

Portfolio Team

William Bryant, Jr.
Principal, Chairman
Portfolio Manager
52 years of experience

Christopher Cuesta, CFA
Principal, CEO
Portfolio Manager
22 years of experience

William Bryant, III, CFA
Principal
Portfolio Manager
23 years of experience

Keith Dickinson, CFA
Principal
Portfolio Manager
16 years of experience

Portfolio Objective

THB Small Cap Core seeks long term capital appreciation over full market cycles by using a disciplined, bottom up approach. We invest primarily in companies within the Russell 2000 Index that we believe are trading below their intrinsic value and have superior operating metrics. We utilize a proprietary Quality Assessment and Risk Grading during the research and portfolio construction processes. The product will typically hold 70-90 securities and have a high active share.

Our Firm

Founded in 1982, we are an employee-owned boutique firm that specializes in Micro, Small, Mid Cap, and International niche equity strategies. Our accomplished team of nine investment professionals constantly strives to find the best investment ideas to produce outstanding results. With a robust research team and a deep bench, we pride ourselves on our entrepreneurial culture and our commitment to innovation and improvement.

Strategy Details

Benchmark	Russell 2000	
Inception	January 1992	
Strategy Size	\$49 million	
	THB	Index
Alpha	1.5	—
Beta	0.92	—
Tracking Error	7.72	—
Sharpe Ratio	0.62	0.54
Info Ratio	0.19	—
Std Deviation	18.6%	18.4%

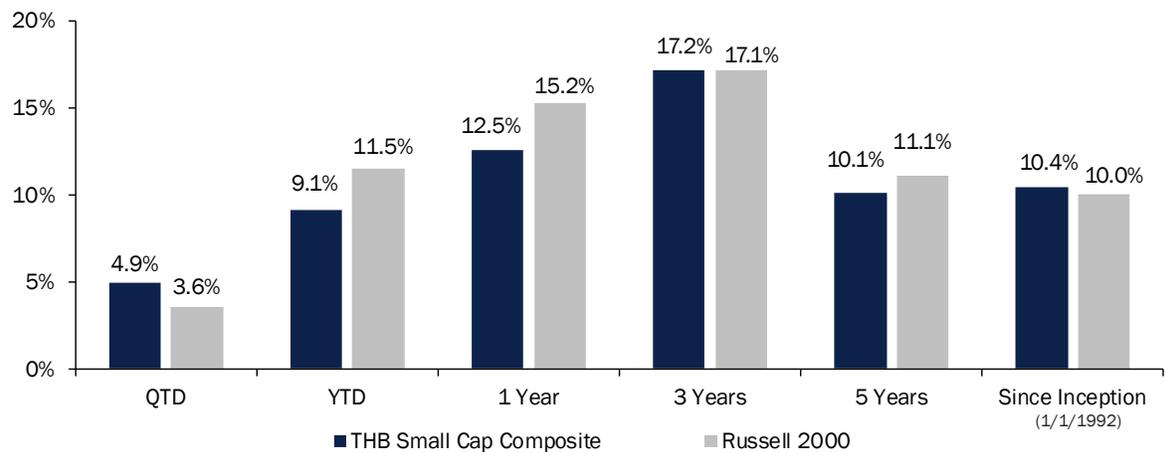
Market Commentary

The Russell 2000® Index returned 3.6% in 3Q.

Health Care (+7.7%) was the best performing sector, followed by Information Technology (+7.0%) and Industrials (+4.3%). Energy (-2.7%), Consumer Staples (-1.7%), and Real Estate (-0.4%) were the only negative performing sectors this quarter.

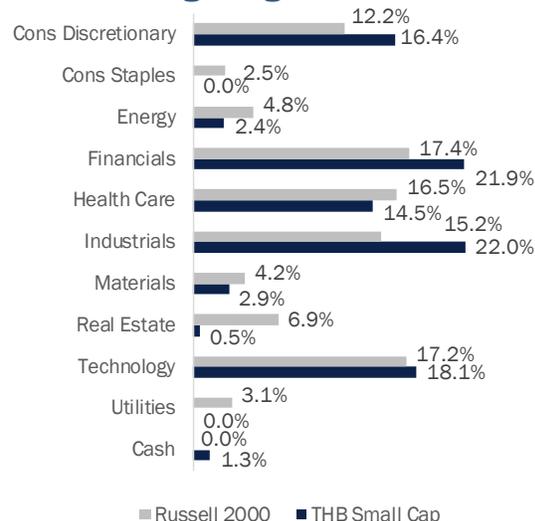
In the third quarter of 2018, second derivative effects from tax reform and deregulation efforts have emerged as multiple surveys of optimism transitioned into hiring, capital expansions, spending and acquisitions. Although tariffs remain a concern in the media and in some CEO surveys, the true impact to the US economy remains muted. The NFIB Small Business optimism survey reached an all-time high in September signaling that the largest portion of the US economy is more optimistic now than at any point of the 45-year history of the survey. The robust growth in loans from small banks, growing 9% year over year is an indication that small businesses have access to capital and are utilizing it to forge ahead with expansion plans. Consumer spirits, supported by the strong economy and job growth, increased as the Conference Board Consumer Confidence Index hit an 18-year high in August. Beneath the broad headlines, signals such as record level Class 8 truck orders, robust small bank loan growth, surging retail sales, and increasing industrial capital expansions support the view of increasing momentum in the US economy.

Performance Snapshot (Net of fees)



1. Periods end 9/30/18 and are net of fees and presented in USD. Past performance is not indicative of future results. Periods greater than 1 year are annualized. Returns represented include reinvestment of dividends and other income.

Sector Weightings

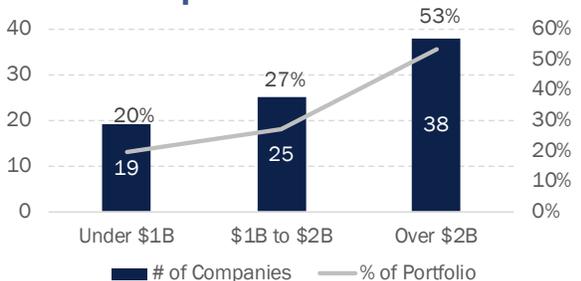


Active Management, High Active Share

94.8%

Active Share vs Russell 2000 Index

Market Cap Distribution



Our Commitment

THB is committed to building long term partnerships with our clients by providing investment products that seek to help achieve their long term goals.

Our entrepreneurial culture and boutique structure allow us to embrace the unique needs and preferences of our clients.

Our sole focus is to provide excellent stewardship of our clients' capital over full market cycles.

We are passionate about, and committed to, our thoughtful and disciplined process of investing in micro, small, and mid cap companies.

We will constantly measure and seek to control risk while not straying from our stated investment mandates.

All of our clients will have full transparency and will be handled with the highest levels of integrity.

THB Asset Management claims compliance with the Global Investment Performance Standards (GIPS®). More information on calculation methodology and a list showing every holding's contribution to overall performance during that period, and a list of composite descriptions and/or presentation that complies with the GIPS standards available upon request.

For more information on calculation methodology and a list showing every holding's contribution to overall performance during that period, or to receive a list of composite descriptions and/or presentation that complies with the GIPS standards, contact marketing@thbinc.com or (203) 653-7060.



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Portfolio Commentary

The THB Small Cap Core Composite returned 4.9% (net of fees) in 3Q, outperforming the Index by 130 bps.

Positive contribution came from strong stock selection in Industrials (+1.8%), Financials (+0.8%), and Energy (+0.5%). Negative contribution came mainly from selection in Information Technology (-0.8%), Consumer Discretionary (-0.3%), and Materials (-0.2%).

THB's top five performing stocks (from a contribution standpoint) were Heico Corp (Industrials, +0.6%), Omnicell Inc (Health Care, +0.6%), Renewable Energy Group (Energy, +0.5%), Helen of Troy (Consumer Discretionary, +0.4%), and Chart Industries (Industrials, +0.4%). The bottom five performing stocks (from a contribution standpoint) were Supernus Pharmaceuticals (Health Care, -0.4%), Benchmark Electronics (Information Technology, -0.3%), Thor Industries (Consumer Discretionary, -0.3%), Installed Building Products (Consumer Discretionary, -0.2%), and ANI Pharmaceuticals (Health Care, -0.2%).

We believe the improved psyche of US consumers and small businesses should not be overlooked. The domestic economic data and our many conversations with company management teams point to a very solid foundation underpinning the US economy as plans for capital expansion, acquisitions, and productivity enhancements emerge. This inflection in the business cycle combined with modest valuations creates a very positive environment for US stocks and for our portfolio.

Portfolio & Benchmark Characteristics

Characteristics	THB Small Cap	Russell 2000
Holdings	82	2,039
Market Cap (\$mil)	2,781	2,448
Dividend Yield	1.1	1.4
LT Debt/Capital	20.0	33.0
Price/Earnings	20.3	16.4
P/E Forward	18.3	23.2
Price/Book	2.4	2.3
Price/Sales	1.5	1.2
EV/EBITDA	11.4	11.3
EV/Sales	1.4	1.7
Operating Margin	11.8	5.9
FCF Yield	4.4	0.5
ROE	11.7	2.9
ROIC	9.2	3.7

Corporate Activity

THB Small Cap Core - Trailing 12 months

Number of Companies	82
Companies with Share Repurchases	50
Companies that Paid Dividends	45
Amount of Share Repurchases	\$2.3B
Amount of Dividends Paid	\$1.8B
Total Capital Returned to Shareholders	\$4.1B
Number of Acquisitions	62
Value of Acquisitions	\$4.2B

Our portfolio companies are returning a healthy amount of capital back to shareholders via repurchases and dividends, illustrating their financial strength and the variety of options available to them to enhance shareholder wealth.

1.Periods end 9/30/18 and are net of fees and presented in USD. Past performance is not indicative of future results. Periods greater than 1 year are annualized. Returns represented include reinvestment of dividends and other income. 2. "Portfolio & Benchmark Characteristics" and "Portfolio Sector Weightings" information is supplemental. THB Asset Management is a registered investment advisor specializing in smaller company strategies. Registration with the US Securities and Exchange Commission does not imply a certain level of skill or training. The focus of the Small Cap Core Composite is on smaller capitalization companies in the US market that are under-researched and over-looked. The benchmark is the Russell 2000 Index. The index comparisons herein are provided for informational purposes only and should not be used as the basis for making an investment decision. There are significant differences between client accounts and the indices referenced including, but not limited to, risk profile, liquidity, volatility, and asset composition. You cannot invest directly in an index. 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.