



# THB US Micro Cap Fund

## Monthly Report – April 2018

### Market Commentary

The Russell Microcap® Index (Index) returned 2.9% in AUD in April.

Energy (+12.5%) was the best performing sector, followed by Utilities (+6.0%) and Materials (+3.0%). Industrials (-0.7%), Information Technology (-0.1%) and Consumer Discretionary (-0.02%) were the only negative performing sectors in April.

Microcaps have outperformed large caps thus far in 2018 as a confluence of positive factors have taken effect. The strong domestic economy and corporate tax reform have fueled small business optimism, reflected in the National Federation of Independent Business (NFIB) survey which is near historic high levels. Small business owners have exhibited their confidence by raising wages, hiring more workers, and investing in their businesses with a record number saying now is a good time to expand. Consumer confidence (Conference Board) also remains remarkably strong and the unemployment rate at only 4.1% is a level seen only one other time since the 1960s. The Leading Economic Indicator continued its upward trajectory and provided further evidence that the economy is expected to continue strengthening throughout the year.

### Portfolio Commentary

The THB US Micro Cap Fund returned 2.9% in AUD (net of fees) in April. The Fund is up 6.7% year-to-date, outperforming the Index by 1.1%.

Strong stock selection led to positive contribution from Consumer Discretionary (+0.5%), Industrials (+0.3%) and Materials (+0.2%). Negative contribution came mainly from selection in Energy (-0.2%), Financials (-0.2%) and Real Estate (-0.1%).

THB's top five performing stocks (from a contribution standpoint) were Bluelinx Holdings (Industrials, +0.3%), UFP Technologies (Materials, +0.2%), Mesa Laboratories (Information Technology, +0.2%), MarineMax Inc (Consumer Discretionary, +0.2%), and US Physical Therapy (Health Care, +0.2%).

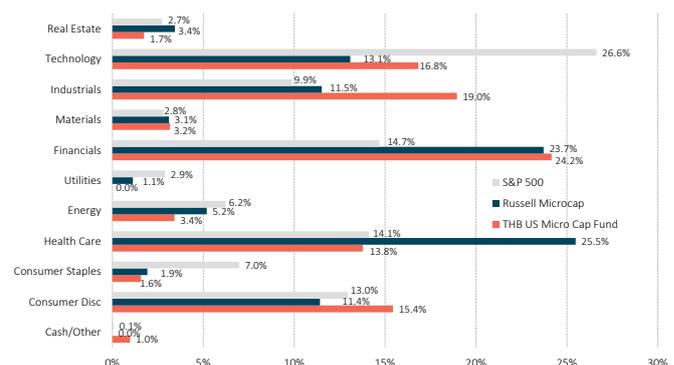
The bottom five performing stocks (from a contribution standpoint) were LeMaitre Vascular (Health Care, -0.2%), Anika Therapeutics (Health Care, -0.2%), CalAmp Corp (Information Technology, -0.2%), UltraLife Corp (Industrials, -0.1%), and Hill International (Industrials, -0.1%).

THB continues to be extremely positive on US microcap equities. The strengthening domestic economy is a powerful tailwind and positive policy actions (including tax reform and deregulation) should disproportionately benefit smaller US companies, including the portfolio holdings held in the Fund. Large institutional investors are also starting to take note of these benefits as evidenced by a marked increase in request for proposal activity among US state and local pension plans related to microcap allocations.

Fund Details	
Benchmark	Russell Microcap® Index <sup>1</sup>
Inception Date	5 September 2014
Fund Size	A\$247.6 million

Net Performance – 30 April 2018			
	Fund <sup>2</sup>	Russell Microcap®	Difference
1 Month	2.9%	2.9%	0.0%
3 Months	8.1%	6.7%	1.4%
1 Year	11.1%	12.7%	(1.6%)
2 Years p.a.	22.6%	19.9%	2.7%
Since Inception p.a. <sup>3</sup>	15.3%	15.9%	(0.6%)

### Sector Allocation<sup>4</sup>



- 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 Statistics<sup>1</sup>

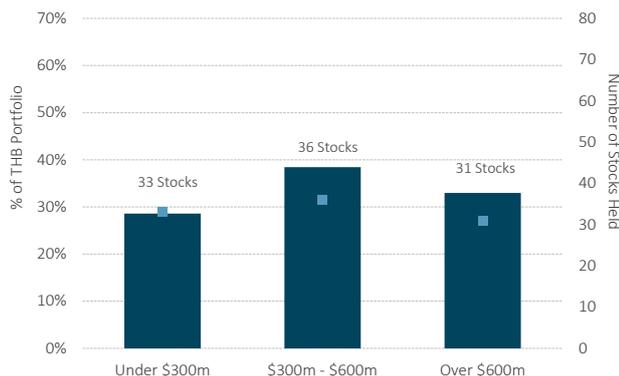
As at 30 April 2018		
	Fund	Russell Microcap®
Weighted Avg Market Cap	\$560m	\$682m
Price/Sales	1.2x	1.2x
Price/Book	2.0x	1.9x
Dividend Yield	0.8%	1.1%
Number of Securities	100	1,485
Standard Deviation	14.0%	14.7%
Sharpe Ratio	0.9	0.8
Beta	0.9	
Tracking Error	5.4	
Information Ratio	0.1	

1. Portfolio statistics are reported in USD.

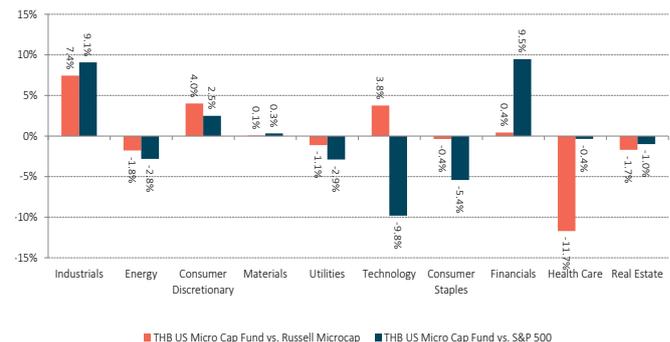
## Top 10 Holdings

Stock	Sector	Weight
Old Second Bancorp	Financials	2.6%
Allied Motion Technologies	Industrials	2.1%
Insteel Industries	Industrials	2.0%
MarineMax Inc	Consumer Disc	2.0%
UFP Technologies Inc	Materials	1.9%
First Busey Corp	Financials	1.9%
Mesa Laboratories	Technology	1.9%
Callaway Golf Company	Consumer Disc	1.8%
Heritage Financial Corp	Financials	1.7%
Johnson Outdoors	Consumer Disc	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

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