

THB US Micro Cap Fund

Monthly Report – November 2022

Market commentary

The Russell Microcap® Index returned -4.6% (AUD) in November 2022. Materials (+4.2%) was the best performing sector followed by Industrials (+3.7%) and Financials (+3.0%). Consumer Staples (-9.5%) performed the worst, followed by Health Care (-3.4%) and Energy (-2.9%).

US equities were broadly higher in November continuing the strong October performance. The Fed continued its monetary tightening campaign by raising rates an additional 75 basis points. Forward equity expectations improved based on the assumption the Fed could begin to moderate or pause future rate increases.

Economic data supported the narrative of moderating rate increases as October CPI was up 0.4% MoM reflecting some elements of inflation were cooling off. Oil (a key input driving goods and shipping cost inflation) was lower for the fifth time in the past six months operations.

There were encouraging signs from the US consumers as they spent a record \$9.12 billion online shopping during Black Friday this year. Additionally, Cyber Monday spending increased 5.8% which was a new record level. The 2022 holiday season is off to a strong start as consumers have already spent \$107.7 billion online through November 28, up 8.7% YoY.

Portfolio commentary

The THB US Micro Cap Fund returned -2.9% in AUD (net of fees) in November 2022.

The portfolio saw positive contribution from stock selection in Health Care (+2.0%) and Information Technology (+0.7%) as well as over allocation to Industrials (+0.4%). Negative contribution came mainly from over allocation to Energy (-0.9%), stock selection in Energy (-0.8%), and underallocation to Health Care (-0.4%).

THB's top five performing stocks (from a contribution standpoint) were Immersion Corporation (Information Technology, +0.6%); UFP Technologies, Inc. (Health Care, +0.5%); Limbach Holdings (Industrials, +0.3%); Luna Innovations, Inc. (Information Technology, +0.3%); and Ichor Holdings, Ltd. (Information Technology, +0.3%).

The bottom five performing stocks (from a contribution standpoint) were Tetra Technologies, Inc. (Energy, -0.8%); RPC, Inc. (Energy, -0.6%); Cryoport Inc. (Health Care, -0.3%); Ruth's Hospitality Group, Inc. (Consumer Discretionary, -0.3%); and Quest Resource Holding Corp. (Information Technology, -0.2%).

During the month, THB's portfolio companies announced eight acquisitions and one share repurchase authorisation.

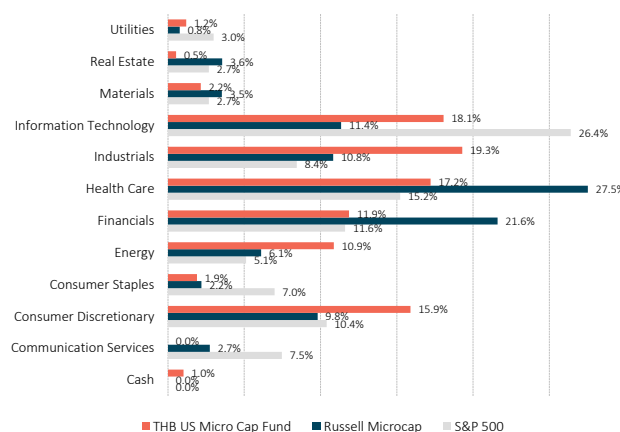
Fund details	
Benchmark	Russell Microcap® Index ³
Inception date	5 September 2014
Fund size	A\$86 million

Performance ¹ – 30 November 2022			
	Fund ²	Russell Microcap®	Difference
1 month	(2.9%)	(4.6%)	1.7%
3 months	5.5%	1.2%	4.3%
1 year	(9.8%)	(13.3%)	3.5%
2 years p.a.	7.5%	7.4%	0.1%
3 years p.a.	8.5%	7.9%	0.6%
5 years p.a.	7.2%	7.2%	0.0%
Since inception p.a. ²	10.9%	11.0%	(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 allocation⁴



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 statistics⁵

As at 30 November 2022		
	Fund	Russell Microcap®
Weighted avg market cap	US\$881m	US\$708m
Price/sales	1.1x	1.2x
Price/book	1.9x	1.7x
Dividend yield	0.8%	1.2%
Number of securities	92	1,759
Standard deviation	21.4%	21.6%
Sharpe ratio	0.4	0.4
Beta	1.0	
Tracking error	6.2	
Information ratio	0.1	

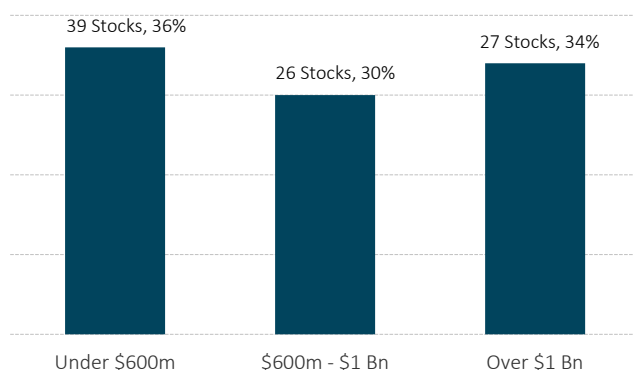
5. Portfolio statistics are reported in USD. Source: THB Asset Management

Top 10 holdings

Stock	Sector	Portfolio weight
Transcat Inc	Industrials	3.3%
RPC Inc	Energy	2.8%
TETRA Technologies Inc	Energy	2.7%
Heritage Financial Corporation	Financials	2.5%
First Busey Corporation	Financials	2.4%
NAPCO Security Technologies	Technology	2.3%
ePlus Inc	Technology	2.3%
Immersion Corporation	Technology	2.2%
UFP Technologies Inc	Health Care	2.0%
LeMaitre Vascular Inc	Health Care	2.0%

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 40 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.

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