

Portfolio Team



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



Manish Maheshwari, CFA
Principal
Portfolio Manager
21 years of experience

Portfolio Objective

THB Mid Cap seeks long term capital appreciation over full market cycles by investing in a concentrated group of companies within the Russell Midcap Index that THB believes are undervalued, display lower volatility, and have superior operating metrics. The strategy will hold exactly 30 securities and have 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.

Strategy Details

Benchmark	Russell Mid Cap	
Inception	February 2014	
Strategy Size	\$1.5 million	
	THB	Index
Alpha	3.2%	—
Beta	0.90	—
Tracking Error	3.73	—
Sharpe Ratio	1.09	0.85
Info Ratio	0.57	—
Std Deviation	11.6%	12.3%

Market Commentary

The Russell Midcap® Index (Index) returned 7.1% (USD) in 4Q.

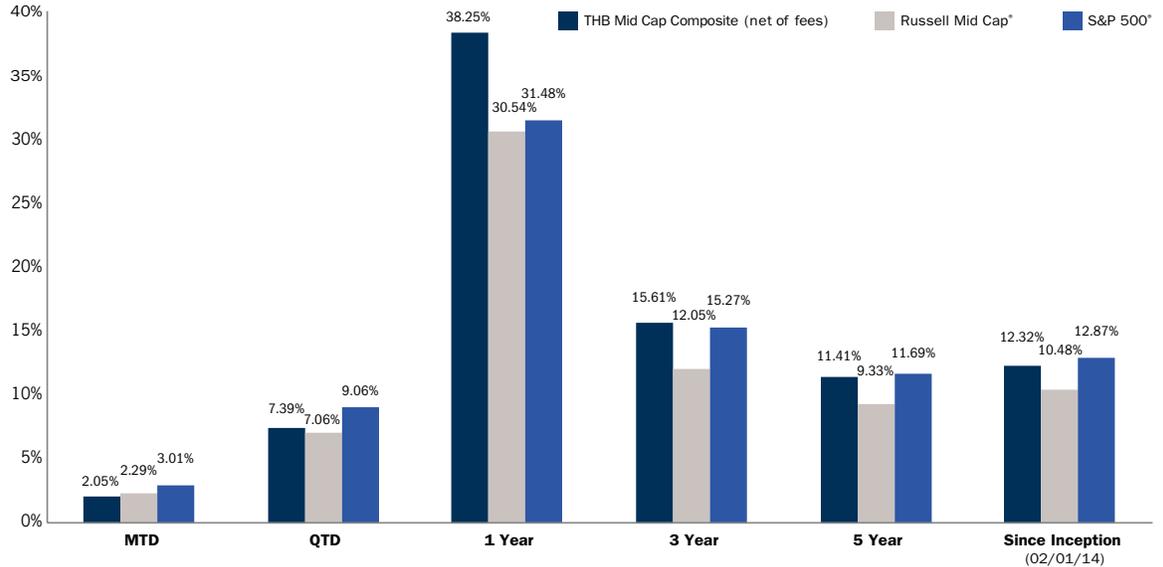
Health Care (+11.4%) was the best performing sector in 4Q, followed by Information Technology (+11.1%) and Energy (+9.8%). Real Estate (-0.4%) was the worst performing sector, followed by Utilities (-0.3%) and Consumer Staples (+4.8%).

Style was a major contributor to performance during the quarter as growth outperformed value across the capitalization spectrums. The NYSE FANG Index (equal weight of FB, AAPL, AMZN, NF, GOOG) was up 22.25% while the Nasdaq Biotech Index was up 21.22% for the quarter. Both of those subsets' performance far outpaced broader market indices.

US Equities were broadly higher in the 4th quarter as economic data continued to surprise to the upside, earnings were mostly ahead of expectations and trade tensions with China took a positive turn. Investors' fears of a recession faded as the stronger earnings data was further confirmed by increases in both consumer and small business confidence indicators.

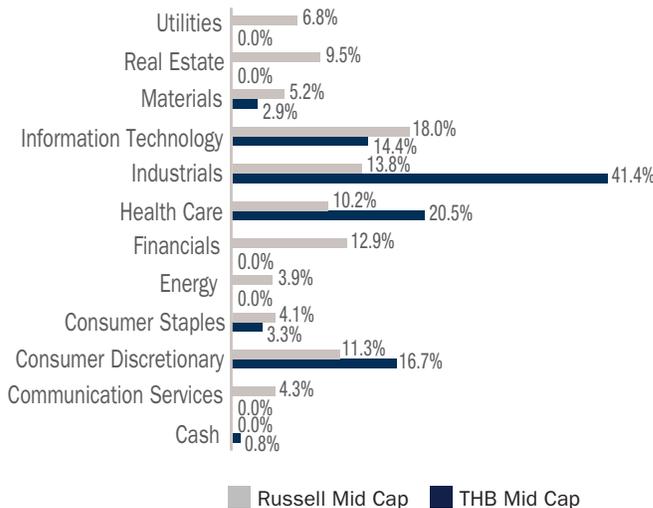
University of Michigan Consumer Sentiment and NFIB Small Business Optimism index both registered multi month highs during December of 99.3 and 104.7 respectively. Those two pillars of the US economy remain extremely strong. US and China agree to sign Phase I was signed on January 15, 2020 and will mark a positive development between the two countries. Trade issues have been frequently cited by consumer and businesses as one the few concerns, they have regarding future business and economic growth.

Performance Snapshot (Net of Fees)



1. Periods end 12/31/2019 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.

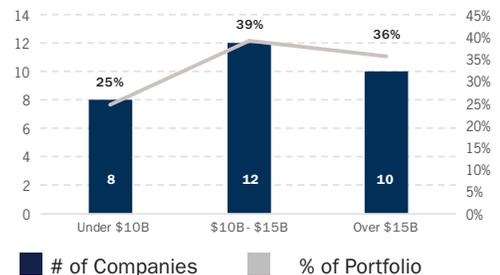
Active Management, High Active Share

Active Share vs Russell Mid Cap 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.

93.9%

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 Mid Cap Composite returned 7.4% in USD (net of fees) in 4Q, outperforming the Index by 30 bps.

The portfolio saw positive contribution from underallocation to Real Estate (+0.7%), Utilities (+0.5%) and overallocation to Health Care (+0.5%). Negative contribution mainly came from stock selection to Health Care (-1.2%), underallocation in Information Technology (-0.2%) and Energy (-0.1%).

THB's top five performing stocks (from a contribution standpoint) were Copart, Inc.(Industrials, +0.6%), Global Payments Inc. (Information Technology, +0.5%), Amphenol Corporation, Inc. (Information Technology, +0.5%), Tyler Technologies (Information Technology, +0.4%) and Fastenal Company (Industrials, +0.4%).

The bottom five performing stocks (from a contribution standpoint) were Verisk Analytics, Inc. (Industrials, -0.3%), Roper Technologies, Inc.(Industrials,-0.2%), Dollar General Corporation (Consumer Discretionary, -0.1%), Rollins, Inc (Industrials, -0.0%) and Laboratory Corp of America (Health Care, -0.0%).

During the quarter, four of our holdings have announced new share repurchase authorizations totally \$3.3B. In addition, three companies announced strategic acquisitions. Such activity is indicative of the discounted valuations present within our universe of stocks.

Portfolio and Benchmark Characteristics

Characteristics	THB Mid Cap	Russell Mid Cap
Holdings	30	802
Market Cap (\$, mil)	18,122	17,503
Dividend Yield	0.7%	1.6%
LT Debt/Capital	27.1%	42.7%
Price/Earnings	27.4x	21.8x
P/E Forward	23.1x	19.4x
Price/Book	4.5x	2.7x
Price/Sales	2.6x	1.8x
EV/EBITDA	16.9x	15.0x
EV/Sales	2.3x	1.9x
FCF Yield	4.1%	3.4%
Operating Margin	16.2%	12.9%
ROE	22.8%	15.8%
ROIC	12.9%	6.9%

Corporate Activity

THB Mid Cap Portfolio

Trailing 12 months (\$ in millions, except # of companies)

Number of Companies	30
Companies with Share Repurchases	24
Companies that Paid Dividends	17
Value of Share Repurchases	11,218
Value of Dividends Paid	4,194
Total Capital Returned to Shareholders	15,413
Number of Acquisitions	53
Value of Acquisitions	9,000

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 12/31/2019 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 strategy is on mid-capitalization companies in the US market that are under-researched and over-looked. The benchmark is the Russell Midcap Index. The Russell Midcap Index is a capitalization weighted index of the smallest 800 companies in the Russell 1000. 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.