

Portfolio Team



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



Manish Maheshwari, CFA
Principal
Portfolio Manager
22 years of experience

Portfolio Objective

THB International Opportunities seeks long term capital appreciation over full market cycles by investing primarily in companies within the MSCI World ex-US Smallcap Index that THB believes are undervalued, exhibit lower risk characteristics, and have superior operating metrics. The strategy will hold 150 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.

Fund Details

Benchmark	MSCI World ex-USA Small Cap	
Inception	April 2015	
Strategy Size	\$53 million	
	THB	Index
Alpha	8.0%	—
Beta	1.09	—
Tracking Error	5.41	—
Sharpe Ratio	0.69	0.26
Info Ratio	1.49	—
Std Deviation	18.4%	16.2%

Market Commentary

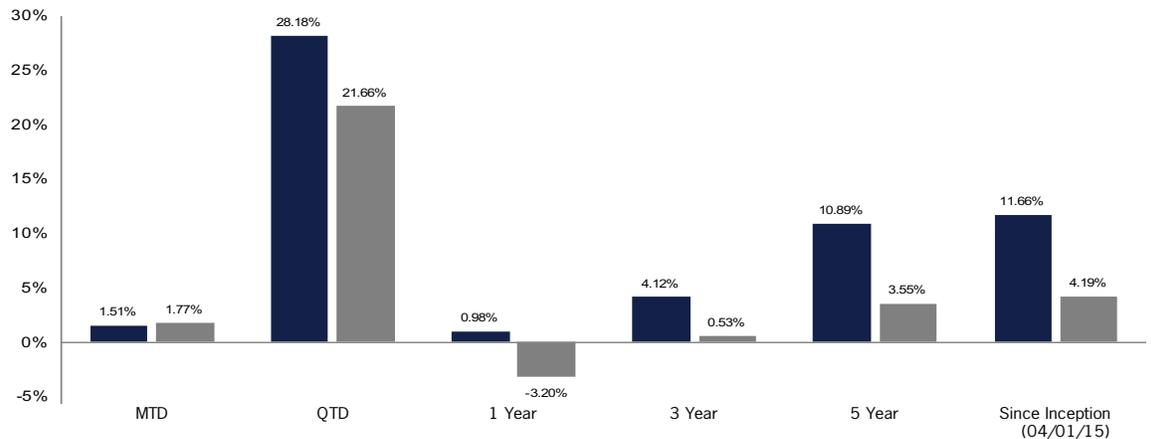
The MSCI World ex USA Smallcap® Index (Index) returned +21.7% (USD) in Q2 2020.

Materials (+36.7%) was the best performing sector, followed by Information Technology (+32.2%) and Consumer Discretionary (+26.5%). Real Estate (+9.4%) was the worst performing sector, followed by Consumer Staples (+13.5%) and Utilities (+16.9%).

Australia (+47.4%) was the best performing country, followed by Canada (+44.3%) and Norway (+33.6%). Spain (+12.7%), Japan (+12.8%) and Hong Kong (+14.6%) were the worst performing countries in the Index. International developed market equities rallied this quarter as extreme views regarding the pandemic gave way to more rational thinking. Equities were led by strong performance from Small Cap stocks as the MSCI World Ex US Smallcap Index returned 21.66% while the MSCI World ex US was up 15.55%. Developed market countries continued to enact sizable monetary and fiscal stimulus efforts to offset COVID related economic weakness.

From the onset, we have believed COVID's impacts would be transitory and have elements of natural disaster. Exhibiting a sharp, but brief drawdown in economic activity. There is an incredible amount of capital, bright minds and all the best medical technologies working towards a vaccine and/or therapeutic, mitigation efforts are in place, treatment procedures have been improved and the normal time element associated with all viral outbreaks is taking place. We continue to believe that there exists a high probability that some end to COVID is in the near future. The duration function of COVID is therefore sensitive to the ebb and flow of news. Positive news (vaccine, therapeutic, lower cases / mortality) shortens duration while negative news (higher infection rates, higher mortality rates, pushback of vaccine or therapeutic) elongates durations. We believe the sharp move higher off of the March lows is confirms that we are closer to the end of COVID and plan to use news flow related pullbacks to add to our favorite positions.

Performance Snapshot (Net of Fees)



1. Periods end 6/30/2020 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.

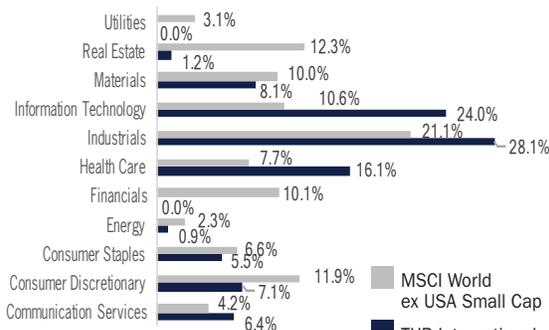
Active Management, High Active Share

Active Share vs MSCI World ex-USA Small 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.

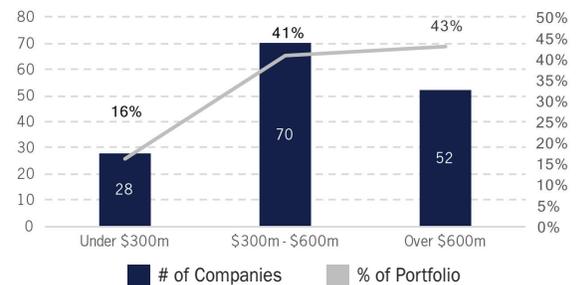
98.3%

Sector Weightings



Sector weightings subject to change.

Market Cap Distribution



Country Exposure

Country	THB International Opportunities	MSCI World ex USA Small Cap	+/-
Japan	32.6%	28.6%	4.0%
UK	5.2%	4.9%	0.2%
Germany	7.7%	5.3%	2.4%
Sweden	0.7%	1.8%	-1.1%
Rest of Europe	24.2%	37.1%	-12.8%
Australia	11.4%	9.7%	1.7%
Canada	1.7%	8.3%	-6.6%
Asia ex Japan	0.6%	3.7%	-3.1%

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 International Micro Cap Composite returned +28.3% (net of fees) in Q2, outperforming the Index by 660 bps.

Contributors to the portfolio's performance were positive stock selection in Japan, Germany, and United Kingdom. Underallocation to Canada and stock selection in Canada and overallocation to Japan were the primary detractors to performance.

From a sector perspective, positive contribution mainly came from stock underallocation to Real Estate, stock selection in Health Care, and overallocation to Information Technology. Underallocation to Materials, Consumer Discretionary, and stock selection in Energy were the primary detractors in performance.

THB's top five performing stocks (from a contribution standpoint) were Ramelius Resource Ltd., (Australia, Materials, +1.0%), Pushpay Holdings Ltd. (New Zealand, Information Technology, +0.9%), Retail partners Co. Ltd. (Japan, Consumer Staples, +0.7%), Secunet Security Network AG. (Germany, Information Technology, +0.7%), and Dr. Hoenle AG (Germany, Industrials, +0.7%).

The bottom five performing stocks (from a contribution standpoint) were Vetropack Holdings AG (Switzerland, Materials, -0.2%), Nozawa Corp (Japan, Materials, -0.1%), Naigai Trans Line Ltd. (Japan, Industrials, -0.1%), Anest Iwata Corp (Japan, Industrials, -0.1%) and Fountain Pajot (France, Consumer Discretionary, -0.1%).

The economic and market effects from the virus are happening real time providing both opportunities and risks. Adaption, persistence, and ingenuity are on display as companies and industries look to move forward and thrive in a post COVID world. Some existing secular changes have been accelerated while adaptive technologies are seeing robust levels of growth. Misplaced fears about industries and companies have created tremendous valuation opportunities. We are finding companies who are benefiting from some COVID related changes and ones that are quickly adapting and will prosper through COVID and beyond.

Smaller companies generate more revenue from domestic sources and should benefit as efforts to restore a host of products which are currently made in foreign countries. Beyond the direct benefit from moving that particular product onshore, small domestic companies will receive as halo effect as production facilities create additional ancillary economic activity. (restaurants, real estate, technology, transportation, etc.). They should also be less affected than large cap multinationals as trade flows begin to realign.

The sharp recovery in equity markets reflects the optimism that worst may be behind us. That optimism has been confirmed in better than expected employment data, rising global PMI readings, improvements in high frequency data and increasing confidence levels. Optimism is necessary ingredient for our economy to continue to improve as both consumers and businesses make decisions whether to spend or save. Well capitalized corporations are beginning to invest excess cash flows through acquisitions of weakened competitors or expanding their market share. During the quarter, ten portfolio companies initiated ten new share repurchase authorizations and announced twenty-two acquisitions. We believe well managed and strongly capitalized companies will continue to adapt and thrive in an ever-changing macro environment.

Portfolio and Benchmark Characteristics

Characteristics	THB Intl Opps	MSCI World ex US Small
Holdings	150	2,511
Market Cap (\$, mil)	641	2,321
Dividend Yield	1.7%	2.9%
LT Debt/Capital	8.9%	27.4%
Price/Earnings	23.5x	—
P/E Forward	25.7x	—
Price/Book	3.2x	1.2x
Price/Sales	1.7x	0.8x
EV/EBITDA	12.1x	11.1x
EV/Sales	1.2x	0.9x
FCF Yield	3.4%	5.3%
Operating Margin	14.6%	10.8%
ROE	20.6%	10.0%
ROIC	15.1%	—

Corporate Activity (as of June 30, 2020)

THB International Opportunities Trailing 12 months (\$ in millions, except # of companies)	
Number of Companies	150
Companies with Share Repurchases	45
Companies that Paid Dividends	132
Value of Share Repurchases	200
Value of Dividends Paid	1,300
Total Capital Returned to Shareholders	1,500
Number of Acquisitions	59
Value of Acquisitions	756
Portfolio Holdings Acquired	5

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 6/30/2020 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 International Opportunities Composite is to seek long term capital appreciation over full market cycles by investing primarily in companies that THB feels are undervalued, exhibit lower risk characteristics, and have superior operating metrics. The benchmark is the MSCI Global ex USA Smallcap Index. The MSCI ex USA Small Cap Index captures small cap representation across 22 of 23 Developed Markets (DM) countries (excluding the United States). With 2,559 constituents, the Index covers approximately 14% of the free float-adjusted market capitalization in each country. Prior to January 1, 2016 the benchmark was the MSCI World Ex-USA DM Microcap 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.