

# THB US Micro Cap Fund

## Monthly Report - February 2025



### Market Commentary

The Russell Microcap® Index returned -5.5% (USD) in February 2025. In USD, Utilities (+3.57%) was the best performing sector followed by Real Estate (+2.41%) and Financials (+1.02%). Information Technology (-8.96%) performed the worst, followed by Health Care (-8.74%) and Industrials (-8.57%).

February was characterized by broad market weakness across equities. Smaller market capitalization companies underperformed larger ones. Information Technology was the worst performing sector in the Russell 2000 and Utilities was the best performing sector, supporting the risk-off sentiment in the market.

Trade war developments dominated the headlines, raising investors' concerns about inflation and negative growth implications for the economy. Despite the more defensive tone this month, there were still some positive developments. The U.S economy continued its streak of job gains as 143,000 new jobs were added in January, according to the Labor Department. The January PCE price index inflation was better than forecasted. Home Depot and Lowes delivered positive same-stores sales growth indicating a rebound in the home remodeling market.

### Portfolio Commentary

The THB US Micro Cap Fund returned -6.1% in AUD (net of fees) in February 2025. The portfolio saw positive contribution from stock selection in Financials (+1.01%), underallocation to Health Care (+0.73%), and stock selection in Information Technology (+0.43%). Negative contribution came mainly from stock selection in Health Care (-1.21%), underallocation to Financials (-1.10%), and overallocation to Industrials (-0.36%).

THB's top five performing stocks (from a contribution standpoint) were Palomar Holdings, Inc. (Financials, +0.34%); Skyward Specialty Insurance Group, Inc. (Financials, +0.20%); HCI Group, Inc. (Financials, +0.13%); Innovex International, Inc. (Energy, +0.10%); and HarborOne Bancorp, Inc. (Financials, +0.10%).

The bottom five performing stocks (from a contribution standpoint) were Latham Group, Inc. (Consumer Discretionary, -0.57%); Teledoc Health, Inc. (Health Care, -0.46%); DocGo Inc. (Health Care, -0.39%); ePlus, Inc. (Information Technology, -0.34%); and Universal Logistics Holdings, Inc. (Industrials, -0.33%).

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

Fund Details	
Benchmark	Russell Microcap® Index <sup>4</sup>
Inception date	5 September 2014
Fund size	A\$93 million

Fund Performance (AUD) <sup>1</sup>			
	Fund <sup>2</sup>	Russell Microcap®	Difference
1 month	(6.1%)	(5.2%)	(0.9%)
3 months	(8.7%)	(6.6%)	(2.1%)
1 year	3.3%	10.4%	(7.1%)
2 years p.a.	6.8%	9.4%	(2.6%)
3 years p.a.	5.4%	5.5%	(0.2%)
5 years p.a.	10.1%	9.1%	1.0%
Inception p.a. <sup>2</sup>	10.3%	10.6%	(0.3%)

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 (USD) <sup>3</sup>			
	Composite (Net)	Russell Microcap <sup>4</sup>	S&P500
1 month	(6.5%)	(5.5%)	(1.3%)
3 months	(12.9%)	(10.8%)	(1.0%)
1 year	(0.1%)	5.4%	18.4%
3 years p.a.	0.7%	0.3%	12.5%
5 years p.a.	10.3%	8.3%	16.8%
10 years p.a.	7.1%	6.1%	13.0%
Inception p.a.	11.2%	6.4%	8.5%

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.**

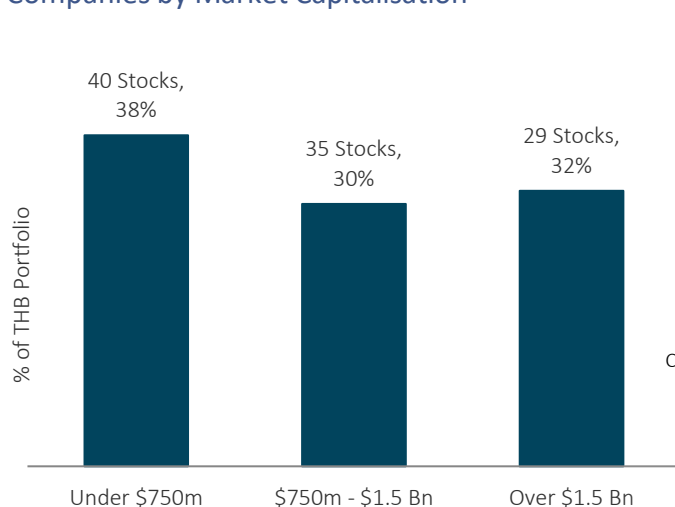
## Portfolio Statistics<sup>5,6</sup>

	Fund	Russell Microcap <sup>®</sup>
Weighted avg market cap	US\$1,257m	US\$821m
Price/sales	1.0x	1.3x
Price/book	1.7x	1.6x
Dividend yield	0.8%	1.4%
Number of securities	104	1,426
Standard deviation	21.9%	21.9%
Sharpe ratio	0.4	0.4
Beta	1.0	
Tracking error	6.6	
Information ratio	0.1	

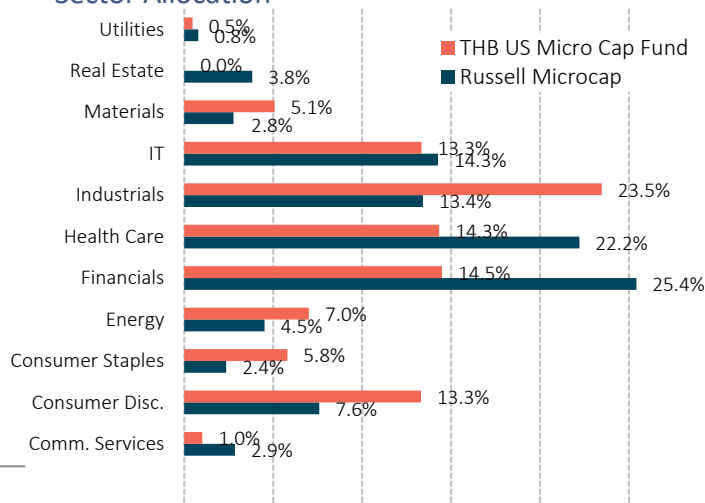
## Top 10 Holdings<sup>5</sup>

Stock	Sector	Portfolio weight
Latham Group Inc	Consumer Disc	2.4%
Palomar Holdings, Inc.	Financials	2.3%
Acadian Asset Management	Financials	2.2%
Hawkins, Inc.	Materials	2.2%
HarborOne Bancorp Inc	Financials	1.8%
MarineMax, Inc.	Consumer Disc	1.8%
NB Bancorp, Inc.	Financials	1.7%
First Busey Corporation	Financials	1.7%
LeMaitre Vascular, Inc.	Health Care	1.7%
Transcat, Inc.	Industrials	1.6%

## Companies by Market Capitalisation<sup>5</sup>



## Sector Allocation<sup>5,7</sup>



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<sup>®</sup> Index.

**DISCLAIMER:** This document has been prepared and issued by Victory Capital Management Inc. (Victory) (AFSL 528472) and is intended for the general information of 'wholesale clients' (as defined in the Corporations Act 2001) only. Victory is not licensed to provide financial services to retail clients in Australia. Victory is regulated by the Securities and Exchange Commission of the United States of America under US laws, which differ from Australian laws. Equity Trustees Limited (Equity Trustees) (ABN 46 004 031 298, AFSL 240975) is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX:EQT). Equity Trustees is the Responsible Entity of the THB US Micro Cap Fund (ARSN 600 158 450). This document is neither an offer to sell or a solicitation of any offer to acquire interests in any investment. The information contained in this document is of a general nature only. Accordingly, reliance should not be placed on this information as the basis for making an investment, financial or other decision. In preparing this document, Victory has not taken into account the investment objectives, financial situation and needs of any particular person. Before making any investment decision, you should consider whether the investment is appropriate in light of those matters. Whilst every effort is taken to ensure the information in this document is accurate, Victory and Equity Trustees provides no warranty as to the accuracy, reliability and completeness of the information in this document and you rely on this information at your own risk. To the extent permitted by law, Victory and Equity Trustees disclaims all liability to any person relying on the information contained in this document in respect of any loss or damage (including consequential loss or damage) however caused, which may be suffered or arise directly or indirectly in respect of such information. **Past performance is not a reliable indicator of future performance.** The return of capital or any particular rate of return from the Fund is not guaranteed. You should obtain and consider the Fund's Product Disclosure Statement (PDS) [available here](#) before deciding whether to acquire, or continue to hold, an interest in the Fund. Applications can only be accepted on an application form attached to a current Product Disclosure Statement. THB US Micro Cap Fund's Target Market Determination is [available here](#). A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.