

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

## Monthly Report – April 2023

### Market commentary

The MSCI World ex USA Small Cap® Index returned +3.1% in April 2023.

Health Care (+4.34%) was the best performing sector, followed by Financials (+4.14%) and Real Estate (+2.85%). Information Technology (-1.14%) was the worst performing sector, followed by Materials (-0.61%) and Industrials (+1.02%).

United Kingdom (+5.44%) was the best performing country, followed by Denmark (+4.94%) and Finland (+4.73%). United States (-3.20%) was the worst performing country in the Index, followed by New Zealand (-0.95%), and Norway (-0.91%).

International equities were mostly flat in April. The month was characterised by a continuation of rising but moderating inflation and tighter monetary conditions. Macro data from the Eurozone showed the region did avoid a recession in Q1 with the economy expanding 0.1%. The International Monetary Fund projected headline inflation to decline thanks to lower energy prices and easing supply chain. Many European economies are running close to full capacity and labor markets remain tight, which will set the stage for some recovery in real wages.

Many companies are also shifting their production domestically due to concerns faced abroad and increasing global competition for key technologies. METI announced that Japanese companies will receive up to ¥240B (\$1.79B) in subsidies to produce storage batteries and semiconductors, which the government has designated as strategically critical products. As companies strengthen their supply chains with new capital, they will boost new jobs and investment opportunities for years to come. THB is focusing attention on understanding how newly formed global supply chains are creating new business opportunities in places where they did not previously exist.

### Portfolio commentary

The THB International (ex-USA) Micro Cap Fund returned 0.4% (net of fees) in April 2023.

Contributors to the portfolio's performance were stock selection in Canada, Australia, and Spain. Detractors from performance included stock selection in Japan as well as overallocation to Japan and Sweden.

From a sector perspective, primary contributors to performance mainly came from underallocation to Financials, stock selection in Materials, and underallocation to Consumer Discretionary. Underallocation to Financials, stock selection in Consumer Discretionary, and overallocation to Information Technology were the primary detractors to performance this month.

THB's top five performing stocks (from a contribution standpoint) were Judges Scientific plc (United Kingdom, Industrials, +0.25%); Xvivo Perfusion AB (Sweden, Health Care, +0.21%); Treatt plc (United Kingdom, Materials, +0.18%); HMS Networks AB (Sweden, Information Technology, +0.12%), and Renew Holdings plc (United Kingdom, Industrials, +0.12%).

The bottom five performing stocks (from a contribution standpoint) were Hexatronic Group AB (Sweden, Industrials, -0.44%), TGS ASA (Norway, Energy, -0.28%), Organo Corp. (Japan, Industrials, -0.19%), u-blox Holding AG (Switzerland, Information Technology, -0.17%), and Cybozu, Inc. (Japan, Information Technology, -0.16%).

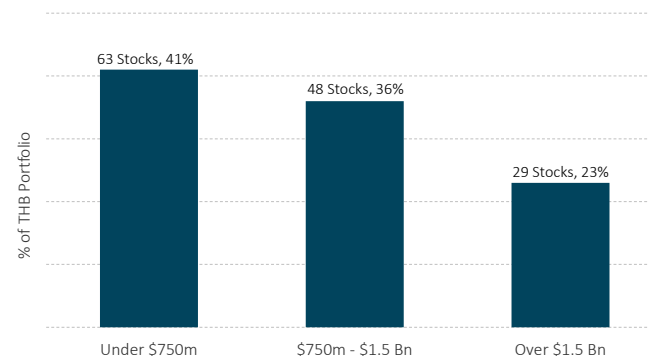
The Strategy's companies continue to deploy capital with the goal of increasing shareholder value. They announced one share repurchase authorisations and two acquisitions in April.

Fund details	
Benchmark	MSCI World ex USA Small Cap Total Return Index (AUD) <sup>2</sup>
Inception date	23 August 2018
Fund size	A\$22 million

Net performance – 30-April 2023			
	Fund <sup>1</sup>	MSCI World ex USA Small Cap <sup>2</sup>	MSCI World ex USA Micro Cap <sup>3</sup>
1 month	0.4%	3.1%	1.3%
3 months	2.7%	5.8%	2.7%
1 year	(0.9%)	5.7%	(0.5%)
2 years p.a.	(5.1%)	0.5%	(2.7%)
3 years p.a.	6.5%	9.6%	10.7%
Since inception	2.5%	4.7%	4.4%

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

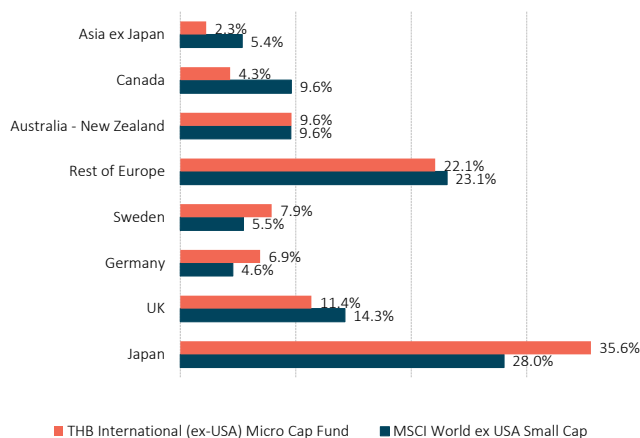
3. The MSCI World ex USA Micro Cap Index captures micro cap representation across 22 of 23 Developed Markets (DM) countries (excluding the United States). With ~4,735 constituents, the index covers approximately 1% of the free float-adjusted market capitalisation in each country.

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

As at 30 April 2023		
	Fund	Benchmark
Weighted avg market cap	US\$1,017M	US\$2,647M
Price/sales	1.5x	1.0x
Price/Book	2.7x	1.3x
Dividend yield	1.8%	3.0%
Number of securities	140	2,489
Standard deviation	19.7%	17.2%
Sharpe ratio	0.52	
Beta	1.09	
Tracking error	6.55	
Information ratio	0.74	

Source: THB Asset Management

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



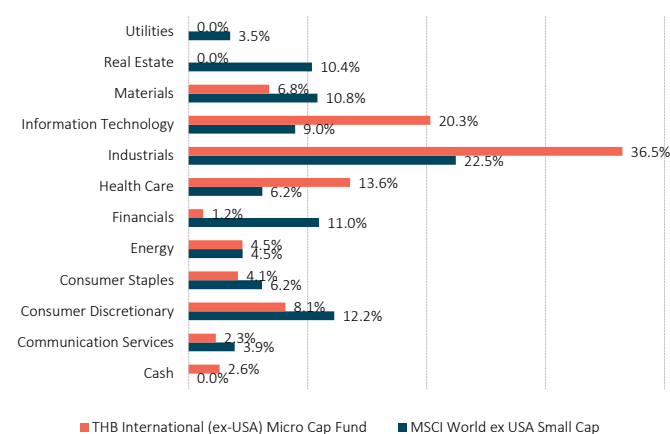
Source: THB Asset Management

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

Stock	Sector/Country	Weight
Organo Corp.	Industrials/Japan	1.5%
Judges Scientific plc	Industrials/UK	1.4%
Cybozu, Inc.	Technology/Japan	1.3%
Johns Lyng Group Ltd	Industrials/Australia	1.3%
Kardex Holding AG	Industrials/Switzerland	1.2%
TGS ASA	Energy/Norway	1.2%
PWR Holdings Ltd.	Consumer Disc/Australia	1.2%
Lovisa Holdings Ltd.	Consumer Disc/Australia	1.2%
Shoei Co. Ltd. (7839)	Consumer Disc/Japan	1.1%
Transaction Co., Ltd.	Consumer Staples/Japan	1.1%

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 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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