



Thomson Horstmann & Bryant, Inc. US Micro Cap Composite (US Dollars)

Monthly Report – January 2018

Market Commentary

The Russell Microcap® Index (Index) returned 2.5% in USD in January.

Health Care (+8.5%) was the best performing sector, followed by Consumer Staples (+3.8%) and Telecom Services (+3.1%). Real Estate (-6.0%) was the worst performing sector, followed by Utilities (-4.0%) and Materials (-1.9%).

2018 appears to be off to a strong start, as key areas of the economy continue the healthy growth trajectory seen in 2017. ISM manufacturing has been above 58 for five consecutive months, and the forward-looking new orders component has been particularly robust hitting a 13-year high. The consumer continues to show confidence and strength as retail sales data rose again, bringing the three-month average to its fastest pace since 2003. Also, the forward-looking Leading Economic Index (LEI) rose again and remains at levels that point to robust growth in coming quarters; the 9.9% three-month annualised pace is the strongest since 2010.

Portfolio Commentary

The THB Micro Cap Composite returned 2.4% in USD (net of fees) in January.

Positive contribution came from Real Estate (+0.2%), and mainly from strong stock selection in Consumer Discretionary (+0.4%) and Materials (+0.2%). Negative contribution came from Health Care (-1.0%) and from selection in Information Technology (-0.2%).

THB's top five performing stocks (from a contribution standpoint) were Anika Therapeutics (Health Care, +0.4%), MarineMax Inc (Consumer Discretionary, +0.3%), Mesa Laboratories (Information Technology, +0.2%), Old Second Bancorp Inc (Financials, +0.2%) and Insteel Industries Inc (Industrials, +0.2%).

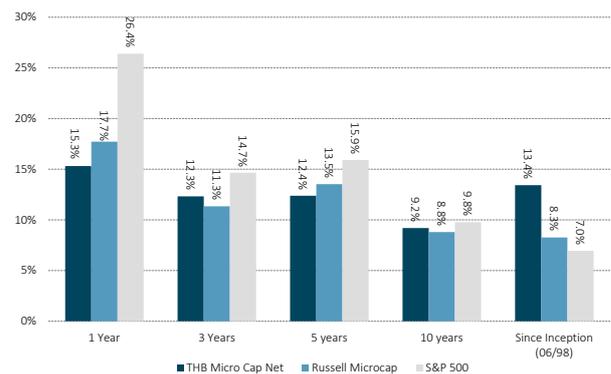
The bottom five performing stocks (from a contribution standpoint) were Mitek Systems Inc (Information Technology, -0.2%), Bassett Furniture (Consumer Discretionary, -0.2%), USA Technologies (Information Technology, -0.2%), Atrion Corp (Health Care, -0.1%), and Hooker Furniture Corp (Consumer Discretionary, -0.1%).

More than 300 US small and mid-sized corporations have announced bonuses, capital investment, or wage increases since passage of the Tax Cuts and Jobs Act of 2017 in late December. While the significant changes to the US tax code will have both immediate positive corporate earnings implications and drive longer term investment decisions far; THB believes the next 18-24 months will be particularly positive for US corporations and the economy.

THB remain very positive on US microcap equities thanks to tax reform, deregulation, solid economic activity, and modest valuations. Synchronized tailwinds combined with valuations slightly above average trough levels create one of the best environments THB have seen since it began managing the strategy in 1998.

Strategy Details	
Benchmark	Russell Microcap Index
Composite Inception Date	June 1998
Strategy Size	US\$697 million

Performance ¹ – 31 January 2018			
	Composite (Net)	Russell Microcap ²	S&P500
1 Month	2.4%	2.5%	5.7%
3 Months	1.5%	4.5%	10.2%
1 Year	15.3%	17.7%	26.4%
3 Years p.a.	12.3%	11.3%	14.7%
5 Years p.a.	12.4%	13.5%	15.9%
10 Years p.a.	9.2%	8.8%	9.8%
Inception p.a.	13.4%	8.3%	7.0%



1. 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.

2. Since inception return is the Wilshire US Micro-Cap Index from June 1998 to June 2000, 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.

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 Statistics¹

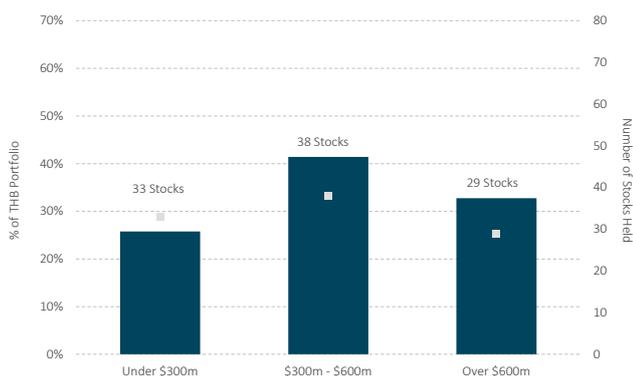
As at 31 December 2017		
	THB Composite	Russell Microcap
Weighted Avg Market Cap	\$550m	\$655m
Price/Sales	1.2x	1.2x
Price/Book	2.0x	1.9x
Dividend Yield	0.8%	1.2%
Number of Securities	100	1,493
Standard Deviation	21.4%	21.9%
Sharpe Ratio	0.7	0.4
Beta	0.9	
Tracking Error	7.3	
Information Ratio	0.9	

1. Standard deviation, sharpe ratio, beta, tracking error and information ratio are measured since inception of the THB Micro Cap Composite in June 1998.

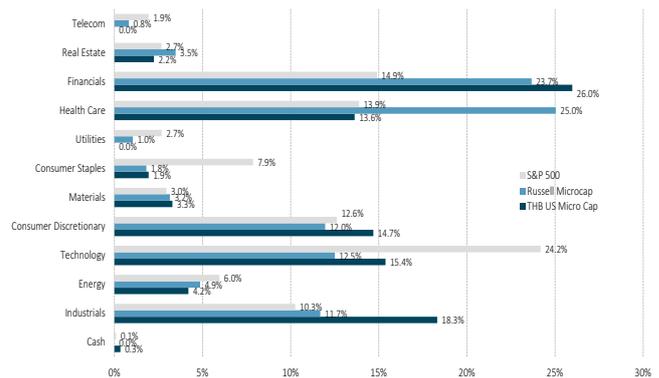
Top 10 Holdings

Stock	Sector	Composite Weight
Old Second Bancorp	Financials	2.8%
Heritage Financial	Financials	2.2%
Allied Motion Technologies	Industrials	2.1%
Insteel Industries Inc	Industrials	2.1%
Anika Therapeutics	Healthcare	2.0%
First Busey Corp	Financials	2.0%
UFP Technologies Inc	Materials	1.8%
PCSB Financial Corp	Financials	1.8%
LeMaitre Vascular	Healthcare	1.8%
Mesa Laboratories Inc	Technology	1.7%

Companies by Market Capitalisation



Sector Allocation



Investment Strategy

Thomson Horstmann & Bryant, Inc. (THB) is an employee-owned boutique investment management firm based in Connecticut specialising in smaller company strategies. 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.

BROOKVINE



THOMSON HORSTMANN & BRYANT, INC.

For more information or to obtain a compliant presentation and/or the firm's list of composite description, contact Natalie Hall on +61 2 9328 6445 or nataliehall@brookvine.com.au

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