

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

## Monthly Report – November 2022

### Market commentary

The MSCI World ex USA Small Cap® Index returned +4.7% (AUD) in November 2022.

Materials (+12.5%) was the best performing sector, followed by Information Technology (+12.3%) and Consumer Discretionary (+11.2%). Energy (+4.2%) was the worst performing sector, followed by Health Care (+6.0%) and Real Estate (+6.7%).

Hong Kong (+21.8%) was the best performing country, followed by Germany (+13.7%) and Norway (+12.7%). Israel (+0.8%) was the worst performing country in the Index, followed by New Zealand (+5.75%), and Belgium (+6.19%).

International developed market equities were higher in November, accelerating over October's gains. The European Central Bank raised rates by 75 basis points, however, market expectations improved as investors priced in that the ECB will slow down the magnitude of increases to 50 basis points when it meets again on December 15.

Inflation in the Eurozone has fallen for the first time in 17 months. The largest component on Eurozone inflation was a drop in energy price growth to 34.9%, down from 41.5% in October. Overall price growth fell in 14 of the 19 Eurozone countries, increasing in only three and flatlining in two. Greater fiscal support from governments, lower gas prices and a mild autumn have all helped to improve the bloc's economic outlook.

There were encouraging signs from the European consumer. Consumer confidence across the EU rose as evidenced by their willingness to make large ticket purchases. Services companies also noted higher demand levels and industrial groups grew more upbeat on production expectations.

### Portfolio commentary

The THB International (ex-USA) Micro Cap Fund returned +5.7% (net of fees) in November 2022.

Contributors to the portfolio's performance were stock selection in Canada, United Kingdom, and Singapore. Detractors from performance included underallocation to Canada, overallocation to Japan, and underallocation to Hong Kong.

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

THB's top five performing stocks (from a contribution standpoint) were Kainos Group PLC (United Kingdom, Information Technology, +0.35%); PWR Holdings Ltd. (Australia, Consumer Discretionary, +0.28%); Karora Resources, Inc. (Canada, Materials, +0.27%); Judges Scientific PLC (United Kingdom, Industrials, +0.25%), and Management Solutions Co. Ltd. (Japan, Industrials, +0.25%).

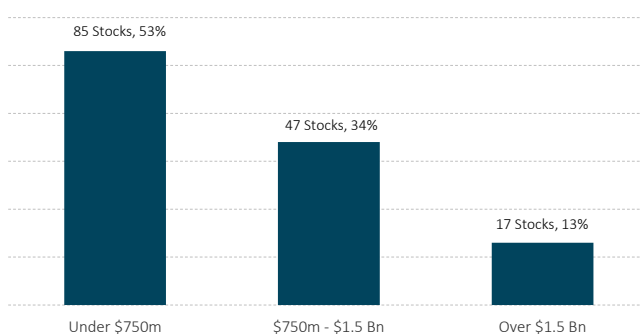
The bottom five performing stocks (from a contribution standpoint) were Fukui Computer Holdings, Inc. (Japan, Information Technology, -0.09%), Carenet, Inc. (Japan, Health Care, -0.08%), M-UP Holdings, Inc. (Japan, Information Technology, -0.07%), Eolus Vind AB Class B (Sweden, Industrials, -0.05%), and Double Standard, Inc. (Japan, Information Technology, -0.05%).

Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) <sup>2</sup>
Inception date	23 August 2018
Fund size	A\$91 million

Net performance – 30 November 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	5.7%	4.7%	3.0%
3 months	4.9%	3.9%	(0.4%)
1 year	(23.1%)	(12.9%)	(15.9%)
2 years p.a.	(2.5%)	1.5%	1.7%
3 years p.a.	1.3%	1.5%	3.9%
Since inception	2.0%	3.1%	3.5%

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.

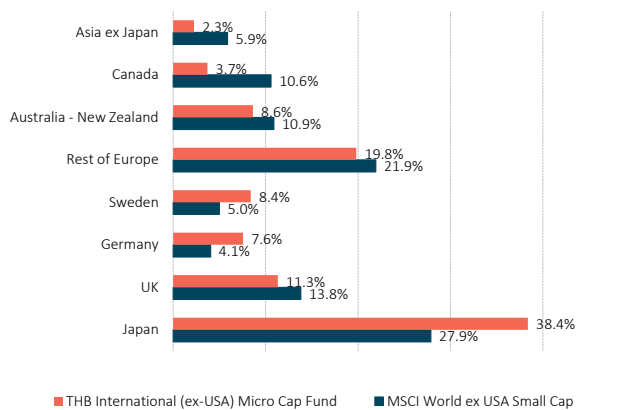
THB's companies continue to deploy capital with the goal of increasing shareholder value. They announced ten share repurchase authorisations and eleven acquisitions in November.

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

As at 30 November 2022		
	Fund	Benchmark
Weighted avg market cap	US\$909m	US\$2,506m
Price/sales	1.6x	1.0x
Price/Book	2.8x	1.3x
Dividend yield	1.7%	2.9%
Number of securities	149	2,555
Standard deviation	20.1%	17.4%
Sharpe ratio	0.5	
Beta	1.1	
Tracking error	6.5	
Information ratio	0.9	

Source: THB Asset Management

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



Source: THB Asset Management

4. Portfolio statistics are reported in USD.

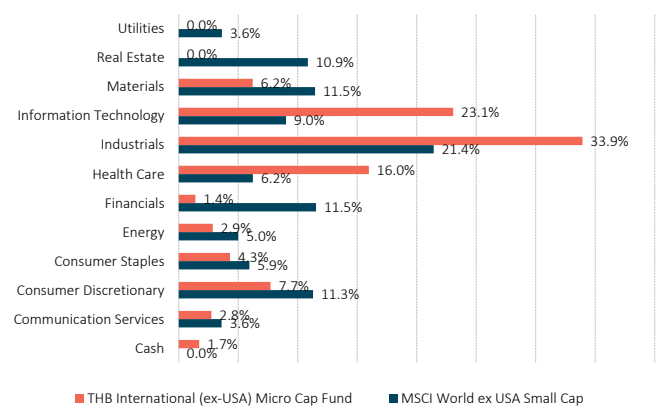
5. Portfolio holdings and allocations are subject to change and should not be considered as investment recommendations to trade individual securities. The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not 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.

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

Stock	Sector/Country	Weight
Johns Lyng Group Ltd	Industrials/Australia	1.4%
PWR Holdings Ltd	Consumer Disc/Australia	1.4%
Judges Scientific plc	Industrials/UK	1.3%
Hexatronic Group AB	Industrials/Sweden	1.3%
NEXUS AG	Health Care/Germany	1.3%
Organo Corp	Industrials/Japan	1.3%
El.En. S.p.A.	Health Care/Italy	1.2%
Kainos Group PLC	Technology/UK	1.2%
Shoei Co Ltd	Consumer Disc/Japan	1.2%
u-blox Holding AG	Technology/Switzerland	1.1%

Source: THB Asset Management

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



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 40 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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