

The THB Asset Management Micro Cap Fund



THBIX Institutional | THBVX Investor | 2Q 2020

Portfolio Team



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



Keith Dickinson, CFA
Principal
Portfolio Strategist
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	\$46.4 million

Risk Factors*	THB	Index
Beta	0.93	—
Tracking Error	7.20	—
Sharpe Ratio	0.57	0.31
Info Ratio	0.76	—
Std Deviation	21.1%	22.4%

Market Commentary

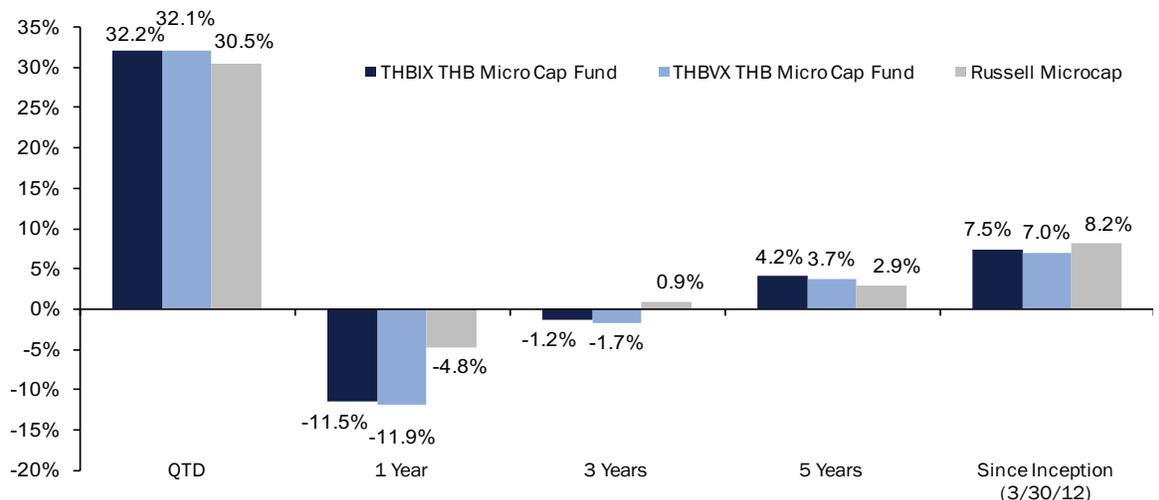
The Russell Microcap® Index (Index) returned +30.5% (USD) in Q2 2020.

Consumer Discretionary (+65.8%) was the best performing sector in 2Q followed by Health Care (+44.1%) and Information Technology (+34.4%). Energy (+1.9%) was the worst performing sector, followed by Utilities (+4.5%) and Financials (+11.2%).

US equities rallied this quarter as extreme views regarding the pandemic gave way to more rational thinking. Equities were led by strong performance from Small and Micro Cap stocks as the Russell 2000 and Russell Microcap returned 25.41% and 30.54% respectively. US Large Cap Stocks delivered a 20.54% return as measured by the S&P 500. The Equal Weighted S&P 500 outperformed the cap weighted index by returning 21.73% and highlighting good breadth in the markets.

From the onset, we have believed COVIDs 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 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)

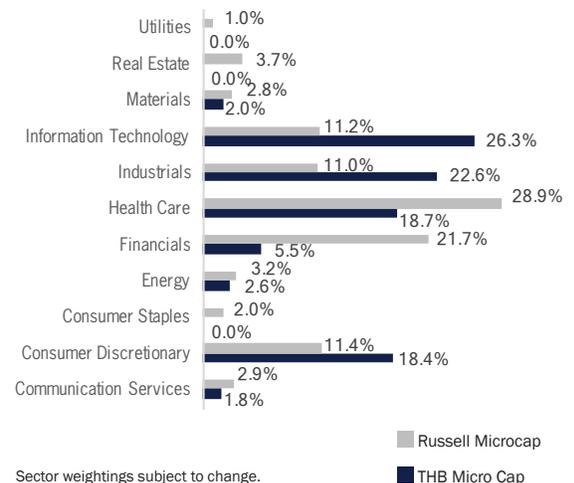


Performance data quoted represents past performance and does not guarantee similar future results. The investment performance and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost, and current performance may 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, gross 1.75%/net:1.25% THBVX, gross 2.20%/net: 1.70%. Fee waivers are contractual and in effect until February 28, 2021.

Portfolio and Benchmark Characteristics**

Characteristics	THB Micro Cap	Russell Microcap
Holdings	100	1,323
Market Cap (\$mil)	890	459
LT Debt/Capital	31.9%	31.6%
Price/Earnings	14.2x	—
P/E Forward	19.5x	—
Price/Book	1.8x	1.2x
Price/Sales	0.8x	0.6x
EV/EBITDA	10.7x	—
EV/Sales	1.1x	1.0x
Free Cash Flow Yield	2.8%	-2.2%
Operating Margin	7.4%	6.4%
ROE	6.0%	-4.5%
ROIC	8.3%	—

Sector Weightings



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 price 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 +32.2 in USD (net of fees) in 2Q outperforming the benchmark by 170 bps.

The portfolio saw positive contribution from overallocation to Consumer Discretionary (+2.7%), underallocation to Financials (+2.4%) and stock selection in Information Technology (1.5%). Negative contribution came mainly from selection in Health Care (-3.9%), underallocation to Health Care (-2.4%), and stock selection in Industrials (-0.7%).

THB's top five performing stocks (from a contribution standpoint) were PAR Technology Corporation (2.51% of portfolio-Information Technology), +2.4%, Cardlytics, Inc.(2.14% of portfolio-Communication Services), +1.9%, Jack in the Box, Inc. (1.42% of portfolio-Consumer Discretionary), +1.3%, Century Communities, Inc. (1.51% of portfolio-Consumer Discretionary), +1.2%, and Digital Turbine, Inc. (0.92% of portfolio-Information Technology), +1.2%.

The bottom five performing stocks (from a contribution standpoint) were Information Services Group, Inc. (0.30% of portfolio-Information Technology), -0.3%, TimkenSteel Corp. (0.12% of portfolio-Materials) -0.1%, Hyster-Yale Materials Handling, Inc. (1.86% of portfolio-Industrials), -0.1%, Graham Corporation (1.41% of portfolio-Industrials), -0.1% and ANI Pharmaceuticals, Inc. (0.46% of portfolio -Health Care), -0.1%.

For active managers, the panopoly of company specific and industry drivers and risks creates a target rich universe. This is especially true for smaller companies whose businesses are sensitive to small changes and can quickly pivot their firms based on market and economic dynamics. Additionally, COVID did create elements of a normal business cycle in which creative destruction has allowed small, well capitalized, and managed firms to grow by acquiring weakened competitors or taking market share. 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.

As other countries realign their trade flows and allegiances, American entrepreneurial spirit, innovation, and ingenuity remain in place. The foundational elements of capitalism will serve to do what they always have done — propel this country forward. Americans are ambitious and have been led by generations of entrepreneurs. Now there is a clear chance for reshoring to take place on a very large scale. Bi-partisan support of numerous reshoring legislation exists and recent polling highlights a majority (80+%) of Americans are willing to pay more for domestically produced products and believe we rely too heavily on foreign countries for production of various goods and components.

The sharp recovery in equity markets reflects the optimism that the worst may be behind us. That optimism has been confirmed in better than expected employment data, improvements in high frequency data and increasing confidence levels. Optimism is a necessary ingredient for our economy to continue to improve as both consumers and businesses make decisions whether to spend or save. Household balance sheets are flush with cash and confidence levels are increasing leading us to believe this key pillar of the US economy will resume pre COVID levels of spending in a timely manner. Well capitalized corporations are beginning to invest excess cash flows through acquisitions of weakened competitors or expanding their market share. We believe well managed and strongly capitalized companies will continue to adapt and thrive in an ever-changing macro environment.

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	32
Value of Share Repurchases	1,602
Value of Dividends Paid	546
Total Capital Returned to Shareholders	2,148
Number of Acquisitions	64
Value of Acquisitions	2,800

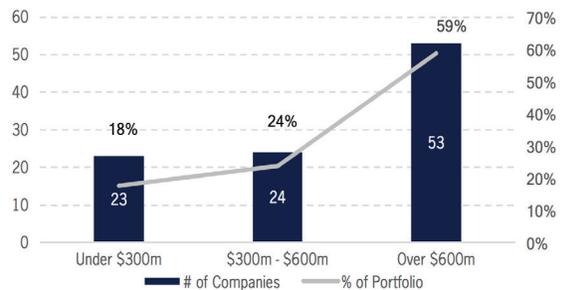
To determine if this Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. This and other information can be found in the Fund's prospectus, which may be obtained by calling 1-855-THB-FUND. Read the prospectus 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 February 28, 2021. 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



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