THB INTERNATIONAL OPPORTUNITIES STRATEGY QUARTERLY COMMENTARY

THB Asset Management℠

As of June 30, 2022

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 3.13% for the recent quarter and was 4.08% behind for the trailing one-year period (net of fees).

MARKET REVIEW

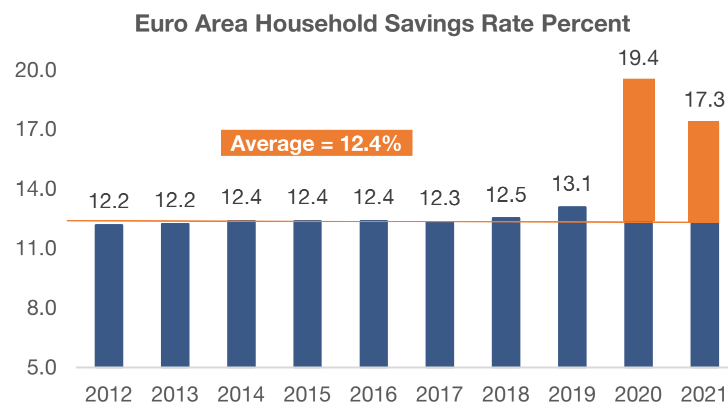
International Equities were broadly lower this quarter and delivered volatile performance as investors continued to digest inflation, supply chain issues, recessionary fears, and monetary policy moves around the world. Most central banks are on a tightening course, attempting to control inflation by raising interest rates. At its June meeting, the U.S. Federal Reserve (the “Fed”) announced a 75 bps rate hike and made it clear to the market that they may increase the tempo and scope of future rate hikes. Both the Swiss National Bank and the Bank of England announced policy rate increases as well. The European Central Bank is outlining a less aggressive route, scheduling a small rate hike in July, which will bring the rate to zero. The Bank of Japan, however, reiterated its commitment to avoid deflation and was the only major central bank still embarking on a significant asset purchase program. The specter of higher interest rates continued to pressure high-multiple equities, and growth underperformed across all capitalization ranges. Large-cap companies outperformed this quarter, with the MSCI World ex USA Index returning -14.66% versus the MSCI World ex USA Small Cap Index return of -17.94%.

Boil to Simmer

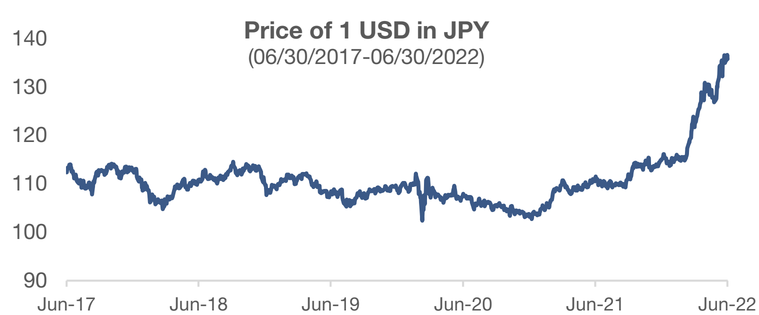
The strength of the European consumer is fueling optimism that a recession could be avoided, emboldening the European Central Bank to cement plans for the first interest-rate increase in more than a decade. There are several factors that could help manage a softer landing:

1. The consumer remains resilient, while
2. Euro/dollar parity could foster higher export demand, and
3. High inflation may be showing early signs of moderation

Unlike the Fed, European policymakers are not trying to cool down an overheating economy. In Europe, consumption hasn’t even recovered to its pre-pandemic levels. In ordinary times, Europeans save around 12 percent of their income. But as families stayed at home and furlough schemes supported income during the pandemic, this savings rate increased sharply to almost 19% in 2020 and 17% in 2021. The IMF estimates that households in the euro area saved nearly 1 trillion euros more in those two years than they would have done without the pandemic. Additionally, the appreciation of the dollar has turned Europe into a more attractive destination for the American traveler. According to Allianz, travel to Europe is expected to be up 600 percent over last summer.



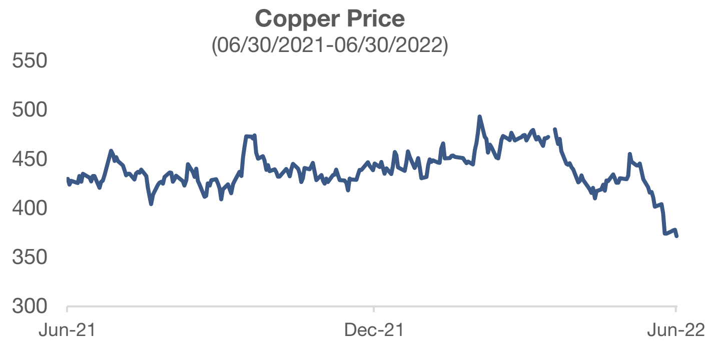
Source: Eurostat



Source: Bloomberg

Commodity prices have begun to moderate from peak levels as supply catches up with the demand surge experienced across the various complexes. Falling prices are likely a result of the confluence of normalizing demand patterns, less urgent restocking, and improving supply chains. Broad-based declines in commodities will work through the various inflation readings in the coming quarters.

Source: Bloomberg

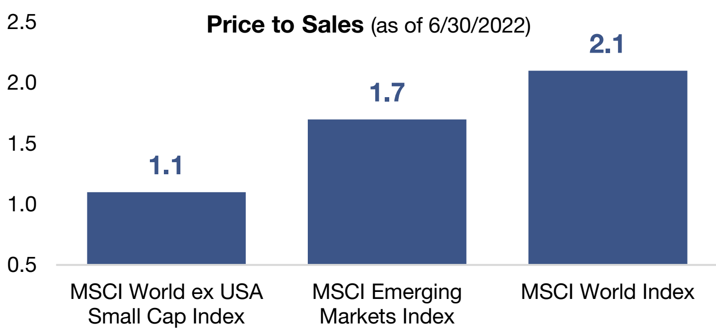


Source: Bloomberg

Uncertainty mixed with fear…

It is undoubtably a period of uncertainty, as a host of crosscurrents engulfs the market on many fronts. During times of uncertainty, we find it useful to home in on what IS known and focus our efforts on what can be identified and understood. This can be far more fruitful than worrying about or attempting to predict factors which are beyond the forecasting scope of even the brightest minds on Wall Street. We believe valuations for international small-cap stocks are attractive on a relative and absolute basis.

Positive known elements we see in today's market



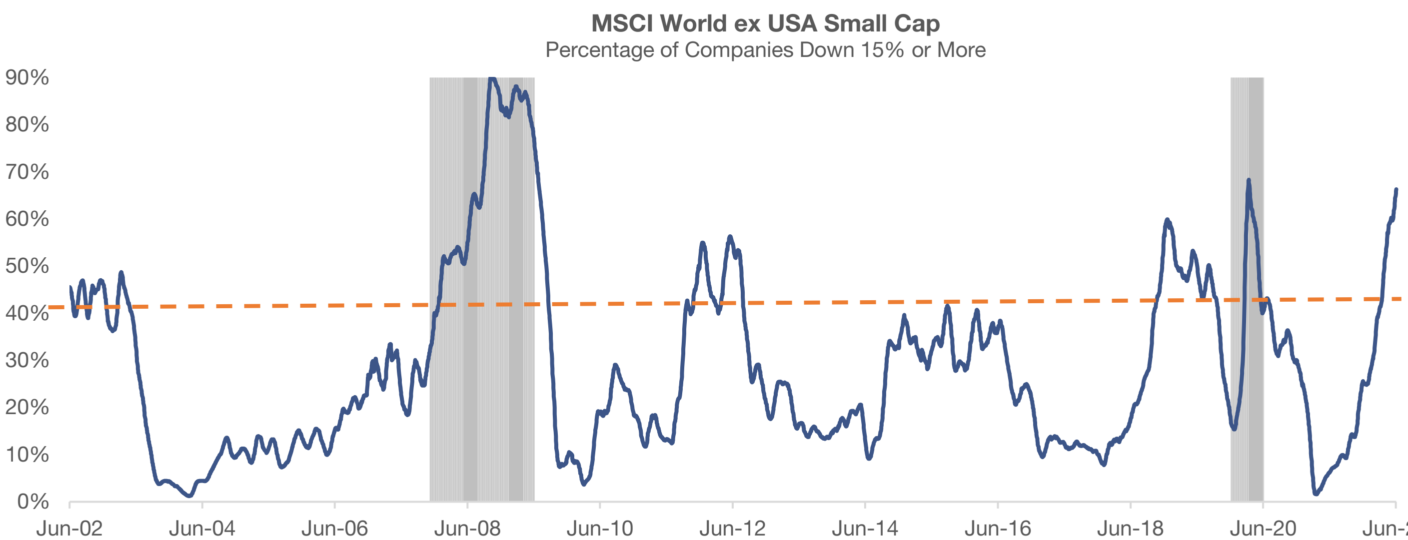
Source: Capital IQ, THB

Currently, 65% of MSCI World ex USA Small Cap Index companies are down more than 15% in the trailing one-year period. Such broad pullbacks are rare occurrences, having occurred only six times in the prior 20 years. The breadth is indicative of indiscriminate selling and mispricing. We believe environments such as this are filled with opportunities for active managers.

Taking advantage of fear and uncertainty has historically delivered solid forward returns.

Forward 1 year Returns when above 35%

	MSCI World ex USA Small Cap Index	MSCI ACWI Index
November-02	50%	21%
March-09	75%	56%
July-12	24%	21%
January-19	12%	17%
March-20	65%	55%



Source: Capital IQ, THB

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Onshoring will provide a positive background for capital spending

Wage inflation and onshoring may drive an increased level of corporate capital spending to mitigate cost pressures through productivity and efficiency improvements. The deteriorating geopolitical climate (and resulting economic impacts of Russia's invasion of Ukraine and China's prolonged Covid-19 lockdowns) may spur faster movement to onshore various production capabilities. Domestic companies should stand to benefit from these actions.

The Banking system remains solid

The latest survey from the European Union Chamber of Commerce in China showed that almost one-quarter of European companies in China are reviewing their investments and were "considering shifting" current or planned investments outside China's borders. The survey also highlighted rising fears and greater "attention in boardrooms" over worsening geopolitical tensions stemming from Russia's invasion of Ukraine, with 7% of European companies operating in China saying they were reviewing investments directly because of the war in Ukraine.

Post the 2008 global financial crisis (GFC), various regulations and capital requirements put in place have served to strengthen the financial system. Many riskier financial elements, such as collateralized loan obligations (CLOs, used to fund private equity deals) and cryptocurrencies, remain outside of the banking system. A sound financial system is critical for avoiding deep, prolonged recessionary environments. According to data from the European Central Bank, the share of non-performing loans (NPLs)—defined as over 90 days in arrears—dropped to just 1.95% in the first quarter of this year. It marks the lowest level since records began in the second quarter of 2015, reflecting strong capital and liquidity positions.

Moderating Inflation

Market-implied inflation expectations are slightly moderating. In June the five-year five-year forward inflation swap rate, a measure of inflation, hit its lowest point since March 4 at 2.05%, coming close to the 2.00% target of the European Central Bank.

5-year, 5-year EUR Inflation Swap Rate
(06/28/2019 -06/30/2022)

Source: Bloomberg

BENCHMARK PERFORMANCE

The MSCI World ex USA Small Cap Index (the "Index") returned -17.94% (USD) in 2Q 2022.

Energy (-9.15%) was the best performing sector, followed by Utilities (-9.40%) and Consumer Staples (-10.40%). Materials (-24.62%) was the worst performing sector, followed by Information Technology (-21.96%) and Real Estate (-20.08%).

Hong Kong (-3.65%) was the best performing country, followed by Singapore (-7.92%) and Ireland (-8.36%). Sweden (-29.53%), Australia (-25.45%), and Norway (-24.61%) were the worst performing countries in the Index.

PORTFOLIO PERFORMANCE & POSITIONING

The THB International Opportunities Strategy returned -21.07% (net of fees) in Q2, underperforming the Index by 313 bps.

Contributors to the portfolio's performance were stock selection in Sweden, underallocation to Canada, and stock selection in Norway. Detractors from performance included stock selection in Japan, Canada, and Singapore.

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

THB's top five performing stocks (from a contribution standpoint) were Hexatronic Group AB (Sweden, Industrials, +0.1%); u-blox Holding AG (Switzerland, Information Technology, +0.1%); Magseis Fairfield ASA (Norway, Energy, +0.1%); Infomedia Ltd. (Australia, Information Technology, +0.1%); and Shoei Co. Ltd. (Japan, Consumer Discretionary, +0.0%).

The bottom five performing stocks (from a contribution standpoint) were Johns Lyng Group Ltd. (Australia, Industrials, -0.7%); Treatt plc (United Kingdom, Materials, -0.6%); Karora Resources, Inc. (Australia, Materials, -0.5%); PWR Holdings Ltd. (Australia, Consumer Discretionary, -0.5%); and secunet Security Networks AG (Germany, Information Technology, -0.5%).

The Strategy's companies continue to deploy capital with the goal of increasing shareholder value. They announced 14 share repurchase authorizations and 32 acquisitions in the first quarter.

We increased our position size in CropEnergies this past quarter. CropEnergies is the third largest producer of ethanol in Europe. The biorefinery concept that CropEnergies fulfills has huge advantages for the integrated production of food, feed and biofuels: out of 1 tonne of grain, CropEnergies produces 300 kilograms of ethanol, 400 kilograms of protein-rich food and animal feed products, and 300 kilograms of biogenic carbon dioxide. Biofuels play a key role in reducing the GHG footprint of fuels and provide a significant contribution to greenhouse gas emissions reduction targets in Europe, resulting in multiple short- and long-term demand drivers for the company. The European Parliament and the Council are currently discussing a renewed increase in the targets for renewable energies. The company is benefiting from increased prices of ethanol and blending in Europe, driven by the general price increases in commodity and energy markets as well as by strong end-market demand.

OUTLOOK

The uncertainty which took hold in the market and economy this quarter can cause volatility, but also presents predictable patterns and opportunities. As fear spreads, worst-case scenarios morph into the base case, and irrational behavior ensues. This has happened numerous times in the past and will continue to happen in the future. We believe these periods provide a wealth of alpha opportunities as the level of mispricing within our universe increases.

As the market recalibrates to a changing economic, monetary and geopolitical regime, dislocation is taking place, providing great long-term investment opportunities.

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Top 10 Holdings (%)
as of June 30, 2022

Holding	Rep. Account
Judges Scientific plc	1.69
u-blox Holding AG	1.58
El.En. S.p.A.	1.46
Shoei Co. Ltd. (7839)	1.35
Johns Lyng Group Ltd	1.28
Kainos Group PLC	1.25
NEXUS AG	1.21
SeSa S.p.A.	1.2
Focusrite PLC	1.19
Kardex Holding AG	1.14

Region Allocation (%)
as of June 30, 2022

Region	Rep. Account
Asia-Pacific	38.86
Europe	55.42
N. America	3.89
Cash	1.83

Performance
Average Annual Returns (%) as of June 30, 2022

THB International Opportunities Composite	QTD	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception (April 2015)
Gross of Fees	-20.82	-31.34	-26.19	2.42	4.24	–	9.98
Net of Fees	-21.07	-31.76	-27.10	1.18	2.97	–	8.69
MSCI World ex. U.S. Small Cap Index (Net)	-17.94	-23.87	-23.02	1.97	2.16	–	4.32

Past performance cannot guarantee future results. Performance returns for periods of less than one year are not annualized. Returns include reinvestment of dividends and capital gains. 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 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.

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The holdings and sector diversification are presented to illustrate examples of the portfolio's investments and may not be representative of the portfolio's current or future investments. Holdings are as of a point in time and may change at any time.

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. Holdings are as of quarter end and may change at any time. This material should not be construed as a recommendation to buy or sell securities.

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.

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