

The THB Asset Management Micro Cap Fund



THBIX Institutional | THBVX Investor 2Q 2019

Portfolio Team



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



Keith Dickinson, CFA
Principal
Portfolio Manager
17 years of experience



Manish Maheshwari, CFA
Principal
Portfolio Manager
21 years of experience

Portfolio Objective

THB Asset Management Micro Cap seeks long term capital appreciation over full market cycles by using a disciplined, valuation based approach. We invest primarily in companies within the Russell Microcap 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 fund will typically hold 100-125 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 Microcap
Inception	March 2012
Strategy Size	\$81.1 million

Risk Factors*	THB	Index
Beta	0.92	—
Tracking Error	7.21	—
Sharpe Ratio	0.65	0.35
Info Ratio	0.90	—
Std Deviation	21.2%	21.8%

Market Commentary

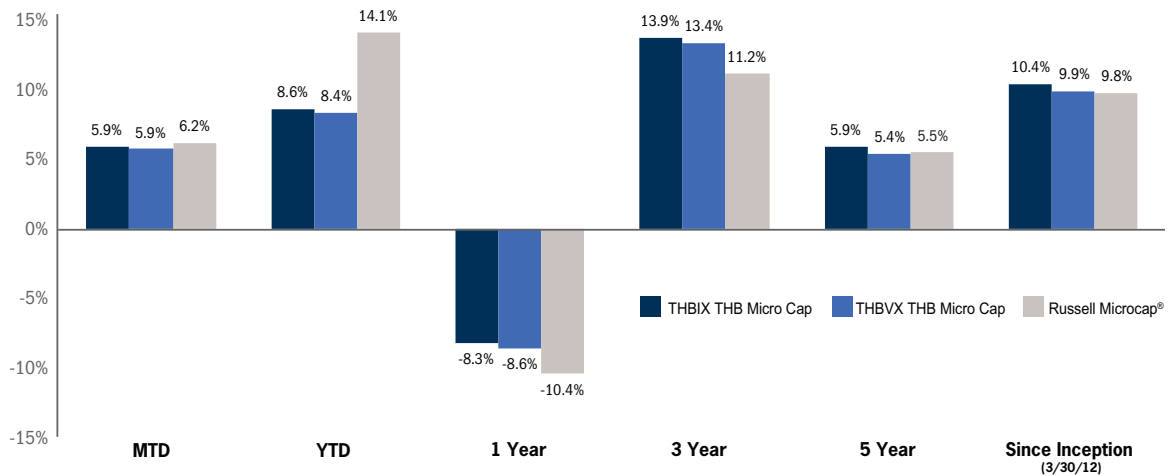
The Russell Microcap® Index (Index) returned +0.9% (USD) in 2Q.

Real Estate (+8.1%) was the best performing sector in 2Q followed by Utilities (+7.2%) and Financials (+5.2%). Energy (-10.1%) was the worst performing sector, followed by Communication Services (-6.6%) and Materials (-4.7%).

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)

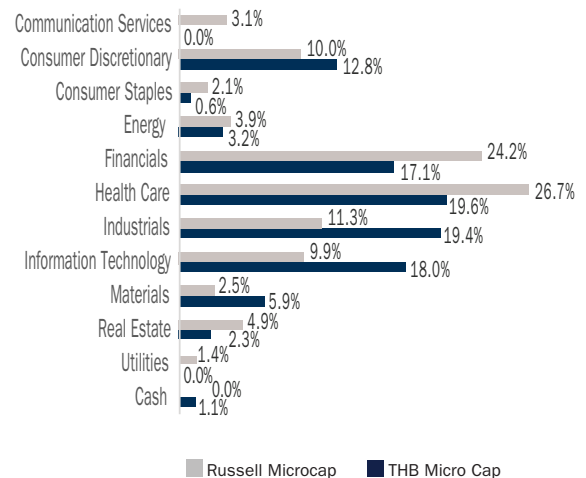


Performance data quoted represents past performance and does not guarantee similar future results. The investment performance and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost, and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please call 1-855-THB-FUND. There is a 2% redemption fee for shares held less than 30 days. Performance for periods over one year is annualized. Expense ratios: THBIX, 1.70%/net: 1.25% THBVX, gross 2.20%/net: 1.75%. Fee waivers are contractual and in effect until March 29, 2020.

Portfolio and Benchmark Characteristics* *

Characteristics	THB Micro Cap	Russell Microcap
Holdings	100	1,519
Market Cap (\$mil)	631	714
LT Debt/Capital	17.7%	26.9%
Price/Earnings	20.1x	—
P/E Forward	17.5x	—
Price/Book	1.8x	1.8x
Price/Sales	1.0x	0.9x
EV/EBITDA	13.0x	—
EV/Sales	1.2x	1.3x
Operating Margin	11.5%	5.5%
ROE	8.7%	-2.1%
ROIC	5.4%	—

Sector Weightings



Sector weightings subject to change.

Our Commitment

THB Asset Management 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.

This material represents the portfolio manager's opinion and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice or a specific recommendation of securities.

Mutual fund investing involves risk, including the possible loss of principal. There are specific risks inherent in small cap investing such as greater share prices volatility as compared to other funds that invest in stocks of companies with larger, potentially more stable, market capitalizations. There can be no assurance that the fund will achieve its stated objective.

The THB Asset Management Micro Cap Equity Fund is distributed by SEI Investments Distribution Co., 1 Freedom Valley Drive, Oaks, PA 19456, which is not affiliated with the Advisor.



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Portfolio Commentary

The THB Asset Management Micro Cap Fund (THBIX) returned +1.1% in USD (net of fees) in 2Q outperforming the Index by 20 bps.

The portfolio saw positive contribution from Stock selection to Consumer Discretionary (+0.6%), Materials (+0.6%), and Health Care (+0.5%). Negative contribution came mainly from selection in Industrials (-0.9%), Financials (-0.5%), and underallocation to Real Estate (-0.2%).

THB's top five performing stocks (from a contribution standpoint) were Circor International, Inc. (1.4% of Portfolio-Industrials) +0.5%, PAR Technologies (3.0% of Portfolio-Information Technology) +0.4%, Rudolph Technologies, Inc. (2.0% of Portfolio-Information Technology) +0.3%, Ultra Clean Holdings, Inc. (1.4% of Portfolio-Information Technology) +0.3%, and U.S Physical Therapy, Inc. (2.0% of Portfolio-Health Care) +0.3%.

The bottom five performing stocks (from a contribution standpoint) were Argan, Inc. (1.5% of Portfolio-Industrials) -0.4%, ePlus Inc. (1.1% of Portfolio-Information Technology) -0.3%, MarineMax, Inc. (1.6% of Portfolio-Consumer Discretionary) -0.3%, TimkenSteel Corp (0.7% of Portfolio-Materials) -0.2% and PRGX Global (1.3% of Portfolio-Materials) -0.2%.

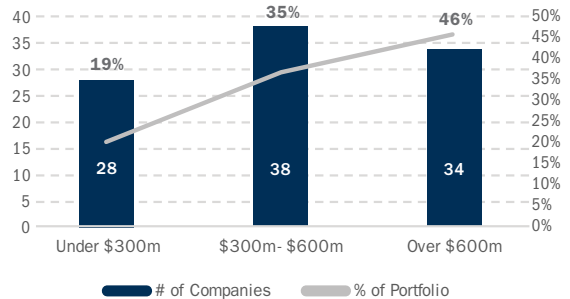
Micro cap companies are trading at a historic high valuation discount relative to Large Capitalization equities although there are many reasons why the discount should close. Small business optimism near record levels, robust cash flows stemming from Tax Reform/deregulation and increasing levels of merger and acquisition activity create a very positive environment for the asset class. US Large cap equities have traded to historic highs while small and micro cap equities have lagged and remain 15-20% below record levels. Using Small Cap (Russell 2000) as a proxy, periods like the current have only occurred three times in the last 40 years and each saw Small Caps catch up to large cap and reach record highs themselves. We believe Micro cap equities present a compelling opportunity for investors due to the strong US economy and trough valuation levels.

Corporate Activity

THB Asset Management Micro Cap Trailing 12 months (\$ in millions, except # of companies)	
Companies with Share Repurchases	55
Companies that Paid Dividends	45
Value of Share Repurchases	435
Value of Dividends Paid	452
Total Capital Returned to Shareholders	887
Number of Acquisitions	56
Value of Acquisitions	3,000
Portfolio Holdings Acquired	2

We believe the fund's portfolio companies have returned capital back to shareholders via repurchases.

Market Cap Distribution



To determine if this Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. This and other information can be found in the Fund's prospectus, which may be obtained by calling 1-855-THB-FUND. Read the prospectus carefully before investing or sending money. Material must be preceded or accompanied by a current prospectus. Investors should read it carefully before investing or sending money.

* Beta is a measure of the volatility of a portfolio in comparison to the market as a whole. Tracking error is the divergence between the price behavior of a portfolio and of the benchmark. Sharpe Ratio is a measure for calculating risk-adjusted return. Information Ratio is a ratio of portfolio returns above the returns of a benchmark to the volatility of those returns. Standard deviation measures the historical volatility of a portfolio.

** LT Debt/Capital computes the proportion of a company's long-term debt compared to its available capital. The forward price-to-earnings ratio (forward P/E) is a valuation method used to compare a company's current share price to its expected per-share earnings. EV/EBITDA measures a company's return on investment by comparing enterprise value to earnings before interest, taxes, depreciation and amortization. EV/Sales compares the enterprise value of a company to the company's sales. Operating Margin measures a company's pricing strategy and operating efficiency. ROE is the amount of net income returned as a percentage of shareholders equity. ROIC assesses a company's efficiency at allocating the capital under its control to profitable investments.

1. Fee Waivers are contractual and in effect until March 29, 2020. 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. 3. Wilshire U.S. Micro-Cap Index used prior to June 2000; Russell Microcap Index used thereafter. Thomson, Horstmann & Bryant Inc. 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 benchmark is the Russell Microcap Index. The Russell Microcap Index is a capitalization 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. The index comparisons herein are provided for informational purposes only and should not be used as the basis for making an investment decision. You cannot invest directly in an index. 4. Portfolio holdings and allocations are subject to change and should not be considered as investment recommendations to trade individual securities.