THB US Micro Cap Fund

Monthly Report – April 2022

Market commentary

The Russell Microcap® Index returned-5.3% (AUD) in April 2022. Energy (-2.6%) was the best performing sector followed by Consumer Staples (-2.9%) and Real Estate (-4.8%). Health Care (-17.1%) performed the worst, followed by Information Technology (-13.2%) and Communication Services (-13.1%).

US equities came under pressure in April on the backdrop of growth concerns surrounding China lockdowns, rising inflation and global monetary policy shifts. Investors are increasing their scrutiny of profitless, high growth companies driving an outsized impact on the NASDAQ this month.

The first few weeks of Q1 earnings season highlighted a number of positive themes in THB's portfolios. These included economic reopening momentum post Omicron, strong consumer and corporate balance sheets, resilient credit, and pricing power to protect margins. Actual activity could be disconnected with sentiment surveys indicating that consumers are cutting back. According to Mastercard SpendingPulse™, which measures in-store and online retail sales across all forms of payment, total retail sales excluding auto in April increased +7.2% year-over-year (YOY) and +15.3% compared to pre-pandemic spending (2019). Key trends for April reinforce consumer resilience in the face of inflation.

Portfolio commentary

The THB US Micro Cap Fund returned-3.9% in AUD (net of fees) in April 2022.

The portfolio saw positive contribution from stock selection in Health Care (+1.7%), Consumer Discretionary (+0.4%), and Financials (+0.3%). Negative contribution came mainly from underallocation to Financials (-0.5%) as well as stock selection in Energy (-0.5%) and Materials (-0.3%).

THB's top five performing stocks (from a contribution standpoint) were Lantheus Holdings, Inc. (Health Care, +0.2%); Universal Technical Institute, Inc. (Consumer Discretionary, +0.2%); Insteel Industries, Inc. (Industrials, +0.2%); Profire Energy Inc. (Energy, +0.0%); and UFP Technologies, Inc. (Health Care, +0.0%).

The bottom five performing stocks (from a contribution standpoint) were BioLife Solutions, Inc. (Health Care,-0.5%); Clean Energy Fuels Corp. (Energy,-0.4%); Ultra Clean Holdings, Inc. (Information Technology,-0.4%); Luna Innovations, Inc. (Information Technology, -0.4%); and Greenbrier Companies, Inc. (Industrials,-0.4%).

During the month, THB's portfolio companies announced one acquisition.

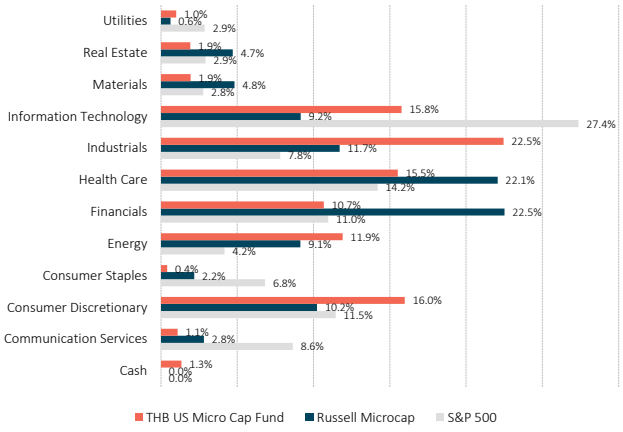
Fund details	
Benchmark	Russell Microcap® Index[3]
Inception date	5 September 2014
Fund size	A$76.2 million

Performance[1] – 30 April 2022	Fund[2]	Russell Microcap®	Difference
1 month	(3.9%)	(5.3%)	1.4%
3 months	(9.4%)	(9.0%)	(0.4%)
1 year	(15.5%)	(13.5%)	(2.0%)
2 years p.a.	21.5%	18.6%	2.9%
3 years p.a.	8.0%	8.0%	0.1%
5 years p.a.	8.1%	8.4%	(0.2%)
Since inception p.a.[2]	11.1%	11.3%	(0.2%)

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. 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[4]



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[5]

As at 30 April 2022	Fund	Russell Microcap®
Weighted avg market cap	US$847m	US$788m
Price/sales	1.0x	1.3x
Price/book	1.7x	1,7x
Dividend yield	0.8%	1.1%
Number of securities	96	1,767
Standard deviation	20.9%	21.3%
Sharpe ratio	0.6	0.5
Beta	0.9	
Tracking error	6.2	
Information ratio	0.1	

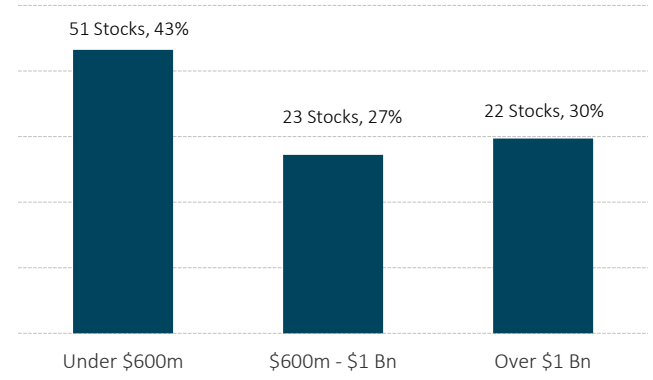
5. Portfolio statistics are reported in USD. Source: THB Asset Management

Top 10 holdings

Stock	Sector	Portfolio weight
RPC Inc	Energy	3.3%
First Busey Corporation	Financials	3.1%
Transcat Inc	Industrials	3.0%
ePlus Inc	Technology	2.9%
TETRA Technologies Inc	Energy	2.5%
Movado Group Inc	Consumer Disc	2.5%
Greenbrier Companies Inc	Industrials	2.1%
Old Second Bancorp Inc	Financials	2.0%
Heritage Financial Corporation	Financials	1.9%
LeMaitre Vascular Inc	Health Care	1.9%

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.

BROOKVINE | THB Asset Management

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 US Micro Cap Fund (ARSN 600 158 450). 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 US Micro Cap Fund's Target Market Determination is 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.