

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.

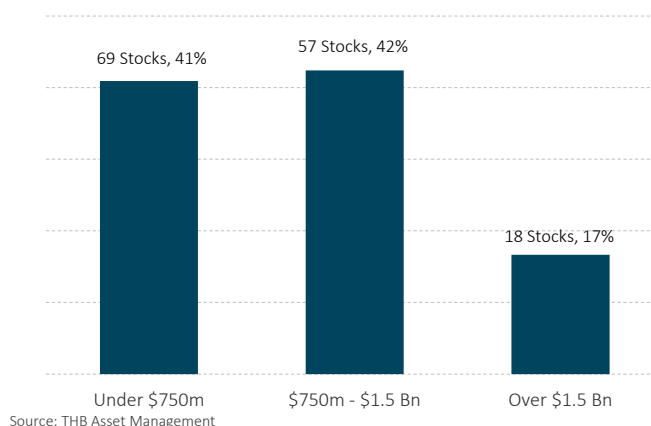
THB's top five performing stocks (from a contribution standpoint) were VERBIO Vereinigte BioEnergie AG (Germany, Energy, +0.4%), Softcreate Holdings Corp. (Japan, Information Technology, +0.2%), secunet Security Networks AG (Germany, Information Technology, +0.2%), Wesdome Gold Mines Ltd. (Canada, Materials,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

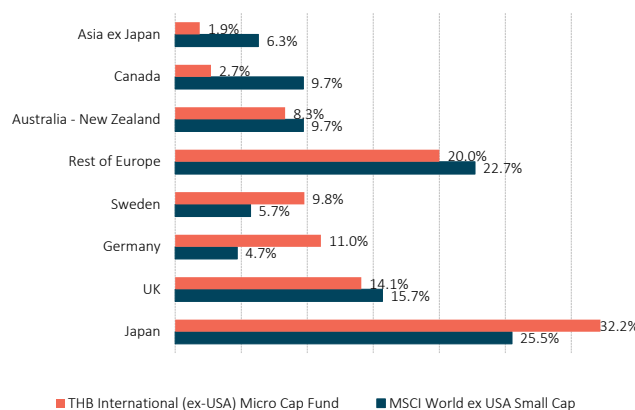
Source: THB Asset Management

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%

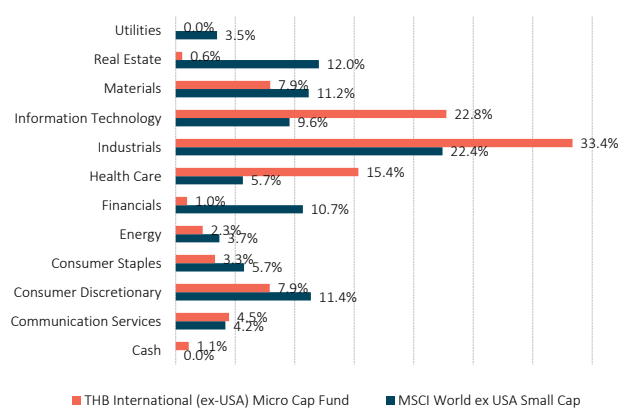
Source: THB Asset Management

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.

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

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. THB International (ex-USA) Micro Cap Fund's Target Market Determination [available here](#). A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.