

THB US Micro Cap Fund

Monthly Report – February 2024

Market commentary

The Russell Microcap® Index returned 7.8% (AUD) in February 2024. Health Care (+14.45%) was the best performing sector followed by Information Technology (+10.98%) and Industrials (+9.00%). Energy (-4.26%) performed the worst, followed by Financials (-2.99%) and Real Estate (-2.59%).

In February, U.S. indices were broadly positive, with growth outperforming value stocks. Among Russell 3000® Index companies, Consumer Discretionary and Information Technology sectors were notable outperformers. The S&P 500®, Dow Jones®, and Nasdaq Composite® indices ended February at record highs supported by continued enthusiasm for technology stocks.

The economy demonstrated signs of continued strength. The U.S. Manufacturing PMI was revised upward to 52.2 in February, surpassing previous estimates of 51.5 and January's score of 50.7. This marked the swiftest expansion in the country's manufacturing sector since July 2022. The higher PMI was reflective of rising inventory stock levels, stronger demand for consumer goods, and easing costs of living.

American companies became extremely acquisitive in the AI cyber security space, with numerous mergers announced. One of the largest announcements was the merger of Veritas and Cohesity to form the largest AI-powered data security and management company worth \$7B. Further, the private equity firm Haveli Investments acquired AI cyber security firm ZeroFOX for \$350M, and the AI Security firm SentinelOne purchased PingSafe for \$100M.

Portfolio commentary

The THB US Micro Cap Fund returned 7.8% in AUD (net of fees) in February 2024. The portfolio saw positive contribution from underallocation to Financials (+0.78%) and Real Estate (+0.71%) as well as stock selection in Financials (+0.62%) Negative contribution came mainly from underallocation to Health Care (-0.69%) as well as stock selection in Information Technology (-0.61%) and Real Estate (-0.47%).

THB's top five performing stocks (from a contribution standpoint) were Beyond, Inc. (Consumer Discretionary, +0.70%); UFP Technologies, Inc. (Health Care, +0.55%); LeMaitre Vascular, Inc. (Health Care, +0.46%); Ichor Holdings, Ltd. (Information Technology, +0.38%); and Latham Group, Inc. (Consumer Discretionary, +0.34%).

The bottom five performing stocks (from a contribution standpoint) were Upland Software, Inc. (Information Technology, -0.20%); Cerence, Inc. (Information Technology, -0.18%); Radius Recycling, Inc. Class A (Materials, -0.18%); Tetra Technologies, Inc. (Energy, -0.14%); and Holley, Inc. (Consumer Discretionary, -0.12%).

During the month, THB's portfolio companies announced six acquisitions and six stock repurchase authorisations.

Fund details

Benchmark	Russell Microcap® Index ³
Inception date	5 September 2014
Fund size	A\$88 million

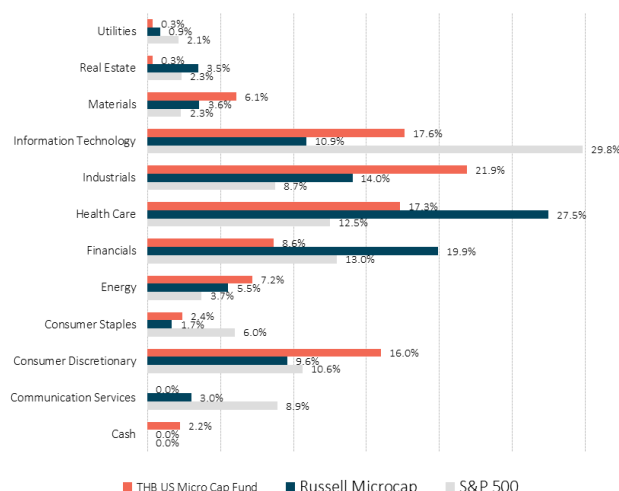
Performance¹ – 29 February 2024

	Fund ²	Russell Microcap®	Difference
1 month	7.8%	7.8%	0.0%
3 months	16.1%	18.8%	(2.7%)
1 year	10.5%	08.4%	2.1%
2 years p.a.	6.4%	03.2%	3.2%
3 years p.a.	2.3%	0.7%	1.6%
5 years p.a.	8.5%	7.6%	0.8%
Since inception p.a. ²	11.0%	10.6%	0.4%

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. 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 allocation³



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.

3. 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 statistics⁴

As at 29 February 2024		
	Fund	Russell Microcap®
Weighted avg market cap	US\$1,123m	US\$843m
Price/sales	1.2x	1.2x
Price/book	1.9x	1.6x
Dividend yield	0.8%	1.4%
Number of securities	94	1,481
Standard deviation	21.8%	22.1%
Sharpe ratio	0.4	0.3
Beta	0.9	
Tracking error	6.5	
Information ratio	0.2	

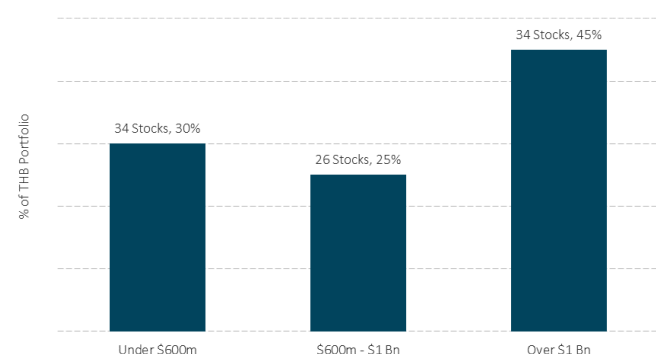
4. Portfolio statistics are reported in USD. Source: THB Asset Management

Top 10 holdings

Stock	Sector	Portfolio weight
UFP Technologies, Inc.	Health Care	2.7%
ePlus inc.	Technology	2.6%
LeMaitre Vascular, Inc.	Health Care	2.5%
Ichor Holdings, Ltd.	Technology	2.2%
Transcat, Inc.	Industrials	2.2%
Universal Technical Institute	Consumer Disc	2.0%
RPC, Inc.	Energy	2.0%
Beyond, Inc.	Consumer Disc	2.0%
BrightSphere Investment	Financials	1.9%
Vericel Corporation	Health Care	1.8%

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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