

THB International Micro Cap Fund – Class W

Monthly Report – January 2022

Market commentary

The MSCI World ex USA Small Cap® Index (Index) returned -3.9% (AUD) in January.

Energy (+7.4%) was the best performing sector, followed by Financials (-3.5%) and Consumer Staples (-3.8%). Health Care (-15.1%) was the worst performing sector, followed by Information Technology (-13.3%) and Communication Services (-7.8%).

Ireland (+5.5%) was the best performing country, followed by Israel (+0.4%) and the Netherlands (-0.5%). Sweden (-15.8%), Australia (-11.5%) and New Zealand (-10.5%) were the worst performing countries in the Index.

International equities posted losses in the first month of 2022 driven by broad based declines in most sectors except for Energy. Energy stocks were a sizable outperformer as WTI crude was 17% higher during the month hitting its highest levels since 2014. The IEA January report pointed to the muted demand impact from Omicron, noting global demand is on track to exceed pre-pandemic levels this year.

The European economic recovery continued during the Omicron wave. Data shows cinema ticket sales, hotel bookings, job postings and mobility data have fallen far less than in previous surges of the virus. The ECB latest bank lending survey showed strong increase in loan demand. The highlights of the survey were banks reporting a considerable increase in activity, with firms drawing on lines of credit in Q4 for working capital and fixed investment. Household loan demand was also firmer for house purchases and consumer credit amid low rates and better consumer confidence.

The French national statistics office said average growth in 2021 was 7%, its fastest rate since 1969. Meanwhile, Spain's economy posted its fastest annual growth since 2000 with preliminary Q4 GDP at +5.2% y/y. UK Markit Manufacturing PMI reported that the January final PMI showed stronger growth of output and employment at the start of 2022, the fastest rise in production in six months.

Portfolio commentary

The THB International (ex-USA) Micro Cap Fund returned -10.4% (net of fees) in January. Contributors to the portfolio's performance were underallocation to Singapore, Israel, and the United States. Detractors from performance included stock selection in Japan and the United Kingdom as well as overallocation to Sweden.

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

THB's top five performing stocks (from a contribution standpoint) were 2G Energy AG (Germany, Industrials, +0.1%), Transaction Co., Ltd. (Japan, Consumer Staples +0.0%), SThree plc (United Kingdom, Industrials, +0.0%), Watkin Jones Plc (United Kingdom, Real Estate, +0.0%) and CTT Systems AB (Sweden, Industrials, +0.0%).

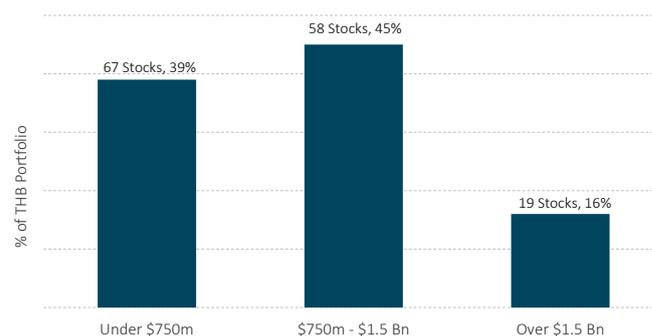
The bottom five performing stocks (from a contribution standpoint)

Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) ²
Inception date	23 August 2018
Fund size	A\$101.4 million

Net performance – 31 January 2022			
	Fund ¹	MSCI World ex USA Small Cap ²	MSCI World ex USA Micro Cap ³
1 month	(10.4%)	(3.9%)	(3.7%)
3 months	(10.7%)	(2.3%)	(2.6%)
1 year	7.2%	13.0%	13.6%
2 years p.a.	7.6%	6.9%	11.2%
3 years p.a.	14.2%	11.8%	14.4%
Since inception	7.2%	7.4%	8.9%

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.

were Esker SA (France, Information Technology, -0.4%), Biotage AB (Sweden, Health Care, -0.3%), Swedencare AB (Sweden, Health Care, -0.3%), PVA TePla AG (Germany, Information Technology, -0.3%), and Basler AG, (Germany, Information Technology, -0.3%).

THB's portfolio companies continue to deploy capital with the goal of increasing shareholder value. They announced one share repurchase authorisation and 11 acquisitions.

Portfolio statistics⁴

As at 31 January 2022		
	Fund	Benchmark
Weighted avg market cap	US\$1,002m	US\$2,992m
Price/sales	1.7x	1.2x
Price/Book	3.1x	1.6x
Dividend yield	1.5%	2.2%
Number of securities	144	2,588
Standard deviation	18.7%	16.3%
Sharpe ratio	0.8	
Beta	1.1	
Tracking error	6.4	
Information ratio	1.1	

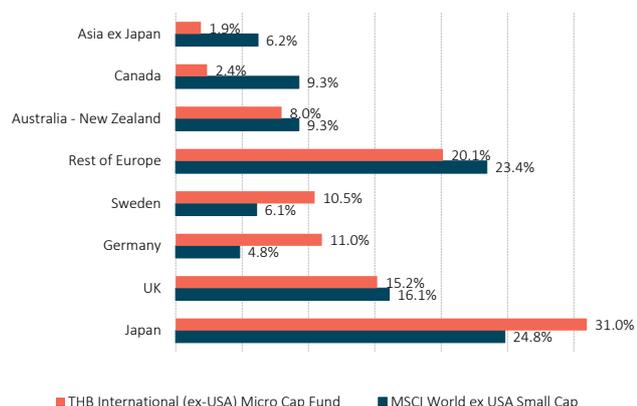
Source: THB Asset Management

Top 10 holdings⁵

Stock	Sector/Country	Portfolio weight
Judges Scientific	Industrials/UK	1.5%
El.En. S.p.A.	Health Care/Italy	1.4%
JCU Corporation	Materials/Japan	1.4%
Kainos Group PLC	Technology/UK	1.3%
Kardex Holding AG	Industrials/Switzerland	1.3%
Treatt plc	Materials/UK	1.3%
NEXUS	Health Care/Germany	1.3%
VERBIO Vereinigte	Energy/Germany	1.3%
Johns Lyng Group	Industrials/Australia	1.2%
Focusrite PLC	Consumer Disc/UK	1.2%

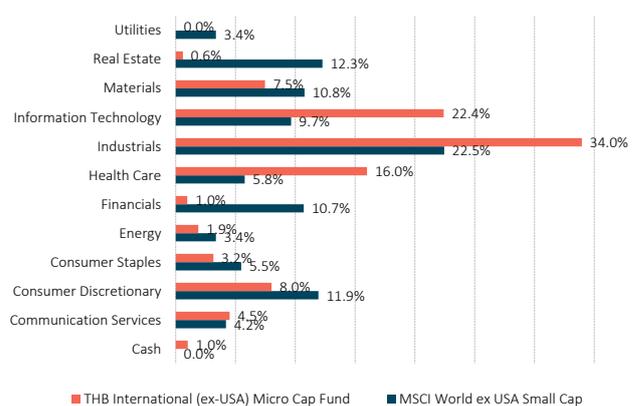
Source: THB Asset Management

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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Asset Management
A VICTORY CAPITAL INVESTMENT FRANCHISE

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