

# THB US Micro Cap Fund

## Monthly Report – November 2021

### Market commentary

The Russell Microcap® Index (Index) returned 0.4% (AUD) in November 2021.

Industrials (-0.2%) was the best performing sector, followed by Real Estate (-0.3%) and Financials (-1.5%). Energy (-10.4%) was the worst performing sector followed by Health Care (-9.5%) and Communication Services (-9.4%).

Major US indices trended lower in November as the Omicron coronavirus variant hung over the market sentiment despite the absence of conclusive data on its transmissibility and severity.

Economic releases during the month indicated a good start of the quarter for consumer spending and capital investment. US retail sales rose in October for a third month, signaling households continue to spend and mall traffic improving. The labour market continues to strengthen, with hiring and wages rising. Applications for US state unemployment benefits plunged this month to a level not seen since 1969. Orders placed with US factories for business equipment rose in October by more than forecast, highlighting solid momentum for capital investment at the start of the fourth quarter.

Public and private sector capital investment plans appear supportive of multi-year economic recovery. The House recently passed the bipartisan plan to spend an extra \$550 billion to revitalise the nation's transportation and utility infrastructure, mostly in the next five years. At the same time, pandemic-related disruptions are prompting companies to move production closer to their home locations/target markets. Ford and GM both announced strategic plans to design and produce semiconductors in the US. Both Samsung and Texas Instruments chose Texas as the location for their planned semiconductor capacity expansions. The combined capital investment will be \$47 billion and create approximately 5,000 new jobs.

### Portfolio commentary

The THB US Micro Cap Fund returned 0.8% in AUD (net of fees) in November 2021.

The portfolio saw positive contribution from underallocation to Health Care (+0.9%), overallocation to Information Technology (+0.9%), and stock selection in Consumer Discretionary (+0.6%). Negative contribution came mainly from stock selection in Health Care (-1.1%), Financials (-1.0%), and Energy (-0.7%).

THB's top five performing stocks (from a contribution standpoint) were Grid Dynamics Holdings, Inc. Class A (Information Technology, +0.8%), Movado Group, Inc. (Consumer Discretionary, +0.6%), Transcat, Inc. (Industrials, +0.5%), Perficient, Inc. (Information Technology, +0.4%), and Gladstone Land Corp. (Real Estate, +0.2%).

The bottom five performing stocks (from a contribution standpoint) were BioLife Solutions, Inc. (Health Care -0.6%), Upland Software, Inc. (Information Technology, -0.4%), TPI Composites, Inc. (Industrials, -0.4%), RPC, Inc. (Energy, -0.4%) and TETRA Technologies, Inc. (Energy, -0.3%).

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

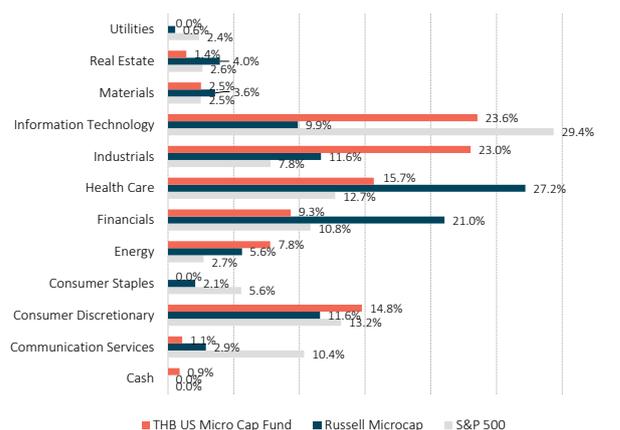
Fund details	
Benchmark	Russell Microcap® Index <sup>3</sup>
Inception date	5 September 2014
Fund size	A\$98.2 million

Performance <sup>1</sup> – 30 November 2021			
	Fund <sup>2</sup>	Russell Microcap®	Difference
1 month	0.8%	0.4%	0.5%
3 months	(4.9%)	(3.1%)	(1.8%)
1 year	28.0%	32.9%	(4.9%)
2 years p.a.	19.0%	20.3%	(1.3%)
3 years p.a.	14.4%	16.8%	(2.4%)
5 years p.a.	13.0%	13.5%	(0.6%)
Since inception p.a. <sup>2</sup>	14.1%	14.9%	(0.8%)

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 30 November 2021		
	Fund	Russell Microcap®
Weighted avg market cap	US\$1,086m	US\$905m
Price/sales	1.3x	1.6x
Price/book	2.0x	2.1x
Dividend yield	0.5%	1.0%
Number of securities	94	1,747
Standard deviation	21.0%	21.1%
Sharpe ratio	0.6	0.6
Beta	1.0	
Tracking error	6.3	
Information ratio	0.1	

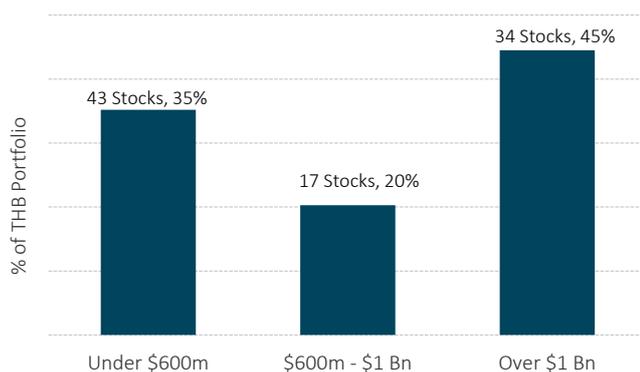
5. Portfolio statistics are reported in USD. Source: THB Asset Management

## Top 10 holdings

Stock	Sector	Portfolio weight
Perficient	Technology	3.5%
Transcat, Inc	Industrials	3.5%
Grid Dynamics Holdings	Technology	3.5%
First Busey Corporation	Financials	3.0%
Movado Group, Inc	Consumer Disc	2.7%
ePlus Inc	Technology	2.5%
NAPCO Security Technologies	Technology	2.2%
Ultra Clean Holdings, Inc	Technology	1.9%
Ichor Holdings, Ltd	Technology	1.9%
PAR Technology	Technology	1.8%

Source: THB Asset Management

## Companies by market capitalisation



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 39 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® Index.

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