

The THB Asset Management Micro Cap Fund



THBIX Institutional | THBVX Investor | 4Q 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	\$77 million

Risk Factors*	THB	Index
Beta	0.92	—
Tracking Error	7.23	—
Sharpe Ratio	0.65	0.36
Info Ratio	0.81	—
Std Deviation	21.0%	21.6%

Market Commentary

The Russell Microcap® Index (Index) returned +13.5% (USD) in 4Q.

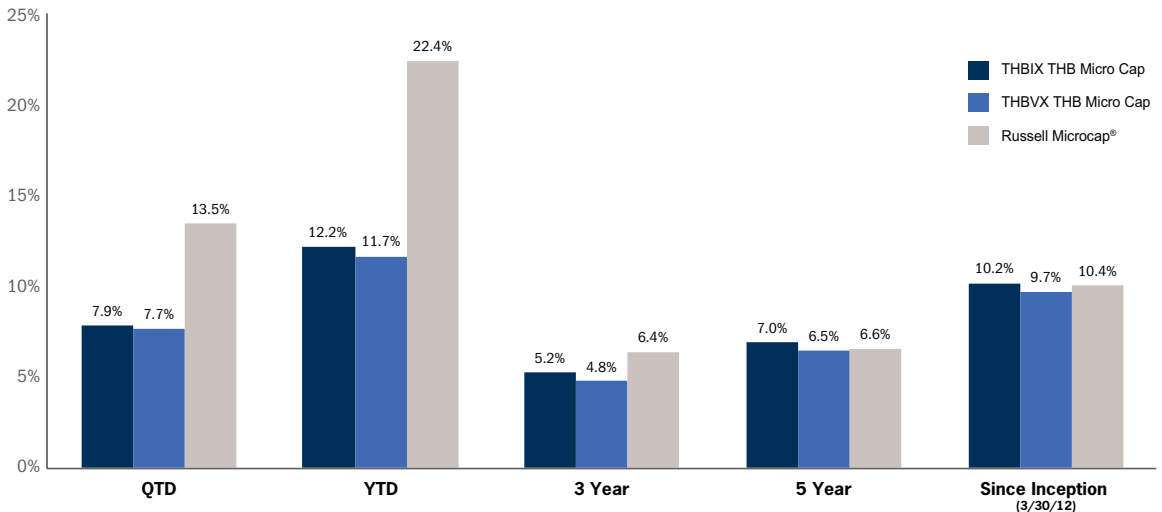
Health Care (+28.7%) was the best performing sector in 4Q followed by Energy (+17.0%) and Communication Services (+13.5%). Real Estate (+0.5%) was the worst performing sector, followed by Utilities (+3.0%) and Consumer Discretionary (+6.5%).

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 on January 15, 2020 and will mark a positive development between the two countries. Trade issues have been frequently cited by consumer and business as one the few concerns they have regarding future business and economic growth.

Performance Snapshot (Net of Fees)

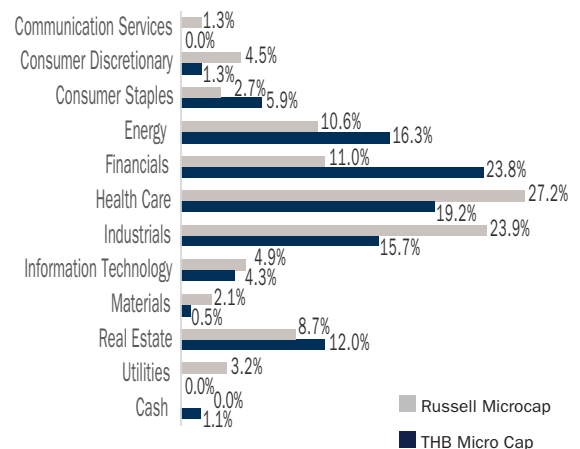


Performance data quoted represents past performance and does not guarantee similar future results. The investment performance and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost, and current performance may 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	1,468
Market Cap (\$mil)	708	651
LT Debt/Capital	18.5%	26.4%
Price/Earnings	20.4x	—
P/E Forward	18.4x	—
Price/Book	2.0x	1.7x
Price/Sales	1.1x	0.7x
EV/EBITDA	12.6x	—
EV/Sales	2.2x	1.1x
Operating Margin	10.1%	6.1%
ROE	9.5%	-2.5%
ROIC	2.5%	—

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 Micro Cap Fund returned +7.9% in USD (net of fees) in 4Q underperforming the Index by 560 bps.

The portfolio saw negative contribution from Stock selection to Health Care (-5.3%), underallocation to Health Care (-0.6%), and overallocation to Industrials (-0.6%). Positive contribution came mainly from selection in Information Technology (+0.7%), Materials (+0.7%) and underallocation to Real Estate (+0.4%).

THB's top five performing stocks (from a contribution standpoint) were Renewable Energy Group, Inc. (+2.20% of Portfolio - Energy) +1.5%, Ultra Clean Holdings, Inc. (+2.07% of Portfolio - Information Technology) +1.0%, PAR Technology Corporation (+2.63% of Portfolio - Information Technology) +0.7%, Johnson Outdoors, Inc. (+2.33% of Portfolio - Consumer Discretionary) +0.7% and Koppers Holdings, Inc. (+2.27% of Portfolio - Materials) +0.6%.

The bottom five performing stocks (from a contribution standpoint) were CARBO Ceramics, Inc. +0.19% of Portfolio - Energy) -0.4%, Orthofix Medical, Inc. (+1.58% of Portfolio - Health Care) -0.3%, Del Taco Restaurants, Inc. (+0.77% of Portfolio - Consumer Discretionary) -0.3%, Lantheus Holdings, Inc. (+0.87% of Portfolio - Health Care) -0.2% and Exterran Corp. (+0.32% of Portfolio - Energy), -0.2%.

During the quarter, unprofitable companies were up 31% while profitable companies were up 9%. Biotechnology companies were the largest contributor to the benchmark performance and now comprise 21% of the benchmark weighting. These companies are largely unprofitable and do not fit our investment philosophy of owning well capitalized companies which generate positive cash flow to self-fund their own growth. Not owning these companies cost us 5.9% relative to the index during the quarter.

We believe that our time-tested philosophy of investing in profitable companies is the prudent approach to delivering alpha for our clients. Time has taught us that periods such as 4Q tend to be transitory and can quickly reverse. Unprofitable companies within the Small and Micro Cap indices have reached levels last seen during the technology bubble. They represent 35%, 24%, 35% of the Russell Micro Cap, Russell 2000 and Russell Small Cap Growth respectively. Such high representation and performance driven by speculative, unprofitable companies reinforces the need for active management.

The US Economy remains very strong and the main concern (Trade issues between the US and China) cited by both consumers and businesses is quickly moving towards resolution. The removal of that concern should build upon the strong economic foundation which has been gaining strength from tax reform and deregulation efforts. Business conditions/interest rates are accommodative, consumers and businesses are reporting near record high levels of optimism and pent up capital spending (which may have been delayed due to trade tensions) should start to accelerate.

During the quarter, four of our holdings have announced new share repurchase authorizations totaling \$27.2M. Such activity is indicative of the discounted valuations present within our universe of stocks.

Corporate Activity

THB Asset Management Micro Cap	
Trailing 12 months (\$ in millions, except # of companies)	
Number of Companies	100
Companies with Share Repurchases	59
Companies that Paid Dividends	40
Value of Share Repurchases	522
Value of Dividends Paid	455
Total Capital Returned to Shareholders	977
Number of Acquisitions	75
Value of Acquisitions	3,200

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

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.

Market Cap Distribution

