

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 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 strategy 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.

Strategy Details

| | | |
|----------------|------------------|--------------|
| Benchmark | Russell Microcap | |
| Inception | June 1998 | |
| Strategy Size | \$ 309 million | |
| | THB | Index |
| Alpha | 6.3% | — |
| Beta | 0.93 | — |
| Tracking Error | 7.24 | — |
| Sharpe Ratio | 0.59 | 0.32 |
| Info Ratio | 0.81 | — |
| Std Deviation | 22.0% | 22.3% |

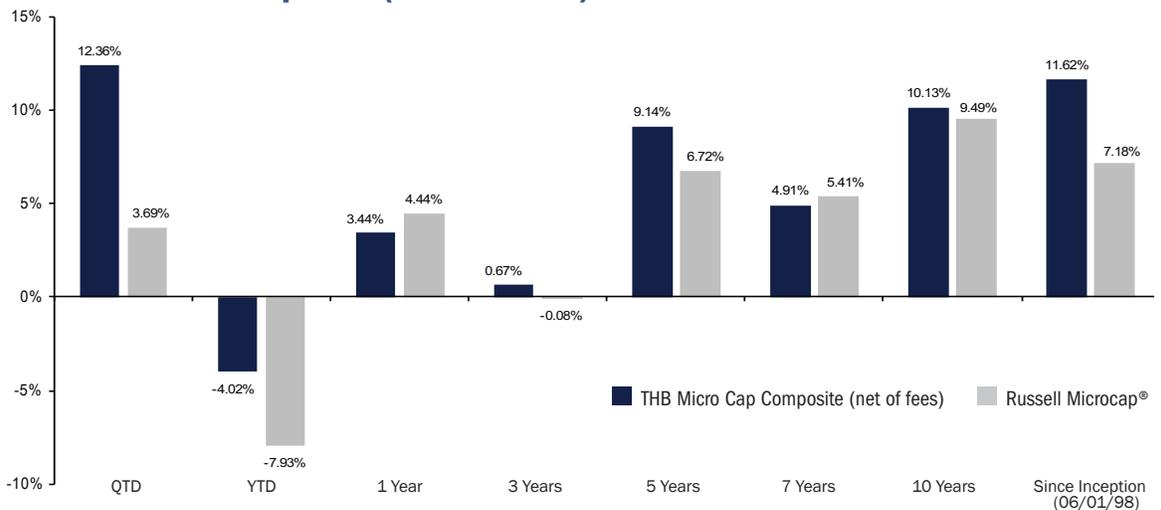
Market Commentary

The Russell Microcap® Index (Index) returned +3.7% (USD) in Q3 2020.

Consumer Discretionary (+26.7%) was the best performing sector in Q3 followed by Industrials (+10.8%) and Information Technology (+8.7%). Utilities (-7.5%) was the worst performing sector, followed by Consumer Staples (-5.7%) and Energy (-5.2%).

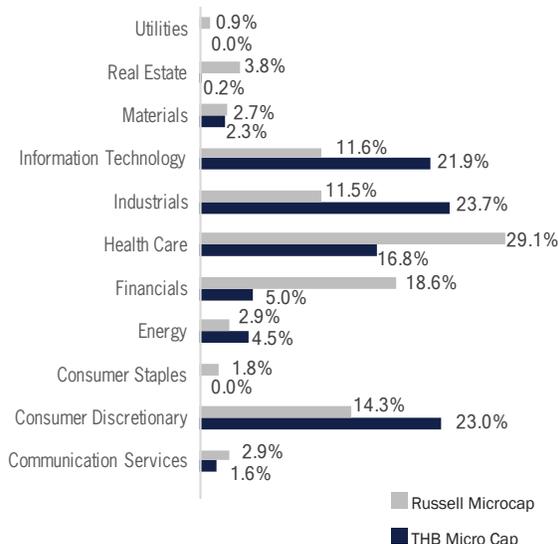
Economic data has continued to improve this quarter and by most measures we are experiencing a V Shaped recovery. Of course, there will be companies and industries which do not participate in the recovery. While unfortunate, there have always been companies and sectors which fall behind during historical economic expansions. Structural advantages, secular changes and rapid decision making allows a certain cohort of companies to outperform their peers. This is a natural part of the Darwinian nature of capitalism and over longer periods of time, is beneficial to the economy as a whole. The COVID experience has also created a subset of companies which will perform relatively better than others and we remain focused on finding those companies and adding them to our strategy.

Performance Snapshot (Net of Fees)



1. Periods end 9/30/2020 and are net of fees and presented in USD. Past performance is not indicative of future results. 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 Microcap 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.

91.8%

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 very 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 Micro Cap Composite returned +12.4% in USD (net of fees) in Q3 outperforming the Index by 870 bps.

The portfolio saw positive contribution from stock selection in Health Care (+2.8%), Energy (+1.7%), underallocation to Financials (+1.8%). Negative contribution came mainly from selection in Consumer Discretionary (-1.8%), Industrials (-0.3%), and Communication Services (-0.1%).

THB's top five performing stocks (from a contribution standpoint) were Digital Turbine, Inc. (Information Technology, +1.8%), Renewable Energy Group, Inc. (Energy, +1.6%), Fulgent Genetics, Inc. (Health Care, +1.3%), PAR Technology Corporation (Information Technology, +1.0%), and BioLife Solutions, Inc. (Health Care, +0.9%).

The bottom five performing stocks (from a contribution standpoint) were Universal Technical Institute, Inc. (Consumer Discretionary, -0.4%), Heritage-Crystal Clean, Inc. (Industrials, -0.2%), First Busey Corporation (Financials, -0.2%), Frank's International NV (Energy, -0.2%) and BayCom Corp. (Financials, -0.2%).

COVID-19 has elements of prior business recessions/recoveries, combined with unique elements all creating changes which are happening much faster than any prior cycles. The velocity of change is creating enormous opportunities within the share markets. Prior cycle playbooks have largely been rendered useless by the unique nature of CV19 and how it is reshaping our economy.

We have mentioned this before, and it remains even more applicable today. Macro events of differing forms will continue to blow through our economy, different political parties will run government and various natural disasters will cause concern, but the backdrop of ingenuity and creativity of the women and men running American businesses will remain constant. This steady backdrop provides amazing investment opportunities which we will continue to discover and add to your portfolio. Our well capitalized companies announced eight new acquisitions this quarter.

Portfolio and Benchmark Characteristics

| Characteristics | THB Micro Cap | Russell Micro Cap |
|----------------------|---------------|-------------------|
| Holdings | 101 | 1,316 |
| Market Cap (\$, mil) | 922 | 624 |
| Dividend Yield | 0.6% | 1.4% |
| LT Debt/Capital | 32.3% | 33.8 |
| P/E Forward | 16.6x | — |
| EV/Sales | 1.2x | 1.2x |

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.

Corporate Activity

(As of September 30, 2020)

| THB Micro Cap Trailing 12 months (\$ in millions, except # of companies) | |
|--|--------------|
| Number of Companies | 101 |
| Companies with Share Repurchases | 56 |
| Companies that Paid Dividends | 34 |
| Value of Share Repurchases | 1,383 |
| Value of Dividends Paid | 531 |
| Total Capital Returned to Shareholders | 1,914 |
| Number of Acquisitions | 64 |
| Value of Acquisitions | 2,800 |

1. Periods end 9/30/2020 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. 3. Wilshire U.S. Micro-Cap Index used prior to June 2000; Russell Microcap Index used thereafter. 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 on the Micro Cap Composite is on smaller-micro capitalization companies in the US market that are under-researched and over-looked. 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. 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. 4. 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.