

THB International (ex-USA) Micro Cap Fund – Class W

Monthly Report – February 2022

Market commentary

The MSCI World ex USA Small Cap® Index returned -3.8% (AUD) in February. Energy (+8.2%) was the best performing sector, followed by Materials (+2.8%) and Consumer Staples (+0.9%). Consumer Discretionary (-3.5%) was the worst performing sector, followed by Health Care (-3.3%) and Financials (-2.2%).

New Zealand (+5.1%) was the best performing country, followed by Australia (+3.5%) and Canada (+2.9%). Finland (-10.9%), Sweden (-8.0%) and Austria (-7.0%) were the worst performing countries in the Index.

International equities were down in February with small cap indices outperforming the broader market. The relaxation of Covid restrictions in developed markets and positive economic data were overshadowed by the escalating geopolitical tensions in Europe culminating with the Russian invasion of Ukraine on February 23.

The invasion-induced spike in energy complex prices were a key focus for investors. Already on the rise prior to the escalating tensions between Russia and Ukraine, Brent crude was up 13% m/m in February and has increased approximately 50% since December 2021. The German business climate index showed improvement in all key components reflecting improving German outlook as Covid mitigation measures are eased. The UK also announced the end to its Covid rules in February. Japan's economy grew at an annual pace of 5.4% in October-December, boosted by improved consumer spending and exports. Prime Minister Kishida confirmed a relaxation of border controls in March and cutting of the quarantine period.

The conflict in Europe is driving the EU bloc towards a new era of big spending that would reduce the dependence on Russia. Germany has pledged to boost defense spending by €100B and EU is accelerating the Green Deal aimed at reaching climate neutrality from 2050 to 2030. Italian PM Draghi called on spending to be done at the European level, which could hint at a role for the European Recovery Fund.

Portfolio commentary

The THB International (ex-USA) Micro Cap Fund returned -4.5% (net of fees) in February. Contributors to the portfolio's performance were stock selection in Canada as well as overallocation and selection in Japan. Detractors from performance included underallocation to Canada, stock selection in the United Kingdom, and overallocation to Sweden.

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

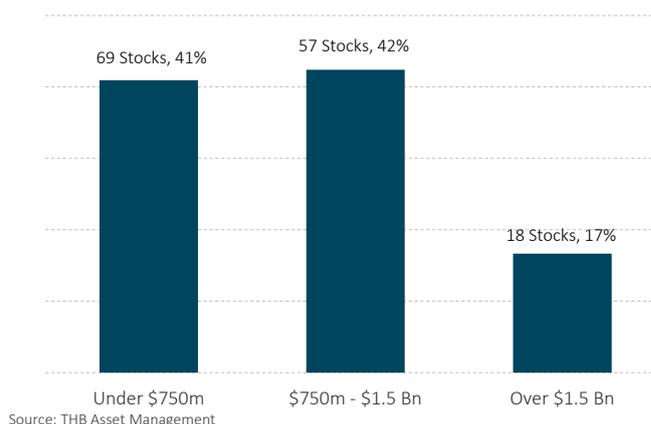
THB's top five performing stocks (from a contribution standpoint) were VERBIO Vereinigte BioEnergie AG (Germany, Energy, +0.4%), Softcreate Holdings Corp. (Japan, Information Technology, +0.2%), secunet Security Networks AG (Germany, Information Technology, +0.2%), Wesdome Gold Mines Ltd. (Canada, Materials, +0.2%) and Be Shaping the Future SpA (Italy, Information Technology, +0.2%).

| Fund details | |
|----------------|---|
| Benchmark | MSCI World ex USA Small Cap Total Return Index (AUD) ² |
| Inception date | 23 August 2018 |
| Fund size | A\$96.9 million |

| Net performance – 28 February 2022 | | | |
|------------------------------------|-------------------|--|--|
| | Fund ¹ | MSCI World ex USA Small Cap ² | MSCI World ex USA Micro Cap ³ |
| 1 month | (4.5%) | (3.8%) | (4.6%) |
| 3 months | (14.6%) | (6.0%) | (7.2%) |
| 1 year | 5.9% | 6.7% | 4.2% |
| 2 years p.a. | 10.0% | 8.3% | 13.9% |
| 3 years p.a. | 10.5% | 8.6% | 10.9% |
| Since inception | 5.6% | 6.0% | 7.2% |

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



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 ~2,500 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 Focusrite PLC (United Kingdom, Consumer Discretionary, -0.2%), PVA TePla AG (Germany, Information Technology, -0.2%), Concentric AB (Sweden, Industrials, -0.2%), AB Dynamics plc (United Kingdom, Consumer Discretionary, -0.2%) and GARO AB, (Sweden, Industrials -0.2%).

THB's portfolio companies announced 13 share repurchase authorisations and six acquisitions during the month.

Portfolio statistics⁴

| As at 28 February 2022 | | |
|-------------------------|------------|------------|
| | Fund | Benchmark |
| Weighted avg market cap | US\$1,023m | US\$2,953m |
| Price/sales | 1.7x | 1.1x |
| Price/Book | 3.0x | 1.5x |
| Dividend yield | 1.5% | 2.3% |
| Number of securities | 144 | 2,587 |
| Standard deviation | 18.6% | 16.2% |
| Sharpe ratio | 0.8 | |
| Beta | 1.1 | |
| Tracking error | 6.4 | |
| Information ratio | 1.1 | |

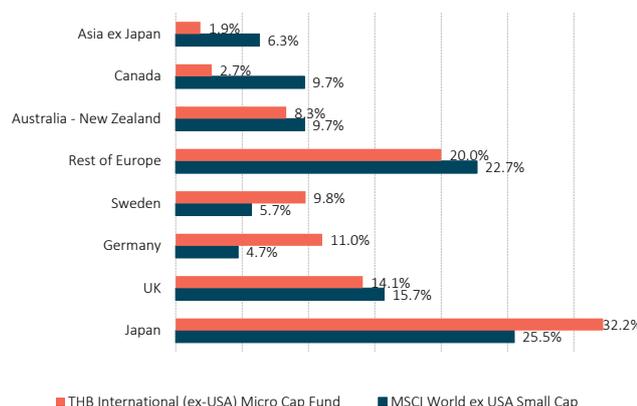
Source: THB Asset Management

Top 10 holdings⁵

| Stock | Sector/Country | Portfolio weight |
|--------------------------|-------------------------|------------------|
| VERBIO Vereinigte | Energy/Germany | 1.6% |
| Judges Scientific plc | Industrials/UK | 1.5% |
| JCU Corporation | Materials/Japan | 1.4% |
| Kainos Group PLC | Technology/UK | 1.3% |
| El.En. S.p.A. | Health Care/Italy | 1.3% |
| Kardex Holding AG | Industrials/Switzerland | 1.3% |
| Johns Lyng Group Ltd | Industrials/Australia | 1.3% |
| Treatt plc | Materials/UK | 1.2% |
| NEXUS AG | Health Care/Germany | 1.2% |
| Softcreate Holdings Corp | Technology/Japan | 1.2% |

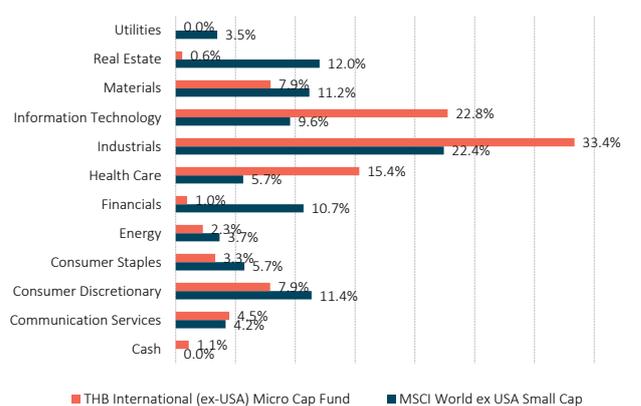
Source: THB Asset Management

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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