

Returns (AUD)	1 month	3 months	6 months	7 months
Fund	-3.95	-10.20	-10.94	-10.09
MSCI World Index	-3.24	-9.40	-6.93	-6.63
Active return	-0.71	-0.80	-4.01	-3.45

NAV: A\$1.4503

down -3.95%

MSCI World Index

down -3.24%

Thymos Capital

Thymos is an Australian fund manager specialising in global equities. Funds are managed through 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

Global equities tried to stage a relief rally in March. But the correction resumed in April, with the S&P 500 falling by 8.8% over the month, and the NASDAQ falling by 13.3%. Strong USD has helped AUD returns with the fund down 3.95%, underperforming the benchmark by 71bps.

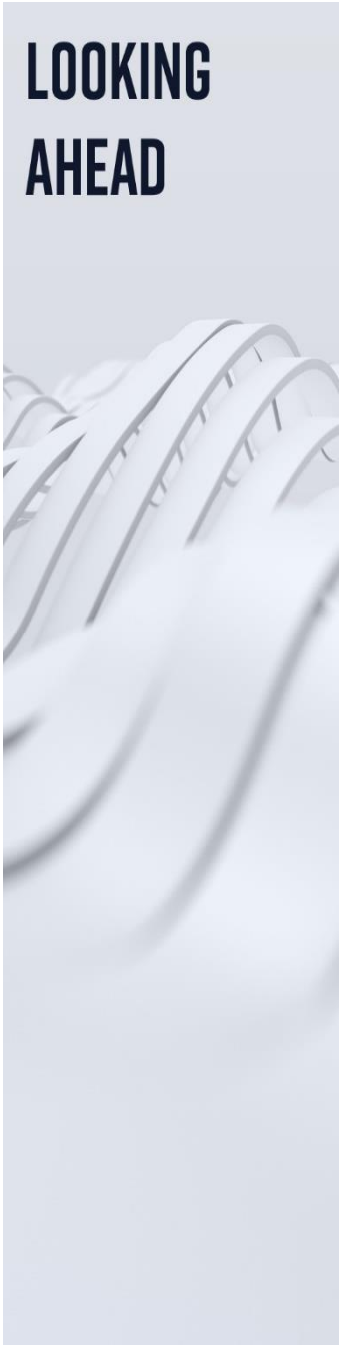
Bonds sold off with equities, with 10-year yields reaching a new cycle high of 2.93% from 2.34% at the end of March. Investors have expressed their concerns about persistently high inflation causing the Fed to raise rates very aggressively, with money markets pricing in four consecutive 50bps rate hikes. Not only has this negatively impacted stock market valuations - it has also started to weigh on growth in the real economy.

We have started to see evidence of Fed rate hikes negatively impacting the US housing market. Mortgage purchase applications have fallen sharply in response to higher long-term mortgage rates which have traditionally been priced off long-term bonds rather than the cash rate.

We have also started to see evidence of Fed rate hikes pushing up the USD and negatively impacting the emerging market (EM) complex. Amid widespread lockdowns, China has allowed the CNY/USD to depreciate at the sharpest pace since the 2015 devaluation. But lockdowns are not the whole story, because the carry trade appeal of the CNY.USD has diminished.

Weakness in banks, homebuilders and resources has started to undermine cyclical momentum and value investing more generally. Defensives have prevailed in April. But long-duration growth and technology stocks have continued to take hits from multiple compression and earnings downgrades, the main source of the fund's underperformance.

LOOKING AHEAD



We can see more risk for markets ahead until the Fed is sidelined from aggressive tightening. With inflation still very high on the back of geo-political developments, persistent supply chain disruptions and accelerating wages growth, it is hard to see the Fed not raising rates in the foreseeable future.

Our concern is that the Fed tightens too much, too quickly, whether through rate hikes, balance sheet reduction or some combination of the two. Indeed, the Fed is already tightening into a slowdown. Reflecting overtightening risks, the yield curve is very flat in certain segments, and investors are pricing in a 2023/24 easing cycle after aggressive hikes this year.

Typically, value factors do well when the yield curve steepens. But we see the curve flattening which is keeping us largely out of value segment.

We are negative on momentum as uncertainty, measured across equity, bond and news-flow based metrics, is extremely high by historical standards. When uncertainty is high, leveraged investors tend to de-risk their portfolios by selling their most cherished and crowded positions first, which tends to wrong foot trend-following investors.

We prefer quality. We are disappointed that higher growth and lower-leveraged technology names within the quality bucket continue to underperform for a variety of reasons. But by the same token, we are encouraged by the fact that the defensive characteristics of quality stocks more generally are starting to re-assert themselves, in contrast to the situation in January and February.

Disclosure:

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

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