THB INTERNATIONAL OPPORTUNITIES STRATEGY QUARTERLY COMMENTARY

THB Asset Management®
A VICTORY CAPITAL® INVESTMENT FRANCHISE

As of December 31, 2024

Executive Summary

The THB International Opportunities Strategy (the "Strategy") seeks long-term capital appreciation over full market cycles through the creation of a focused portfolio of high-quality securities from 22 of the 23 developed markets. Our investable universe contains approximately 4,000 securities, including constituents from the MSCI World ex USA Small Cap and Micro Cap indices. The Strategy typically holds 130–160 securities and has a high active share. THB believes that the international small-cap universe is very inefficient, and that a focused portfolio of high-quality securities in the space can offer strong risk-adjusted returns. THB International Opportunities Strategy underperformed its benchmark, the MSCI World ex USA Small Cap Index, by 2.83% for the recent quarter and was 6.47% behind for the trailing one-year period (net of fees).

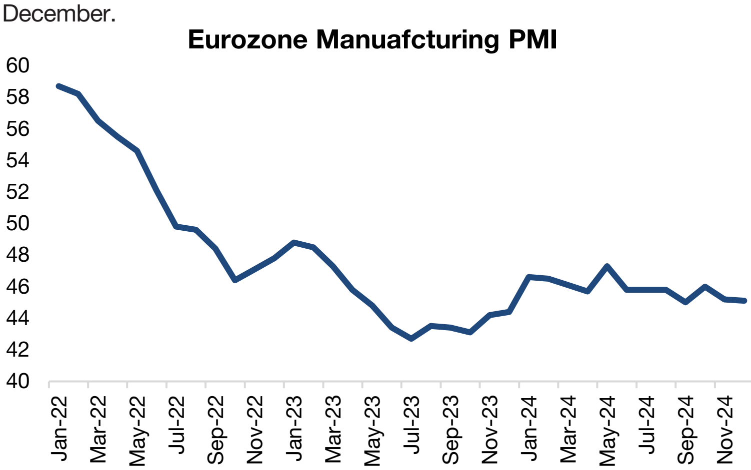
Market Review

International Equities, as measured by the MSCI World Index, were down in the quarter amid growing concerns and uncertainty as a result of the U.S. presidential election outcome. October was the worst month in the fourth quarter, down 5.72%, followed by a positive 0.36% return in November and a modest decline of 2.61% in December. The weakest sectors in the quarter included Real Estate and Materials, with no sector posting a positive return.

European Central Bank policy shift

Eurozone equities were broadly lower in the quarter, driven by weak economic data and political uncertainty in the EU's largest economies, France and Germany.

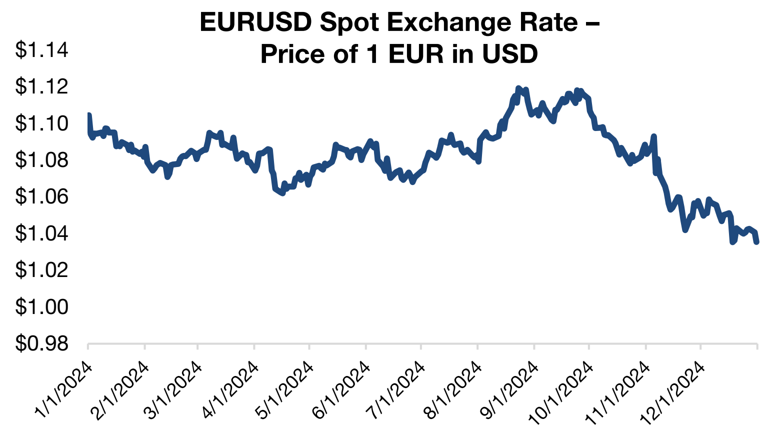
December PMI data highlights deepening manufacturing weakness across Europe, with the Eurozone index falling to 45.1 and the U.K. hitting an 11-month low at 47.0. Contracting PMI combined with moderating inflation falling below the 2% target resulted in a central bank policy shift from inflation control toward economic growth. The ECB implemented two back-to-back rate cuts for the first time in 13 years, reducing rates by 25 basis points in both October and December.



Source:S&P Global

Euro depreciation could be a positive for growth

The euro declined to its lowest level in a year as investors bet on more aggressive rate cuts relative to other major central banks and feared the impact from the proposed tariffs by the new U.S. administration. However, accommodative monetary policy could also support the currency longer term by boosting the economic growth outlook. A fall in the euro makes exports cheaper – a positive for Europe's automakers, industrials and luxury retailers, for example, as well as for Germany, which is highly reliant on exports.



Source: Bloomberg

A call for action to reform European economic policy

European lawmakers are increasingly under pressure from the new U.S. administration, whose proposed policies for deregulation, lower corporate taxes on domestic production, and tariffs are expected to undermine the EU industrial position.

Mario Draghi, the former president of the European Central Bank, presented a 400-page document, "The Future of European Competitiveness," outlining the need for major policy reforms that will stimulate innovation and improve competitiveness in the EU. A key element of Draghi's policy recommendations is ramping up investments by €800 billion or approximately 5% of European Union GDP to digitalize, decarbonize the economy, and increase Europe's defense capacity. The report argues that integrated capital markets will attract more venture capital and private equity investment in the region and allow for larger-scale growth. In his report Draghi highlights the need for simpler and more flexible regulation, pointing out the high regulatory costs for small and medium-sized enterprises – a narrative that was also a key part of Trump's reelection campaign.

Draghi's report, which was commissioned by President of the European Commission Ursula von der Leyen, is set to serve as a road map and shape the policy priorities for the next five-year term of the EU's executive.

While we do not expect rapid change, we believe that incremental changes will improve investor and corporate confidence and drive higher private investment in areas that intersect with Draghi's main pillars: 1) accelerate innovation; 2) lower energy prices while continuing to decarbonize; and 3) strengthen industrial capacity for defense and space. We remain positive on smaller-capitalization companies in Europe which could quickly take advantage of the opportunity to grow and expand into new markets.

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THB holdings that are well positioned to benefit from Draghi's proposals on energy and security independence are Subsea7 and Huber+Suhner.

Subsea7 (SUBC-NO)

Subsea7 is well positioned to help Europe's decarbonization goals with a strong presence across the offshore energy landscape, including lower-carbon oil and gas, carbon capture and storage, fixed and floating offshore wind, and emerging energies such as hydrogen. The company provides project management, engineering and construction services across the full field lifecycle. It owns and operates a fleet of high-specification vessels used in the buildout of subsea infrastructure in all water depths. They install foundations of inner array cables for fixed and floating wind farms, and have capacity to decommission large-scale infrastructure in both oil & gas and wind markets. The company manages all aspects of the projects, including regulation, technology, environment, planning and execution, and incorporates new technologies and standardization into the design to lower the total cost of development and optimize emissions. The company has a strong backlog of $5.3 billion for execution in 2025 and a robust subsea tender pipeline of over $20 billion and is seeing improved industry dynamics in offshore wind in its largest markets (Germany, Netherlands and the U.K.) supported by cost stability and supportive regulatory and political context.

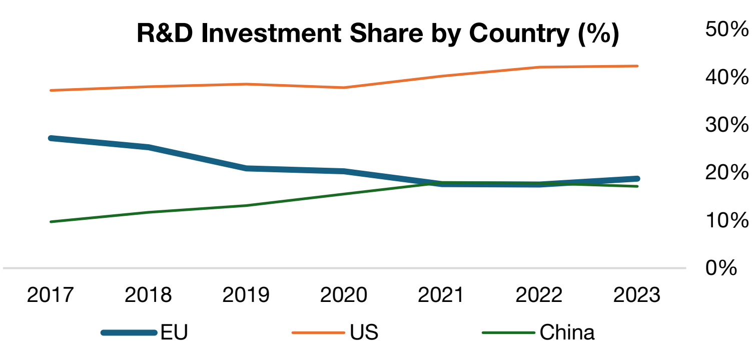
Huber+Suhner

Huber+Suhner is a manufacturer of components and systems for electrical and optical connectivity serving the industrial, defense, and communication markets. Its business is expected to grow from a number of ongoing and emerging trends, including 1) infrastructure expansion for data centers, 2) increasing defense spending globally, and 3) the expansion of railroad infrastructure as a result of urbanization and electromobility. The company has pricing power as the sole source provider for many customers and has a leading position in niche applications. About two-thirds of its revenue comes from customized solutions, resulting in higher revenue visibility and a stable margin profile. We believe that the ongoing investments in space and defense, data centers, smart grids, and power generation distribution will continue to drive demand for its products in the coming years.

European companies have accelerated their R&D spend in recent years

The Draghi report addresses the urgent need for faster productivity growth in Europe and acknowledges that Europe has fallen behind the U.S. due to its underinvestment in digital technology. U.S. global dominance in the technology sector has become more evident in recent years, with the top three U.S. tech giants being worth more than $3 trillion each. The technology race intensified and the gap widened in 2021, when EU companies lost significant share of the global R&D spending to the U.S. and China. While Europe was in recovery post-pandemic, U.S. and Chinese companies sharply increased their R&D investments in 2021. As a result, the share in global R&D investment of EU companies decreased to 17.6% from 20.3% in the prior year, and that of U.S. companies reached 40.2% in 2021 from 37.8% in 2020.

R&D Investment Share by Country (%)



Source: EU Industrial R&D Investment Scoreboard

However, this trend has already started to shift as the private sector is increasingly allocating resources toward innovation. EU firms led R&D growth in 2023, increasing R&D investments by 9.8% nominally, outpacing U.S. companies (5.9%) for the second consecutive year and narrowing the R&D gap with the U.S. according to the 2024 EU Industrial R&D Investment Scoreboard, which analyses the world's top 2,000 industrial R&D investors, responsible for over 85% of R&D performed by the business sector globally.

A portfolio holding which has historically led its peers in R&D spend and is helping business improve labor productivity is ATOSS Software.

ATOSS Software (AOF-DE)

ATOSS has developed proprietary software designed to help companies enhance employee productivity and save costs through workforce optimization. We believe ATOSS to be an attractive, structural play on the need for higher labor productivity, the desire to overcome a shortage of skilled labor, and the necessity of incorporating a focus on digitalization. We think ATOSS has managed to build a market-leading position through continuously investing around 20% of its sales into R&D. ATOSS is transitioning its business model toward a cloud-hosted subscription model. The shift is driving greater revenue visibility, higher revenue growth, and higher margins. ATOSS is one of the biggest investors in R&D as a percentage of sales in the software sector in Europe.

We think ATOSS continues to be an attractive investment opportunity due to its high ROIC, good cash conversion and solid balance sheet, and we expect further upside to come from an improving recurring revenue profile.

BENCHMARK PERFORMANCE

The MSCI World ex USA Small Cap Index (the "Index") returned -7.86% (USD) in 4Q 2024. Financials (-0.24%) was the best performing sector, followed by Energy (-4.76%) and Consumer Discretionary (-6.04%). Real Estate (-13.95%) was the worst performing sector, followed by Materials (-11.66%) and Health Care (-10.55%).

PORTFOLIO PERFORMANCE & POSITIONING

The THB International Opportunities Strategy returned -10.69% (net of fees) in Q4, underperforming the Index by 283 bps.

Contributors to the portfolio's performance included stock selection in Canada, Australia, and France. Detractors from performance included stock selection in Japan, underallocation to Israel, and overallocation to Switzerland.

From a sector perspective, primary contributors to performance mainly came from underallocation to Real Estate as well as stock selection in Materials and Energy. Stock selection in Consumer Discretionary, Financials, and Information Technology were primary detractors from performance this quarter.

THB's top five performing stocks (from a contribution standpoint) were MDA Space, Ltd. (Canada, Industrials, +0.46%); Technology One, Ltd. (Australia, Information Technology, +0.17%); Anritsu Corporation (Japan, Information Technology, +0.13%); Fujitec Co., Ltd. (Japan, Industrials, +0.11%); and Technip Energies NV (France, Energy, +0.08%).

The bottom five performing stocks (from a contribution standpoint) were Sesa S.p.A. (Italy, Information Technology, -0.36%); Daikokutenbussan Co., Ltd. (Japan, Consumer Staples, -0.28%); Team Internet Group plc (United Kingdom, Communication Services, -0.26%); Revenio Group Oyj (Finland, Health Care, -0.26%); and Kura Sushi, Inc. (Japan, Consumer Discretionary, -0.24%).

The Strategy's companies continue to deploy capital with the goal of increasing shareholder value. They announced 19 share repurchase authorizations and 29 acquisitions in the fourth quarter.

Outlook

Despite the current economic and political challenges, European equities remain attractive at current valuations. As we get more clarity on the new political agenda in the U.S. and Europe, we believe companies as well as investors will gain more confidence and start redeploying capital. The new Trump administration could actually be a positive force for action in Europe, as politicians recognize the urgency for policy reforms which would improve Europe's global competitive position. Smaller companies are well positioned to benefit from the proposed changes in favor of deregulation, technology investment, and focus on domestic production.

Top 10 Holdings (%)

as of December 31, 2024

Holding	Rep. Account
Trican Well Service Ltd.	1.15
Clarkson PLC	1.13
Westgold Resources Ltd	1.11
Fujitec Co., Ltd.	1.10
Burckhardt Compression Holding AG	1.09
MDA Space Ltd	1.07
Ramelius Resources Limited	1.05
INVISIO AB	1.03
Harvia Oyj	0.98
Horiba, Ltd.	0.98

Region Allocation (%)

as of December 31, 2024

Region	Rep. Account
Asia-Pacific	48.52
Europe	41.15
N. America	9.93
Cash/Other	0.39

Performance

Average Annual Returns (%) as of December 31, 2024

THB International Opportunities Composite	QTD	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception (April 2015)
Gross of Fees	-10.41	-2.50	-2.50	-10.29	0.29	–	7.89
Net of Fees	-10.69	-3.71	-3.71	-11.40	-0.94	–	6.60
MSCI World ex. U.S. Small Cap Index (Net)	-7.86	2.76	2.76	-2.77	2.87	–	5.21

Past performance cannot guarantee future results. Returns for periods greater than one year are annualized. Returns are expressed in U.S. dollars and reflect the reinvestment of dividends and other earnings. Composite and benchmark returns are presented net of non-reclaimable withholding taxes, if any. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net-of-fees returns reflect gross performance less investment management fees. Net-of-fees returns are calculated by deducting 1/12 of the highest tier of the standard fee schedule in effect for the period noted (the model fee). The composite model fee for each period is either the highest tier of the current fee schedule or a higher value, whichever is required to ensure the model composite net-of-fee return is lower than or equal to the composite net-of-fee return calculated using actual fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available on request and may be found on Part 2A of its Form ADV.

All investments carry a certain degree of risk including the possible loss of principal, and an investment should be made with an understanding of the risks involved with owning a particular security or asset class. Interested parties are strongly encouraged to seek advice from qualified tax and financial experts regarding the best options for your particular circumstances.

The information in this article is based on data obtained from recognized services and sources and is believed to be reliable. Any opinions, projections or recommendations in this report are subject to change without notice and are not intended as individual investment advice. The securities highlighted, if any, were not intended as individual investment advice. A complete list of all holdings for the previous 12 months, each holding's contribution to the strategy's performance, and the calculation methodology used to determine the holdings' contribution to performance is available on request. Victory Capital Management Inc., and its affiliates, as agents for their clients, and any of its officers or employees, may have a beneficial interest or position in any of the securities mentioned, which may be contrary to any opinion or projection expressed in this report.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style.

The THB International Opportunities Composite contains fully discretionary international equity accounts and for comparison purposes is measured against the MSCI World ex USA Small Cap Index. The returns for the MSCI World ex USA Small Cap Index presented are net of withholding taxes. As of January 1, 2016, the composite name changed from "International Composite" to "International Opportunities Composite." Prior to January 1, 2016, the benchmark was the MSCI World ex USA Micro Cap Index. This benchmark change was made to more accurately reflect the investment strategy of the composite. The minimum account size for this composite is $100,000. The objective of the 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 product typically holds 130–160 securities and has a high active share.

The MSCI World ex USA Small Cap Index captures small-cap representation across 22 of 23 developed markets (DM) countries (excluding the United States). WIth 2,530 constituents, the index covers approximately 14% of the free-float-adjusted market capitalization in each country.

Index returns are provided to represent the investment environment during the periods shown. Index performance does not reflect management fees, transaction costs or expenses that would be incurred with an investment. One cannot invest directly in an index. **Past performance does not guarantee future results.**

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