

THB Small Cap Core Strategy



THB Asset Management | 2Q 2019

Portfolio Team



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



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



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



Manish Maheshwari, CFA
Principal
Portfolio Manager
21 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 eight 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.

Fund Details

| | |
|---------------|----------------|
| Benchmark | Russell 2000 |
| Inception | January 1992 |
| Strategy Size | \$44.6 million |

| Risk Factors* | THB | Index |
|----------------|-------|-------|
| Alpha | 2.1% | — |
| Beta | 0.9 | — |
| Tracking Error | 7.6 | — |
| Sharpe Ratio | 0.57 | 0.51 |
| Info Ratio | 0.27 | — |
| Std Deviation | 18.8% | 18.7% |

Market Commentary

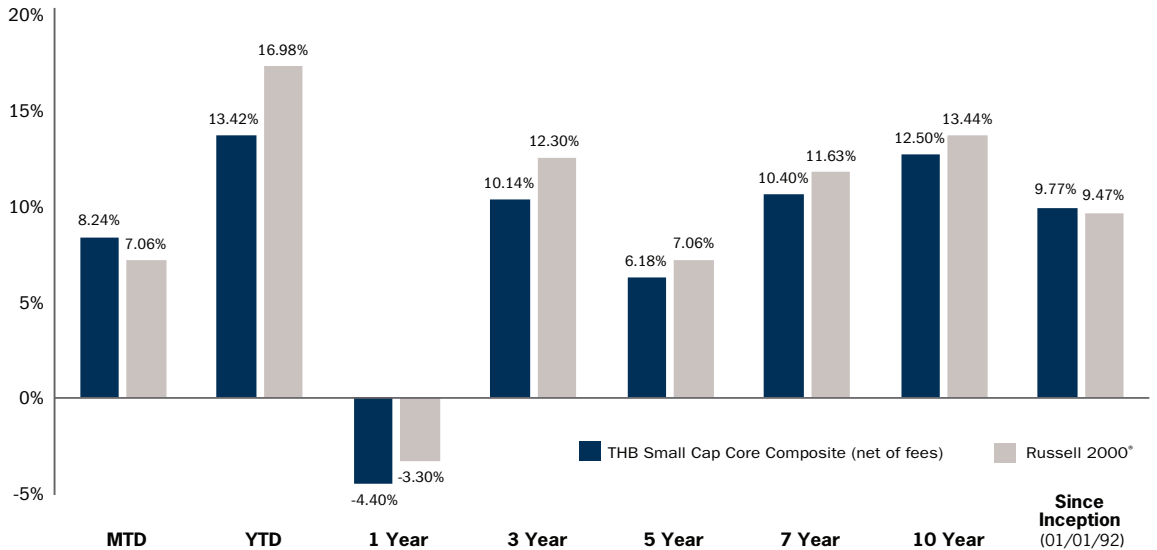
The Russell Smallcap® Index (Index) returned +2.1% (USD) in 2Q.

Industrials (+8.1%) was the best performing sector in 2Q, followed by Utilities (+5.2%) and Financials (+5.2%). Energy (-8.7%) was the worst performing sector, followed by Communication Services (-5.9%) and Consumer Staples (-3.3%).

US Equities ended the quarter higher as markets digested strong current economic data, but remained concerned about the outlook due to slowing global growth and tariffs. Trade negotiations with China and The Federal Reserve's pivot on interest rates were driving factors for the market this quarter.

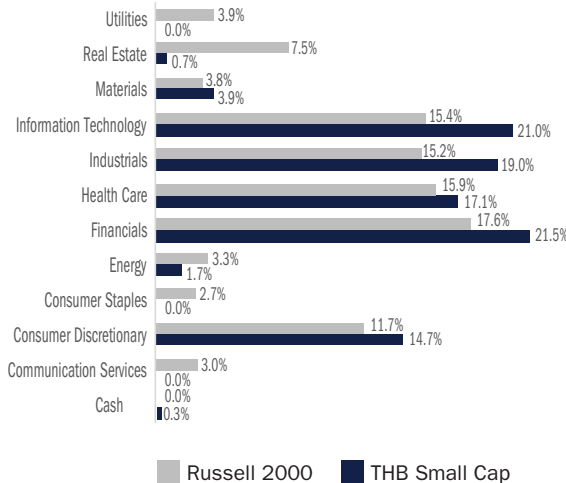
Sentiment/optimism indicators are picking up post the year end malaise caused by the government shutdown. The NFIB Small Business Optimism Index (2000 small private US companies polled) has seen four months of sequential increases. The all-time high of 108.8 took place in August 2018 and it registered 105.0 for May. The US Consumer continues the power the economy with The University of Michigan consumer sentiment index rising to a 15 year high of 102.4. Consumers remain buoyed by the strong labor market as the jobless rate hit a 50-year low of 3.6%. The US consumer and Small businesses are the backbone of the economy and both groups are looking through the noise of trade negotiations and focusing on the strong underlying economy.

Performance Snapshot (Net of Fees)



1. Periods end 6/30/2019 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



Sector weightings subject to change.

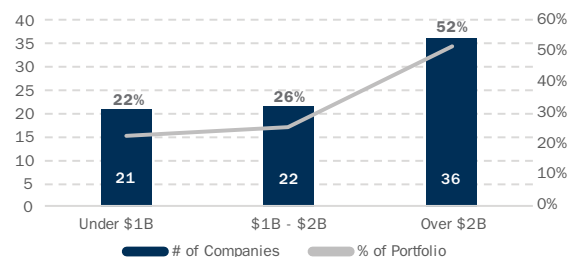
Active Management, High Active Share

Active Share vs Russell 2000 Index

Active share is the percentage of the fund's portfolio that differs from the benchmark index. High active share indicates a high degree of active management.

94.3%

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 mitigate 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 Composite returned +1.5% in USD (net of fees) in 2Q, underperforming the Index by 60 bps.

The portfolio saw positive contribution from stock selection in Consumer Discretionary (+0.8%), Financials (+0.4%), and underallocation to Communication Services (+0.3%). Negative contribution mainly came from selection in Information Technology (-1.3%), Industrials (-0.7%), and Energy (-0.4%).

THB's top five performing stocks (from a contribution standpoint) were UniFirst Corporation (Industrials, +0.3%), Horace Mann Educators Corp (Financials, +0.3%), Selective Insurance Group, Inc. (Financials, +0.3%), Fox Factory Holding Corp. (Consumer Discretionary, +0.2%), and RLI Corp. (Financials, +0.2%).

The bottom five performing stocks (from a contribution standpoint) were ePlus Inc. (Information Technology, -0.6%), Bel Fuse Inc. (Information Technology, -0.3%), Virtusa Corporation (Information Technology, -0.4%), RPC, Inc. (Energy, -0.3%) and Chart Industries, Inc. (Industrials, -0.3%).

Portfolio holding, Employers Holdings Inc. (Financials), repurchased \$27.5 worth of company during the first quarter and authorized an additional \$50M to be added to their existing buyback. ePlus (Information Technology) announced a new \$35M share repurchase program as they completed their prior authorization. The company has repurchased \$19M worth of shares during the past year. ASGN Inc. announced a new \$250M share repurchase authorization as they recently completed their prior one.

Portfolio holding Nanometrics agreed to purchase competitor Rudolph Technologies. The combination of two will lead to 10% cost synergies and bring together complimentary product offerings. The broader product offering, and eventually combining research and design will allow the combined company to realize higher margins and increase sales per customer.

These are all great examples of how small businesses are very confident in their outlooks and are deploying excess cash flows from Tax Reform into shareholder friendly initiatives.

Portfolio and Benchmark Characteristics

| Characteristics | THB Small Cap | Russell 2000 |
|--------------------|---------------|--------------|
| Holdings | 79 | 2016 |
| Market Cap (\$mil) | 2,316 | 2,571 |
| Dividend Yield | 1.4% | 1.4% |
| LT Debt/Capital | 20.8% | 33.2% |
| Price/Earnings | 17.0x | 17.9x |
| P/E Forward | 16.6x | 16.6x |
| Price/Book | 1.9x | 2.1x |
| Price/Sales | 1.3x | 1.1x |
| EV/EBITDA | 12.4x | 11.7x |
| EV/Sales | 1.5x | 1.5x |
| Operating Margin | 13.2% | 8.7% |
| FCF Yield | 3.3% | 0.9% |
| ROE | 13.2% | 6.0% |
| ROIC | 7.7% | 2.6% |

Corporate Activity

| THB Small Cap Portfolio Trailing 12 months (\$ in millions, except # of companies) | |
|--|---------------|
| Companies with Share Repurchases | 50 |
| Companies that Paid Dividends | 46 |
| Value of Share Repurchases | 3,000 |
| Value of Dividends Paid | 2,000 |
| Total Capital Returned to Shareholders | 5,000 |
| Number of Acquisitions | 76 |
| Value of Acquisitions | 10,000 |

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

1. Periods end 6/30/2019 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.