

THB US Micro Cap Fund

Monthly Report - October 2024



Asset Management

Market Commentary

The Russell Microcap® Index returned 6.64% (AUD) in October 2024. Health Care (+3.96%) was the best performing sector followed by Energy (+2.37%) and Information Technology (+1.86%). Real Estate (-5.21%) performed the worst, followed by Consumer Discretionary (-4.04%) and Utilities (-3.59%).

October was characterised by mixed performances across the U.S. equities ahead of the Presidential election. The Russell 2000®, Russell Midcap®, and S&P 500® returned -1.44%, -0.54%, and -0.91%, respectively. In contrast, the Russell Microcap® and the NYSE FANG+® Index returned 0.68% and 1.85% respectively.

Data published during the month pointed toward accelerating economic conditions. September nonfarm payrolls increased by 254,000, significantly above the consensus expectations and average hourly earnings rose 0.4% and 4.0% year-on-year. The resilient growth backdrop caused a sharp repricing of Fed rate cut expectations this month. The odds of a 50-basis point cut in November fell from approximately 35% to 0%, while the year-end market median fed funds rate rose from 4.15% at the beginning of the month to approximately 4.45%. October kicked off Q3 earnings season with positive bank results highlighting resilient credit conditions and investment banking strength.

The U.S. government announced considerable progress in the advancement of domestic lithium mining during the month. Federal and state researchers reported findings that Arkansas may have 5 to 19 million tons of lithium reserves, potentially one of the largest in the world. The U.S. Interior Department and U.S. Department of Energy gave major approvals to begin operations for the nation's first two lithium mines in Nevada. The government supported these projects through two loans totaling \$3 billion. The mines are expected to become key suppliers to the electric vehicle initiatives of Ford and General Motors.

Portfolio Commentary

The THB US Micro Cap Fund returned 0.02% in AUD (net of fees) in October 2024. The portfolio saw positive contribution from underallocation to Health Care (+0.56%), Real Estate (+0.23%) and Financials (+0.04%). Negative contribution came mainly from stock selection in Health Care (-1.95%) and Information Technology (-0.96%), as well as overallocation to Consumer Discretionary (-0.63%).

THB's top five performing stocks (from a contribution standpoint) were MYR Group, Inc. (Industrials, +0.23%); United States Lime & Minerals, Inc. (Materials, +0.17%); BJ's Restaurants, Inc. (Consumer Discretionary, +0.13%); Oppenheimer Holdings, Inc. (Financials, +0.10%); and Catalyst Pharmaceuticals, Inc. (Health Care, +0.09%).

The bottom five performing stocks (from a contribution standpoint) were Transcat, Inc. (Industrials, -0.49%); Hawkins, Inc. (Materials, -0.39%); MarineMax, Inc. (Consumer Discretionary, -0.36%); UFP Technologies, Inc. (Health Care, -0.29%); and Expro Group Holdings N.V., (Energy, -0.28%).

During the month, THB's portfolio companies announced nine acquisitions.

Fund Details	
Benchmark	Russell Microcap® Index ⁴
Inception date	5 September 2014
Fund size	A\$85 million

Fund Performance ¹			
	Fund ²	Russell Microcap®	Difference
1 month	0.0%	6.6%	(6.6%)
3 months	(8.2%)	(2.8%)	(5.3%)
1 year	21.2%	30.7%	(9.6%)
2 years p.a.	6.0%	05.1%	1.0%
3 years p.a.	1.7%	0.2%	1.5%
5 years p.a.	9.2%	9.1%	0.0%
Since inception p.a. ²	10.3%	10.4%	(0.1%)

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. Returns greater than 1 year are annualised.

Composite Performance ³			
	Composite (Net)	Russell Microcap ⁴	S&P500
1 month	(5.6%)	0.7%	(0.9%)
3 months	(6.7%)	(2.5%)	3.7%
1 year	26.9%	35.2%	38.0%
3 years p.a.	(2.0%)	(4.2%)	9.1%
5 years p.a.	9.1%	8.0%	15.3%
10 years p.a.	7.3%	6.7%	13.0%
Inception p.a.	11.5%	6.5%	8.4%

3. Returns in USD; the THB Micro Cap Composite contains fully discretionary micro cap equity accounts. THB claims compliance with the Global Investment Performance Standards (GIPS). The minimum account size for this composite is US\$1 million. Performance is shown net of 1.25% p.a. management fees and assumes the reinvestment of income. 4. Since inception return is the Russell 2000 Index from June 1998 to December 2006, and Russell Microcap Index thereafter. 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. Returns greater than 1 year are annualised. Past performance is no indication of future performance.

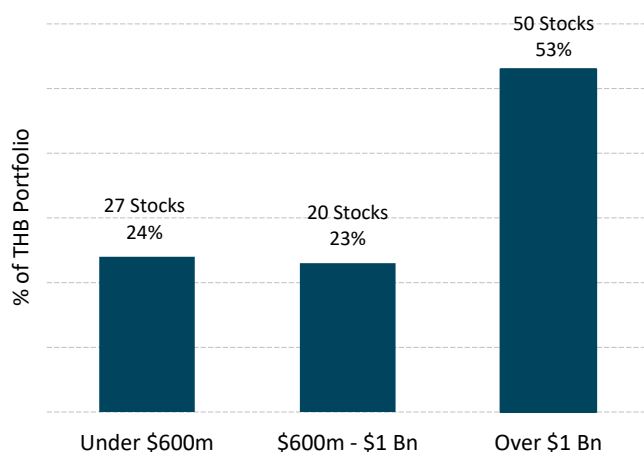
Portfolio Statistics^{5,6}

	Fund	Russell Microcap [®]
Weighted avg market cap	US\$1,305m	US\$717m
Price/sales	1.0x	1.2x
Price/book	1.8x	1.7x
Dividend yield	0.8%	1.5%
Number of securities	97	1,435
Standard deviation	21.8%	21.8%
Sharpe ratio	0.4	0.3
Beta	1.0	
Tracking error	6.6	
Information ratio	0.1	

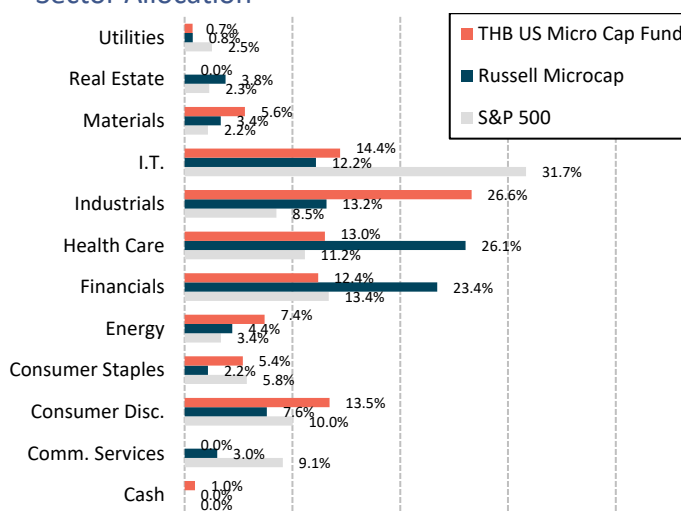
Top 10 Holdings⁵

Stock	Sector	Portfolio weight
Latham Group Inc	Consumer Disc	2.3%
BrightSphere Investment	Financials	2.3%
Hawkins, Inc.	Materials	2.2%
Climb Global Solutions, Inc.	Technology	2.1%
ePlus inc.	Technology	2.1%
Immersion Corporation	Technology	1.9%
Transcat, Inc.	Industrials	1.9%
MarineMax, Inc.	Consumer Disc	1.9%
Northwest Pipe Company	Industrials	1.7%
UFP Technologies, Inc.	Health Care	1.7%

Companies by Market Capitalisation⁵



Sector Allocation^{5,7}



5. Source: THB Asset Management. 6. Portfolio statistics are reported in USD. 7. 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. 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 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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