GLOBAL EQUITIES LONG ONLY
MARCH 2022

Returns (AUD)	1 month	2 months	3 months	6 months	
Fund	**-0.27**	**-6.50**	**-11.99**	**-6.39**	
MSCI World Index	-0.93	-6.36	-8.53	-3.51	
Active return	**0.66**	**-0.14**	**-3.46**	**-2.88**	

NAV: A$1.5100

down -0.27%

MSCI World Index

down -0.93%

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.

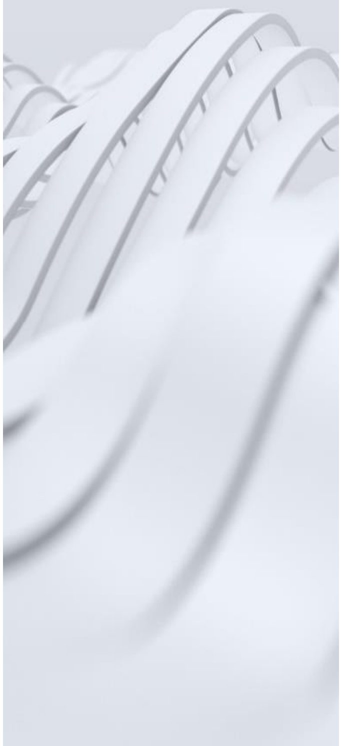
LAST MONTH

Market saw some recovery in March, up 2.5%, but that was more than offset by a rising AUD, a beneficiary of rising inflation in raw materials and energy. Our quality exposures through technology, consumer and healthcare sectors worked well as those saw some recovery from oversold levels. Our lack of exposure in energy, materials, utilities and real estate were a negative. On balance the Fund outperformed the market by 0.66%.

At a factor level, March saw a bottoming out in quality and growth factor performance, and a topping out in value factor performance. At an asset allocation level, equities rallied and volatility fell sharply as investors positioned for de-escalation of conflict in Ukraine. Rates pricing moved up noticeably on inflation concerns and talk from Fed officials that 50bps rate hikes are on the agenda in upcoming meetings. However, the yield curve flattened, with short rates rising faster than long-term bond yields. Indeed the curve even inverted in parts signalling peak interest rates in the next 2 years and a possible recession.

Market participants are actively debating what the shape of the yield curve means. For the optimists, a lot of rate hikes are priced into the front-end of the curve - possibly more than the Fed itself is happy to deliver. As such, the Fed could always choose to under-deliver on hikes, delivering a positive surprise for markets. For the pessimists, inversion means that the Fed will overtighten, causing a probable hard landing in the real economy and a major drawdown in multi-asset portfolios around the corner. Pessimists also believe that aggressive rate hikes may be priced into bonds - but they are not necessarily priced into other asset classes.

LOOKING AHEAD



We are long quality factors. We think it is quite telling that long duration quality and growth stocks are starting to outperform despite a sell off in long-duration government bonds higher bond yields therein. On the flipside, we think it is very interesting to see value factors underperform, as the yield curve flattens in parts, signalling deteriorating growth expectations.

We can see why quality and growth are outperforming and believe this can continue. Multiple dispersion is no longer as wide as it was at the end of 2021. Many quality and growth stocks are simply not trading at exorbitantly stretched multiples anymore. At the same time, sense that macro uncertainty is on the rise and are willing to pay up for more long-term or defensive earnings streams. Further, with the yield curve flattening and inverting in parts, investors are starting to see peak rates, which helps to cap the discount rate applied to equities and support the valuations of low-beta and long-duration stocks.

On the value side of things, we are nervous about slowing growth and possible hard landing, because value stocks tend to have high operational or financial leverage. We worry in particular that the Fed is tightening aggressively into a slowdown in order to bring inflation back down. The actuality of tightening - and not just the expectation of it - will have real economy and cross-asset implications. In the first place, it is likely to put upward pressure on the USD and downward pressure on emerging market (EM) currencies pegged to it. This could cause capital flight from the EM complex and make liquidity management for EM central banks extremely difficult. Secondly, tightening and (future) shrinkage of the Fed's balance sheet could undermine credit pricing in a slower growth environment, risking tighter borrowing conditions for the broader economy. Thirdly, we are already seeing the housing sector slow in response to higher bond yields and mortgage rates, noting that in the US, mortgage rates are priced off the long-end of the curve.

Very long-term, we are open to value making a comeback. But in the near term, there is too much uncertainty and adjustment caused by the Fed taking a single-minded approach to combating inflation and evolving geo-politics. We prefer to position defensively and bide our time for a better entry point into value. Finally, we have low conviction in momentum factors because high uncertainty implies inflection points in the cycle to come, which could wrong-foot backward-looking, trend-following strategies.

Portfolio	
Number of stocks	300
Largest stock*	2,844,642
Smallest stock*	9,839
Median Turnover*	300

Sectors	Holding
Technology	42.4
Consumer Discretionary	14.7
Healthcare	13.9
Financials	8.0
Manufacturing	6.0
Consumer Staple	5.4
Commercial Services	6.0
Utilities	1.2
Materials	0.9
Real Estate	0.5
Energy	0.8
Industrial Services	0.2

Regions	Holding
Americas	78.2
EMEA	14.6
Asia Pac	7.2

Segment	Holding
Mega Cap	33.4
Large Cap	32.5
Mid Cap	21.0
Small Cap	13.1

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