

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 4.49% for the recent quarter and was 1.14% behind for the trailing one-year period (net of fees).

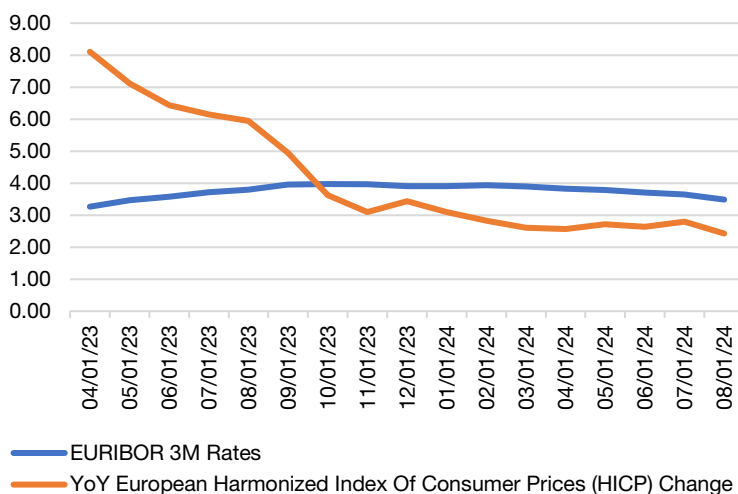
Market Review

Eurozone

European equities exhibited notable gains, predominantly fueled by the Real Estate, Utilities, and Health Care sectors. The prospect of lower interest rates prompted investors to reassess previously undervalued segments of the market. Conversely, the Energy and Information Technology sectors underperformed.

The European Central Bank (ECB) implemented a 25-basis-point reduction in interest rates in September. Concurrently, inflationary pressures began to subside, with annual inflation rates decreasing from 2.6% in July to 2.2% in August, and further to 1.8% in September. While the services sector showed a slight uptick with a PMI reading of 50.5, the overall weakening PMI data, coupled with declining inflation, increased expectations for additional interest rate cuts from the ECB.

Eurozone Inflation and Interest Rates



Source: FactSet

United Kingdom

In the U.K., equities experienced an upswing during the quarter, driven by a decisive Labour Party victory in the general election and an increasing sense of optimism regarding a sustained economic recovery. The Bank of England (BoE) executed its first interest rate cut in four years in August, further enhancing market sentiment.

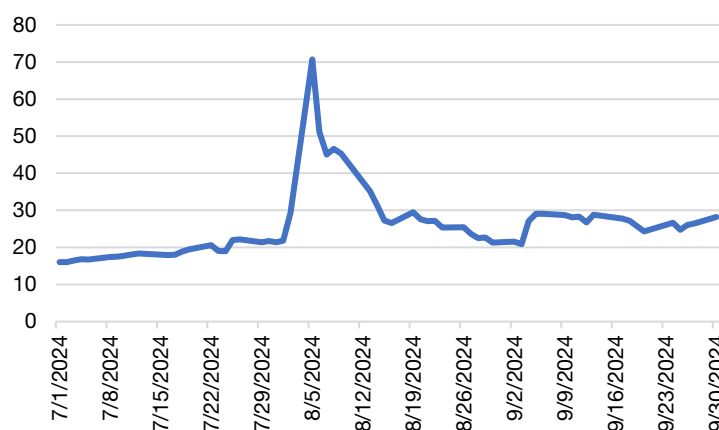
In Prime Minister Keir Starmer’s forewarning of a potentially “painful” budget, he signaled the likelihood of tax increases and spending cuts in response to an estimated £22 billion shortfall in public finances.

Q2 GDP was revised down to 0.5%, a decline from the 0.7% quarter-on-quarter growth recorded in Q1. Additionally, annual inflation, as measured by the Consumer Prices Index, crept up to 2.2% after reaching the BoE’s target of 2.0% in June. The Consumer Staples, Financial Services, and Consumer Discretionary sectors emerged as the top performers during this period, while the Energy sector faced significant challenges.

Japan

Q3 2024 was characterized by unprecedented volatility within the Japanese stock market. The market attained a new zenith in early July, buoyed by positive momentum; however, it experienced a sharp correction toward the end of the month, precipitated by the Bank of Japan’s (BoJ) decision to raise interest rates. This shift in monetary policy engendered considerable fluctuations in the currency market, leading to a marked appreciation of the yen against the U.S. dollar.

Nikkei Volatility Index – Q3 2024

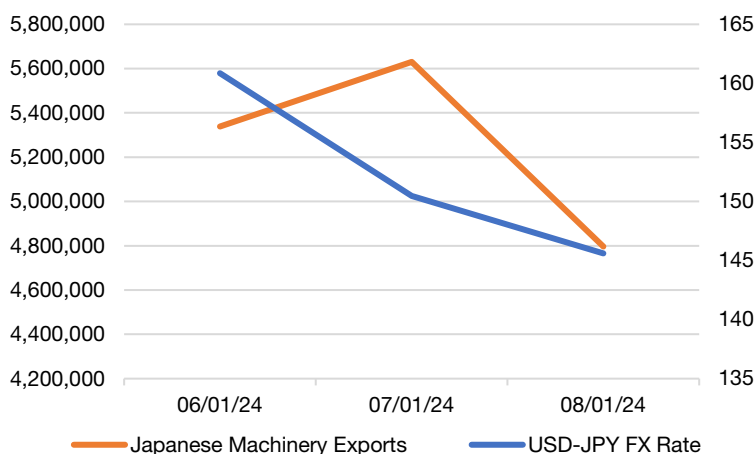


Source: FactSet

As the quarter progressed, Japanese equities began to stabilize toward the end of August and into September. A 50-basis-point rate cut by the U.S. Federal Reserve alleviated concerns regarding a potential slowdown in the U.S. economy. Nonetheless, persistent political uncertainty and tightening monetary conditions resulted in a quarterly return of -4.4% for the TOPIX Total Return Index in yen.

The yen’s strength significantly impacted sector performance; domestically oriented sectors such as Retail, Construction, and Information and Communication exhibited robust performance, while export-driven sectors, particularly Automotive and Machinery, faced headwinds. Additionally, smaller companies demonstrated greater resilience compared to their larger counterparts throughout the quarter.

Japanese Machinery Exports and USD-JPY FX Rate



Source: FactSet

Australasia

In Q3 2024, the Australian and New Zealand economies showed signs of resilience, with GDP growth driven by robust consumer spending and a rebound in the services sector. Despite facing challenges such as high inflation and a tightening monetary policy environment, consumer confidence remained relatively strong, supported by a healthy labor market and rising wages.

BENCHMARK PERFORMANCE

The MSCI World ex USA Small Cap Index (the “Index”) returned 10.45% (USD) in 3Q 2024. Real Estate (+16.89%) was the best performing sector, followed by Consumer Staples (+15.46%) and Consumer Discretionary (+12.66%). Energy (-4.55%) was the worst performing sector, followed by Information Technology (+2.59%) and Financials (+8.87%).

PORTFOLIO PERFORMANCE & POSITIONING

The THB International Opportunities Strategy returned 5.96% (net of fees) in Q3, underperforming the Index by 449 bps.

Contributors to the portfolio’s performance included stock selection in France, underallocation to Denmark, and stock selection in Finland. Detractors from performance included stock selection in the United Kingdom, Japan, and Canada.

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

THB’s top five performing stocks (from a contribution standpoint) were Avant Corp. (Japan, Information Technology, +0.50%); Tracom Co., Ltd. (Japan, Industrials, +0.48%); Daikokutenbussan Co., Ltd. (Japan, Consumer Staples, +0.48%); Esker SA (France, Information Technology, +0.37%); and Sanyo Denki Co., Ltd. (Japan, Industrials, +0.32%).

The bottom five performing stocks (from a contribution standpoint) were Pason Systems, Inc. (Canada, Energy, -0.36%); Next 15 Group plc (United Kingdom, Communication Services, -0.31%); Johns Lyng Group, Ltd. (Australia, Industrials, -0.31%); Tokyo Seimitsu Co., Ltd. (Japan, Information Technology, -0.30%); and Micronics Japan Co., Ltd. (Japan, Information Technology, -0.25%).

The Strategy’s companies continue to deploy capital with the goal of increasing shareholder value. They announced 14 share repurchase authorizations and 31 acquisitions in the third quarter.

A new holding during the quarter is Munters Group AB.

Munters Group AB

Munters Group is a Swedish company operating in the heating, ventilation, and air conditioning (HVAC) market with strong global market shares in climate control products: a 20% share in air treatment and 10% in data centers. They manufacture products with proprietary technology in dehumidifiers and evaporative cooling used in climate control for manufacturing facilities, data centers, and warehouses. They have a strong customer base in a variety of industries, including pharmaceuticals, automotive, food, steel, and data centers. Their long-tenured, blue-chip customers include the likes of Walmart, Target, Pfizer, Intel, Siemens, Tesla, and Mercedes-Benz. In the data center market, they sell to major colocation providers like Equinix, DigiPlex, and Sabey.

In recent years, Munters’ backlog has seen an acceleration in orders from data center customers arising from the global megatrends of high-performance computing and AI. Their backlog has strengthened from both air and liquid cooling orders. Their SyCool™ Split data center cooling system has a patented thermosyphon technology for waterless heat transfer that is well-suited to dry regions. Customers can also upgrade their SyCool™ to closed-loop liquid cooling, which is on pace to grow rapidly due to the higher power density requirements in cutting-edge AI and high-performance computing.

OUTLOOK

Geopolitical uncertainties, particularly in Eastern Europe and the Asia-Pacific region, will continue to influence economic sentiment and investment decisions. Ongoing conflicts and trade relations could lead to volatility in markets. Central banks will play a pivotal role in balancing growth and inflation through their monetary policies. Developed economies will need to navigate complex trade relationships, particularly with emerging markets. Shifts in trade policies and tariffs may create challenges and opportunities for businesses.

Top 10 Holdings (%)

as of September 30, 2024

Holding	Rep. Account
Ramelius Resources Limited	1.30
Daikokutenbussan Co., Ltd.	1.17
Technology One Limited	1.09
AVANT GROUP CORPORATION	1.04
Trican Well Service Ltd.	1.02
Ibstock Plc	0.99
Horiba , Ltd.	0.98
Sanyo Denki Co., Ltd.	0.96
Pason Systems Inc.	0.95
AEON Delight Co., Ltd.	0.95

Region Allocation (%)

as of September 30, 2024

Region	Rep. Account
Asia/Pacific	48.73
Europe	40.54
North America	8.90
Cash/Other	1.83

Performance

Average Annual Returns (%) as of September 30, 2024

THB International Opportunities Composite	QTD	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception (April 2015)
Gross of Fees	6.29	8.83	23.76	-6.98	5.28	–	9.36
Net of Fees	5.96	7.82	22.22	-8.13	3.99	–	8.06
MSCI World ex. USA Small Cap Index (Net)	10.45	11.53	23.36	0.05	6.85	–	6.26

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.

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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.**

Victory Capital Management Inc. (VCM) is a diversified global investment advisor registered under the Investment Advisers Act of 1940 and comprised of multiple investment franchises: Integrity Asset Management, Munder Capital Management, NewBridge Asset Management, RS Investments, Sophus Capital, Sycamore Capital, Trivalent Investments, Victory Income Investors (formerly USAA Investments, a Victory Capital Investment Franchise); the VictoryShares & Solutions Platform, THB Asset Management and New Energy Capital Partners. Munder Capital Management and Integrity Asset Management became part of the Victory Capital GIPS firm effective November 1, 2014; RS Investments and Sophus Capital effective January 1, 2017; Victory Income Investors, effective July 1, 2019; THB Asset Management, effective March 1, 2021, and New Energy Capital effective November 1, 2021. Effective September 1, 2023, INCORE Capital Management is no longer part of the firm definition.

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Victory Capital claims compliance with the Global Investment Performance Standards (GIPS®).

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