

THB International Micro Cap Fund – Class W

Monthly Report – October 2021

Market commentary

The MSCI World ex USA Small Cap® Index (Index) returned -1.9% (AUD) in October.

Real Estate (+4.5%) was the best performing sector, followed by Energy (+4.4%), and Utilities (+4.3%). Communication Services (-0.9%) was the worst performing sector, followed by Consumer Staples (-0.5%) and Consumer Discretionary (-0.2%).

Norway (+9.9%) was the best performing country, followed by Sweden (+7.6%) and Israel (+7.0%). Japan (-3.6%), Ireland (+0.8%), and United Kingdom (+1.4%) were the worst performing countries in the Index.

International equities extended gains in October despite growing concerns around supply chain issues and shortages. Economic growth in the Euro area accelerated in the third quarter following the suspension of most Covid-19 restrictions. Output increased 2.2% in the three months through September, slightly more than economists predicted. A surge in consumer spending propelled growth in France while Italy was helped by industry and services growth. Germany's Chamber of Commerce (DIHK) published its Autumn survey, which showed firms are more upbeat about the outlook than they were in Spring.

Portfolio commentary

The THB International (ex-USA) Micro Cap Fund returned -0.5% (net of fees) in October.

Contributors to the portfolio's performance were overallocation to Sweden, overallocation to Germany, and stock selection in Japan. Detractors from performance included stock selection in Canada, overallocation to Japan, and stock selection in Netherlands.

From a sector perspective, primary contributors to performance mainly came from underallocation to Finance, stock selection in Industrials, and overallocation to Health Care. Stock selection in Finance, underallocation to Real Estate, and stock selection in Consumer Discretionary were primary detractors of performance this month.

THB's top five performing stocks (from a contribution standpoint) were Hexatronic Group AB (Sweden, Industrials, +0.6%), EL.En.S.p.A. (Italy, Health Care +0.4%), Sectra AB Class B (Sweden, Health Care, +0.3%), Concentric AB (Sweden, Industrials +0.3%) and VERBIO Vereinigte BioEnergie (Germany, Energy, +0.2%).

The bottom five performing stocks (from a contribution standpoint) were Focusrite PLC (United Kingdom, Consumer Discretionary, -0.3%), Gremz, Inc. (Japan, Industrials, -0.1%), Xvivo Perfusion AB (Sweden, Health Care, -0.1%), Infomedia Ltd. (Australia, Information Technology, -0.1%), and ValueCommerce Co. Ltd., (Japan, Communication Services -0.1%).

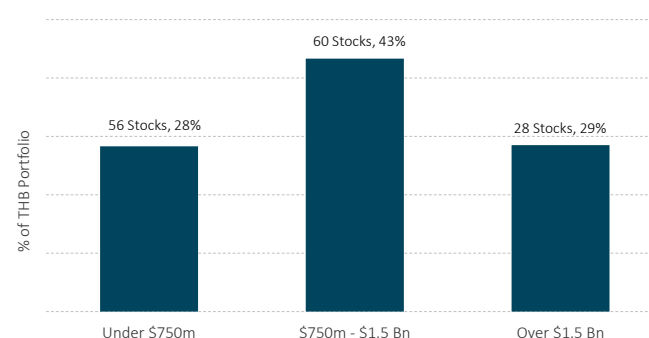
THB's portfolio companies continue to deploy capital with the goal of increasing shareholder value. There were three share repurchase authorisations and 12 acquisitions announced in October.

Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) ²
Inception date	23 August 2018
Fund size	A\$113.4 million

Net performance – 31 October 2021			
	Fund ¹	MSCI World ex USA Small Cap ²	MSCI World ex USA Micro Cap ³
1 month	(0.5%)	(1.9%)	(1.9%)
3 months	3.9%	(0.9%)	0.2%
1 year	31.9%	28.3%	32.7%
2 years p.a.	19.4%	11.8%	17.4%
3 years p.a.	16.9%	11.8%	13.5%
Since inception	11.8%	8.8%	10.6%

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 October 2021		
	Fund	Benchmark
Weighted avg market cap	US\$1,316m	US\$3,444m
Price/sales	2.1x	1.3x
Price/Book	3.7x	1.7x
Dividend yield	1.2%	2.0%
Number of securities	144	2,568
Standard deviation	18.0%	16.1%
Sharpe ratio	1.0	
Beta	1.1	
Tracking error	5.9	
Information ratio	1.5	

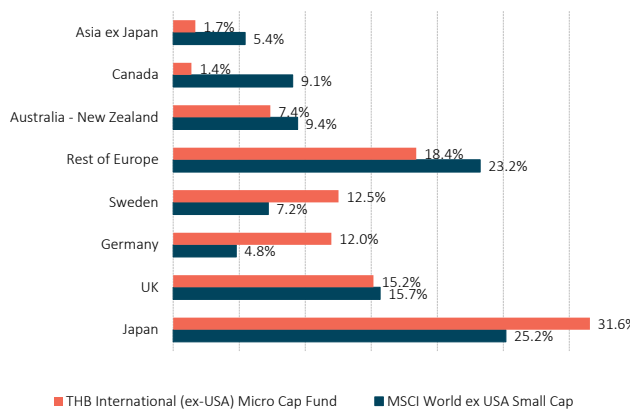
Source: THB Asset Management

Top 10 holdings⁵

Stock	Sector/Country	Portfolio weight
SeSa S.p.A.	Technology/Italy	1.8%
Hexatronic Group AB	Industrials/Sweden	1.6%
El.En. S.p.A.	Health Care/Italy	1.5%
SHIFT Inc	Technology/Japan	1.5%
Focusrite PLC	Consumer Disc/UK	1.5%
Kainos Group PLC	Technology/UK	1.5%
Sectra AB	Health Care/Sweden	1.5%
Basler AG	Technology/Germany	1.5%
Eckert & Ziegler	Health Care/Germany	1.4%
VERBIO Vereinigte	Energy/Germany	1.3%

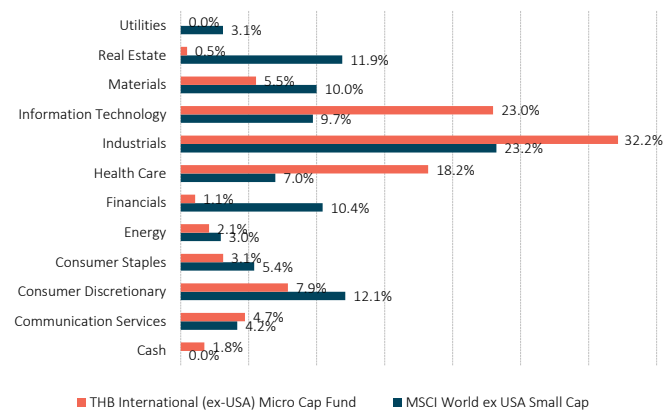
Source: THB Asset Management

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.

BROOKVINE

THB
Asset Management
A VICTORY CAPITAL INVESTMENT FRANCHISE

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