from overallocation to Information Technology, and stock selection in Consumer Discretionary, and Industrials. Stock selection in Materials, Consumer Staples, and Financials were primary detractors of performance this month.

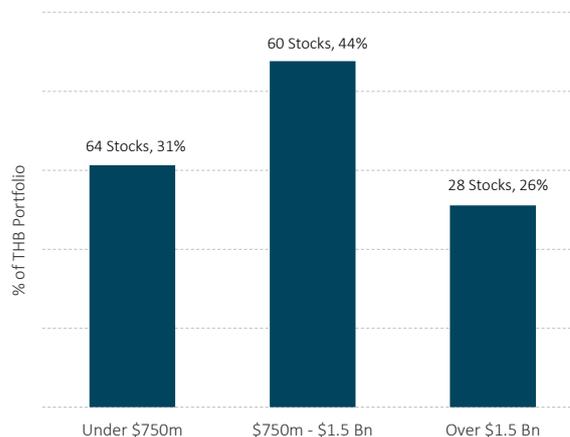
The top five performing stocks (from a contribution standpoint) were Hexatronic Group AB (Sweden, Industrials, +0.7%), GARO AB (Sweden, Industrials +0.6%), Basler AG (Germany, Information Technology, +0.4%), Focusrite PLC (United Kingdom, Consumer Discretionary, +0.4%) and SHIFT, Inc (Japan, Information Technology, +0.4%).

Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) <sup>2</sup>
Inception date	23 August 2018
Fund size	A\$108.4 million

Net performance – 31 August 2021			
	Fund <sup>1</sup>	MSCI World ex USA Small Cap <sup>2</sup>	MSCI World ex USA Micro Cap <sup>3</sup>
1 month	6.0%	3.3%	2.2%
3 months	15.0%	8.7%	5.6%
1 year	37.6%	34.7%	39.5%
2 years p.a.	23.4%	16.6%	20.5%
Since inception	13.2%	10.9%	11.9%

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.

The bottom five performing stocks (from a contribution standpoint) were Avon Protection PLC (United Kingdom, Industrials, -0.3%), Ramelius Resources Limited (Australia, Materials, -0.1%), Transaction Co. Ltd (Japan, Consumer Staples, -0.1%), Gurit Holding AG (Switzerland, Materials, -0.1%), and Revenio Group Oyj (Finland, Health Care -0.1%).

THB's portfolio companies continue to deploy capital with the goal of increasing shareholder value. During the month, there were 10 share repurchase authorisations and 10 acquisitions.

## Portfolio statistics<sup>4</sup>

As at 31 August 2021		
	Fund	Benchmark
Weighted avg market cap	US\$1,256m	US\$3,455m
Price/sales	2.2x	1.3x
Price/Book	3.7x	1.7x
Dividend yield	1.2%	1.9%
Number of securities	152	2,577
Standard deviation	18.1%	16.2%
Sharpe ratio	1.0	
Beta	1.1	
Tracking error	6.0	
Information ratio	1.5	

Source: THB Asset Management

## Top 10 holdings<sup>5</sup>

Stock	Sector/Country	Portfolio weight
SeSa S.p.A.	Technology/Italy	1.9%
Hexatronic Group AB	Industrials/Sweden	1.9%
Focusrite PLC	Consumer Disc/UK	1.9%
SHIFT Inc	Technology/Japan	1.6%
El.En. S.p.A.	Health Care/Italy	1.5%
Basler AG	Technology/Germany	1.5%
GARO AB	Industrials/Sweden	1.4%
Kainos Group PLC	Technology/UK	1.4%
NEXUS AG	Health Care/Germany	1.4%
secunet Security Networks	Technology/Germany	1.3%

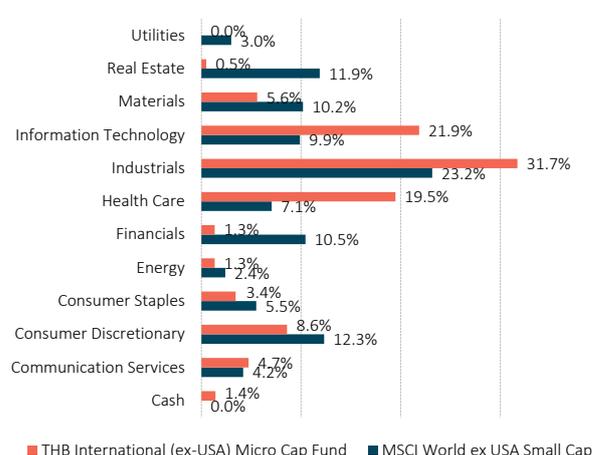
Source: THB Asset Management

## Country allocation<sup>5</sup>



Source: THB Asset Management

## Sector allocation<sup>5</sup>



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.

**BROOKVINE**

**THB**  
Asset Management  
A VICTORY CAPITAL INVESTMENT FRANCHISE

For more information, contact Brookvine Client Service on +61 2 9328 6445 or [clientservice@brookvine.com.au](mailto:clientservice@brookvine.com.au)

This document has been prepared and issued by Victory Capital Management Inc. (Victory) (AFSL 528472) and is intended for the general information of 'wholesale clients' (as defined in the Corporations Act 2001) only. Victory is not licensed to provide financial services to retail clients in Australia. Victory is regulated by the Securities and Exchange Commission of the United States of America under US laws, which differ from Australian laws. Equity Trustees Limited (Equity Trustees) (ABN 46 004 031 298, AFSL 240975) is a subsidiary of EQT Holdings Limited (ABN 22607 797 615), a publicly listed company on the Australian Securities Exchange (ASX:EQT). Equity Trustees is the Responsible Entity of the THB International (ex-USA) Micro Cap Fund (ARSN 623 620 744). This document is neither an offer to sell or a solicitation of any offer to acquire interests in any investment. The information contained in this document is of a general nature only. Accordingly, reliance should not be placed on this information as the basis for making an investment, financial or other decision. In preparing this document, Victory has not taken into account the investment objectives, financial situation and needs of any particular person. Before making any investment decision, you should consider whether the investment is appropriate in light of those matters. Whilst every effort is taken to ensure the information in this document is accurate, Victory and Equity Trustees provides no warranty as to the accuracy, reliability and completeness of the information in this document and you rely on this information at your own risk. To the extent permitted by law, Victory and Equity Trustees disclaims all liability to any person relying on the information contained in this document in respect of any loss or damage (including consequential loss or damage) however caused, which may be suffered or arise directly or indirectly in respect of such information. Past performance is not a reliable indicator of future performance. The return of capital or any particular rate of return from the Fund is not guaranteed. You should obtain and consider the Fund's Product Disclosure Statement (PDS) before deciding whether to acquire, or continue to hold, an interest in the Fund. Applications can only be accepted on an application form attached to a current Product Disclosure Statement. Neither Victory, Equity Trustees nor any of its related parties, their employees or directors, provide and warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it.