



THB US Micro Cap Fund

Monthly Report – January 2018

Market Commentary

The Russell Microcap® Index (Index) returned -1.0% in AUD 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 US Micro Cap Fund returned -1.3% in AUD (net of fees) in January, slightly underperforming the Index.

Positive contribution came from Real Estate (+0.2%), and mainly from strong stock selection in Consumer Discretionary (+0.5%) and Materials (+0.2%). Negative contribution came from Health Care (-1.0%) and from selection in Information Technology (-0.1%).

THB's top five performing stocks (from a contribution standpoint) were Anika Therapeutics (Health Care, +0.4%), MarineMax Inc (Consumer Discretionary, +0.4%), Old Second Bancorp Inc (Financials, +0.2%), Mesa Laboratories (Information Technology, +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, -0.1%), Atrion Corp (Health Care, -0.1%) and Hooker Furniture Corp (Consumer Discretionary, -0.1%).

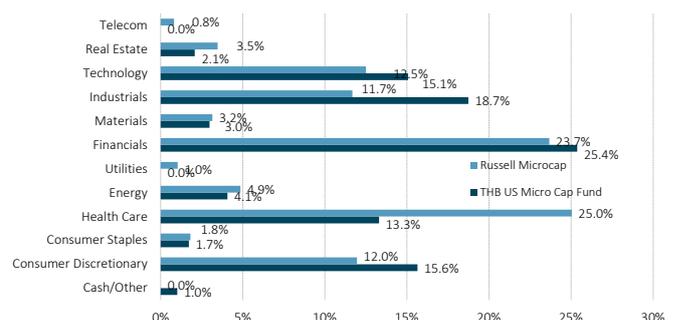
More than 300 US small and mid-sized corporations have announced bonuses, capital investment, or wage increases since passage of the Tax Cuts and Jobs Act of 2017 in late December. While the significant changes to the US tax code will have both immediate positive corporate earnings implications and drive 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. Synchronised 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.

| Fund Details | |
|----------------|--------------------------------------|
| Benchmark | Russell Microcap® Index ¹ |
| Inception Date | 5 September 2014 |
| Fund Size | A\$218.6 million |

| Net Performance – 31 January 2018 | | | |
|-----------------------------------|-------------------|-------------------|------------|
| | Fund ² | Russell Microcap® | Difference |
| 1 Month | (1.3%) | (1.0%) | (0.3%) |
| 3 Months | (3.8%) | (1.1%) | (2.7%) |
| 1 Year | 8.3% | 10.4% | (2.1%) |
| 2 Years p.a. | 18.2% | 16.6% | 1.6% |
| Since Inception p.a. ³ | 13.9% | 14.9% | (1.0%) |

Sector Allocation⁴



- 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.
- 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 5 September 2014 however inception performance is calculated from 1 October 2014.
- 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 January 2018 | | |
|-------------------------|--------|-------------------|
| | Fund | Russell Microcap® |
| Weighted Avg Market Cap | \$549m | \$655m |
| Price/Sales | 1.2x | 1.2x |
| Price/Book | 1.9x | 1.9x |
| Dividend Yield | 0.8% | 1.2% |
| Number of Securities | 100 | 1,493 |
| Standard Deviation | 14.2% | 15.1% |
| Sharpe Ratio | 0.9 | 0.9 |
| Beta | 0.9 | |
| Tracking Error | 5.4 | |
| Information Ratio | 0.0 | |

1. Portfolio statistics are reported in USD.

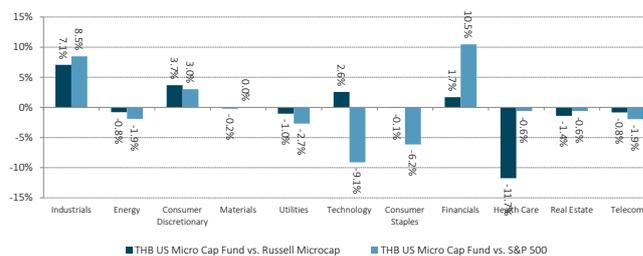
Top 10 Holdings

| Stock | Sector | Weight |
|----------------------------|---------------|--------|
| Old Second Bancorp | Financials | 2.8% |
| MarineMax Inc | Consumer Disc | 2.1% |
| Anika Therapeutics Inc | Healthcare | 2.1% |
| Allied Motion Technologies | Industrials | 2.1% |
| First Busey Corp | Financials | 2.0% |
| Insteel Industries | Industrials | 2.0% |
| Heritage Financial Corp | Financials | 1.9% |
| PCSB Financial Corp | Financials | 1.8% |
| UFP Technologies Inc | Materials | 1.8% |
| LeMaitre Vascular Inc. | Healthcare | 1.7% |

Companies by Market Capitalisation



Active Sector Positioning



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 contact:
Natalie Hall on +61 2 9328 6445 or
nataliehall@brookvine.com.au

This document has been prepared and issued by Thomson Horstmann & Bryant, Inc. (THB) and is intended for the general information of 'wholesale clients' (as defined in the Corporations Act 2001) only. THB is exempt from holding an Australian Financial Services Licence pursuant to ASIC Class Order 03/1100 'Relief for US SEC regulated financial service providers' in respect of the financial services it provides to Wholesale Clients, and is not licensed to provide financial services to retail clients, in Australia. THB 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 22607 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, THB 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, THB 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, THB 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) 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.