THYMOS CAPITAL

GLOBAL EQUITIES LONG ONLY
FEBRUARY 2022

Returns (AUD)	1 month	2 months	3 months	5 months	
Fund	**-6.25**	**-11.76**	**-10.99**	**-6.13**	
MSCI World Index	-5.48	-7.67	-6.19	-2.60	
Active return	**-0.77**	**-4.08**	**-4.80**	**-3.53**	

NAV: A$1.5141
down -6.25%

MSCI World Index
down -5.48%

Thymos Capital

Thymos is an Australian fund manager specialising in global equities. Funds are managed though unique blend of macroeconomic modelling and bottom-up stock quantitative analysis.

Global Equities Long Only

The Fund gives investors a broad exposure to global equities in developed markets. The portfolio is actively managed and aims to achieve above benchmark returns.

LAST MONTH

Equities continued their decline in February as Ukrainian-Russian conflict escalated and sanctions were imposed by the West upon Russia. Oil prices surged on shortage concerns, with investors considering scenarios where supply from Russia is cut off. Money and credit markets became stressed at the margin, with investors pricing greater uncertainty in the world, and potential disruption to USD funding flows from the crisis. Bonds were incredibly volatile, selling off initially on global inflation and tightening concerns and then rallying back on geopolitical and economic growth concerns. Indeed, there was considerable uncertainty across "Wall Street" and "Main Street" about whether the tightening effect of sharply higher oil prices on consumer spending power would outweigh the inflation consequences, in terms of the central bank reaction function.

From a factor perspective, beta and small caps underperformed as one would expect in a market sell off. Quality performed well once bonds started to rally, while value experienced a pause in its recent outperformance. Momentum tracked largely sideways, with noticeable volatility, reflecting the more uncertain environment.

The fund was down 6.25% of which 3% was due to currency, while the USD benchmark was down 2.65%. Quality stocks that our portfolio favours, have experienced significant pressure as markets generally sought oil and gold exposure. However, the drag from value stocks outperformance has evaporated and the pressure on our relative returns has subsided. As a result, the fund has underperformed the benchmark by 0.77%.

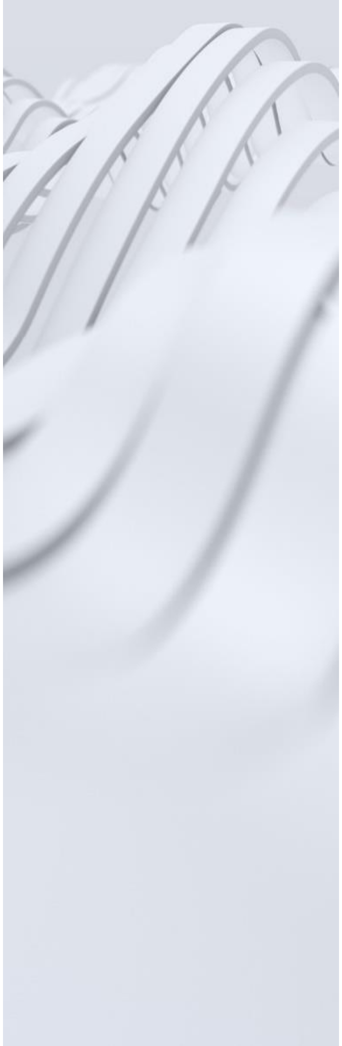
LOOKING AHEAD

Central banks remain wary about inflation risks, with actual inflation well above target, and inflation expectations becoming unanchored. They retain their tightening biases. Our view is that if it is not higher oil prices which hurt economic growth, it is central bank tightening. At the same time, we can see long-term bond yields being constrained by various forces. On the one hand, inflation and central bank tightening can push up rates across the board. On the other hand, slowing growth and weakness in risky assets can increase demand for long-dated bonds.

In these circumstances, we feel that the slope of the yield curve ought to flatten, as short rates rise faster than long-term bond yields. We also think that credit spreads can widen more to match the elevated level of uncertainty in the world. Slowing or constrained growth, signalled by a flattening yield curve, and marginal de-leveraging pressure signalled by wider credit spreads, are not positive developments for value or cyclicals. Rising rates are not good for long-duration growth or quality stocks either. But ultimately, one style or the other needs to outperform by definition. We note that valuation dispersion in the market is well down from peak levels late last year. As such, we think that there is scope for expensive stocks to trade at more of a premium relative to cheap stocks given that they generally are of higher quality and given that high uncertainty warrants some valuation spread between quality and cyclical exposures.

We are overweight quality. We are negative on momentum because we feel there is no clear trend to follow here in such an unstable macro environment. We have modest exposure to value because of cyclical growth risks.

Investors will note that we have been long quality for some time. We feel that we have been right to position defensively, with equities tumbling. But are very disappointed to not have been in the right types of defensive exposures, with cheap defensives having outperformed expensive growth recently. Importantly, we are not stubborn with our tilt to quality. It is what are models are saying. We have revisited and recalculated many times, but we come back to quality every time. Our models are saying that the high volatility, high capacity utilisation and inflation will amount to pressure on GDP growth, balance sheets and growth rates of the firms in coming quarters. Such pressure will see the quality firms with strong balance sheets and consistent growth see better earnings in a relative sense. Moreover, we see the rates quickly peaking as growth slows and inflation peaks which will bring back search for yield and favour quality stocks.



Portfolio	
Number of stocks	300
Largest stock*	2,662,843
Smallest stock*	9,137
Median Turnover*	294

Sectors	Holding
Technology	42.6
Consumer Discretionary	14.4
Healthcare	14.4
Financials	9.5
Manufacturing	5.9
Consumer Staple	5.5
Commercial Services	4.5
Utilities	1.4
Materials	0.7
Real Estate	0.3
Energy	0.6
Industrial Services	0.2

Regions	Holding
Americas	78.5
EMEA	13.7
Asia Pac	7.8

Segment	Holding
Mega Cap	32.8
Large Cap	33.0
Mid Cap	20.2
Small Cap	13.9

Holding as a % of portfolio, * in USD

Disclosure:

There were no material changes to Thymos staff, investment strategy or risk / return profile of the fund. There we no material changes to service providers.

Important information:

The Fund invests in global stocks whose share prices are denominated in many different currencies such as USD, EUR, JPY, CHF, GBP to name a few. The stocks themselves are often global companies operating in many countries. NAV is calculated using month end share prices of The Fund's holdings, converted to AUD at the month end exchange rates. The benchmark is quoted in USD but then converted to AUD returns such that it can be compared to NAV returns on a like for like basis. Overweight and underweight positions are in relation to the universe of global stocks Thymos invests in.

The purpose of this report is to summarise and highlight the main drivers of performance and current portfolio positioning. This report cannot be relied upon for accuracy or completeness. The past returns are not indication of future returns. This report is not an invitation to invest in The Fund. This report is not a financial advice. This report cannot be relied upon as a forecast. You should consult your investment adviser before investing.

For more information, please go to www.thymoscapital.com.au or contact client services on (02) 8277 0000 or email operations@oneinvestment.com.au

Disclaimer:

One Funds Services Limited ("OFSL"), ACN 615 523 003, AFSL 493421, is the issuer and trustee of the Thymos Global Equities Long Only Fund. The material contained in this communication is general information only and was not prepared by OFSL but has been prepared by Thymos Funds Management Pty Ltd ("Thymos"), a Corporate Authorised Representative of One Wholesale Fund Services Ltd ("OWFS"), ACN 159 624 585, AFSL 426503. Thymos has made every effort to ensure the accuracy and currency of the information contained in this document. However, no warranty is made as to the accuracy or reliability of the information. Investors should consider the Information Memorandum ("IM") dated 1 July 2021 issued by OFSL before making any decision regarding the Fund. The IM contains important information about investing in the Fund and it is important investors obtain and read a copy of the IM before deciding about whether to acquire, continue to hold or dispose of units in the Fund. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund. Past performance is no guarantee of future performance. This report does not take into account a reader's investment objectives, particular needs or financial situation and is general information only to wholesale investors and should not be considered as investment advice and should not be relied on as an investment recommendation.