

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

## Monthly Report – May 2022

### Market commentary

The MSCI World ex USA Small Cap® Index returned -1.6% in May 2022. Energy (+7.8%) was the best performing sector, followed by Financials (+0.6%) and Industrials (-0.04%). Materials (-3.1%) was the worst performing sector, followed by Consumer Staples (-2.4%) and Real Estate (-2.4%).

Ireland (+5.0%) was the best performing country, followed by Italy (+4.2%) and Spain (+3.4%). Israel (-11.2%), New Zealand (-6.2%), and Australia (-4.5%) were the worst performing countries in the Index.

International equities were little changed in May. Global monetary policy tightening narrative continued to dominate the headlines and inflation concerns remained elevated.

Policy responding to inflation reaching multi-decade highs in many countries indicating the beginning of a global tightening cycle, yet rates are remaining low by historical standards.

The consumer remained the brighter spot in the mire of negative headlines. IMF estimates that households in the euro area saved nearly 1 trillion euros more in the last two years of the pandemic, half of which is kept in savings account and easy to access. The end of large-scale virus restrictions and a growing share of people who are either vaccinated or recovered from Covid is driving record demand for travel. The global travel-related company, Booking Holdings Inc. has raised the prospect of a record summer season and has indicated that Western Europe and North America are leading the summer travel rebound, with gross bookings 30% higher for the regions than at this time in 2019.

Japan is also making progress towards re-opening for tourism starting to accept international tourists in June and easing travel advisory for 36 countries. Consumers may be more selective where they spend their dollars on hard goods but pent-up demand in travel is pushing higher spend in eating-out and services.

### Portfolio commentary

The THB International (ex-USA) Micro Cap Fund returned -3.2% (net of fees) in May 2022

Contributors to the portfolio's performance were underallocation to Canada as well as stock selection in Israel and Switzerland. Detractors from performance included stock selection in Canada, Japan, and Australia.

From a sector perspective, primary contributors to performance mainly came from underallocation to Real Estate and Materials as well as stock selection in Financials. Stock selection in Materials, Consumer Discretionary, and Energy were primary detractors to performance this quarter.

THB's top five performing stocks (from a contribution standpoint) were Judges Scientific plc. (United Kingdom, Industrials, +0.30%); Nexus AG (Germany, Health Care, +0.20%); Infomedica Ltd. (Australia, Information Technology, +0.15%); u-blox Holding AG (Switzerland, Information Technology, +0.15%), and JCU Corporation (Japan, Materials, +0.13%).

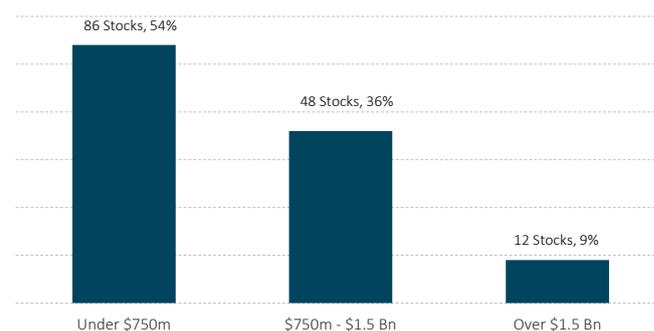
The bottom five performing stocks (from a contribution standpoint)

Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) <sup>2</sup>
Inception date	23 August 2018
Fund size	A\$87.7 million

Net performance – 31 May 2022			
	Fund <sup>1</sup>	MSCI World ex USA Small Cap <sup>2</sup>	MSCI World ex USA Micro Cap <sup>3</sup>
1 month	(3.2%)	(1.6%)	(2.3%)
3 months	(9.6%)	(6.1%)	(5.8%)
1 year	(13.2%)	(7.9%)	(9.4%)
2 years p.a.	4.1%	7.8%	12.1%
3 years p.a.	5.1%	6.4%	8.2%
Since inception	2.4%	3.9%	5.0%

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 ~2,500 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.

were Johns Lyng Group Ltd. (Australia, Industrials, -0.57%), Karora Resources, Inc. (Australia, Materials, -0.35%), PWR Holdings Ltd. (Australia, Consumer Discretionary, -0.33%), Treatt plc (United Kingdom, Materials, -0.27%), and secunet Security Networks AG (Germany, Information Technology, -0.22%).

THB's companies continue to deploy capital with the goal of increasing shareholder value. They announced ten share repurchase authorisations and twelve acquisitions in May.

## Portfolio statistics<sup>4</sup>

As at 31 May 2022		
	Fund	Benchmark
Weighted avg market cap	US\$842m	US\$2,782m
Price/sales	1.5x	1.1x
Price/Book	2.7x	1.4x
Dividend yield	1.7%	2.7%
Number of securities	146	2,569
Standard deviation	18.7%	16.2%
Sharpe ratio	0.6	
Beta	1.1	
Tracking error	6.4	
Information ratio	0.9	

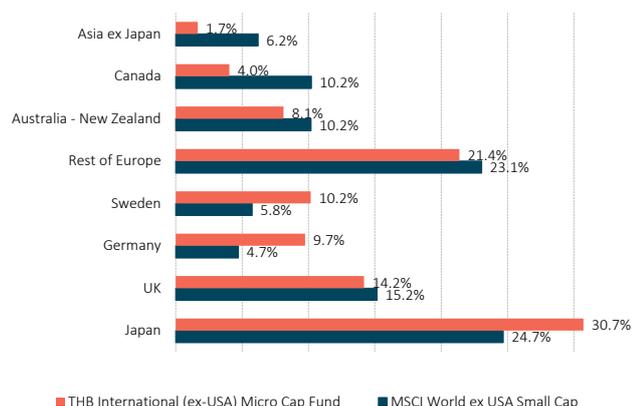
Source: THB Asset Management

## Top 10 holdings<sup>5</sup>

Stock	Sector/Country	Portfolio weight
Judges Scientific plc	Industrials/UK	1.7%
El.En. S.p.A.	Health Care/Italy	1.4%
u-blox Holding	Technology/Switzerland	1.3%
Basler AG	Technology/Germany	1.2%
NEXUS AG	Health Care/Germany	1.2%
BTS Group	Industrials/Sweden	1.2%
Kainos Group PLC	Technology/UK	1.2%
Shoei Co Ltd	Consumer Disc/Japan	1.2%
Treatt plc	Materials/UK	1.1%
S-Pool Inc	Industrials/Japan	1.1%

Source: THB Asset Management

## Country allocation<sup>5</sup>



Source: THB Asset Management

## Sector allocation<sup>5</sup>



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  
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