THYMOS CAPITAL

GLOBAL EQUITIES LONG ONLY
JUN 2022

Returns (AUD)	1 month	3 months	6 months	9 months	
Fund	**-4.45**	**-10.23**	**-21.00**	**-15.96**	
MSCI World Index	-4.83	-8.93	-16.70	-12.12	
Active return	**0.38**	**-1.31**	**-4.30**	**-3.85**	

NAV: A$1.3555

down -4.45%

MSCI World Index

down -4.83%

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.

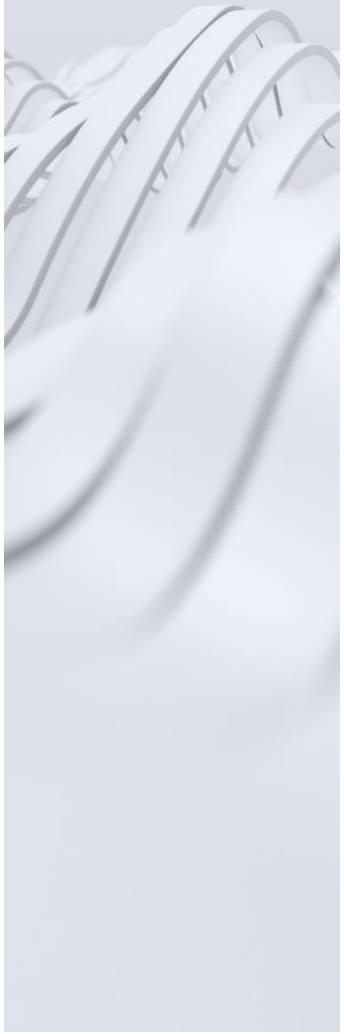
LAST MONTH

Rates volatility continued in June, with the US 10-year bond yield hitting 3.5% before tumbling below 3% on recession fears. Money markets have priced in a few more rate hikes from the Fed through to September, followed by easing in early 2023. The view has emerged among investors that sharply slower growth should pull down inflation, especially given the potential for weakness in new orders to meet bloated inventory levels, causing liquidation of excess stock. Investors have also noticed that flat-to-down oil prices should contribute to lower headline CPI inflation. Finally, investors have started to price in the prospect of higher unemployment, taking the edge off wage inflation.

The USD strengthened over the month, contributing to weakness in commodity prices. USD strength was partly the result of EUR fragmentation fears, as the ECB attempts to stop QE as a precursor to rate hikes, effectively cutting off member states from risk-free financing. USD strength was partly also the result of JPY weakness, with the BoJ caught in a vicious feedback loop of easing against grain of Fed tightening, causing devaluation of the currency, an uplift in imported inflation and upward pressure on bond yields, in turn encouraging the BoJ to double down on its easing stance.

The S&P 500 fell 8.3% in June. Investors have recognized material downside earnings risk as the US economy appears to have entered recession in 1H. Interestingly, market leadership has changed relative to the start of the year. Whereas in early 2022, the story was about momentum and value outperforming and quality and growth underperforming, in June, we saw a reversal of the factor leaderboard. Weakness in commodity prices has contributed to underperformance of the value bucket, while the turnaround in Fed pricing has supported long-duration growth stocks..

LOOKING AHEAD



Looking ahead, we think bond yields have peaked as recession fears increasingly trump inflation concerns. We feel that much of the case for inflation earlier in the year was driven by cyclical factors and geo-political developments reinforcing the structural inflationary forces of de-globalization, de-dollarization and de-carbonization. But with the US economy clearly shrinking and the USD strengthening rather than weakening into a downturn, some of these concerns should be allayed. We expect the yield curve to flatten as the Fed continues hiking rates, but investors worry about easing on the other side.

Historically, curve flattening and inversion goes hand in hand with weakness in the cyclical earnings outlook and potential de-leveraging pressures. These factors tend to hurt the performance of cheap cyclicals and financials. But on the flipside, lower bond yields tend to support long-duration quality and growth exposures. Within the quality bucket, the question is whether we should position in more defensive names or accumulate beaten-up growth stocks. When we note that defensive names are already up significantly relative to the market, that market uncertainty is high and that rates uncertainty should peak as the Fed gets closer to neutral, there is a powerful case to position against market momentum by building exposure to growth. More generally, we worry about momentum reversal risks, either because of disorderly market conditions or because of a dovish Fed pivot that could wrong-foot investors positioning for higher-for-longer inflation and rates.

To summarize our factor positioning, we are long quality, short momentum, slightly short value and slightly short small caps.

Portfolio	
Number of stocks	300
Largest stock*	2,248,607
Smallest stock*	8,047
Median Turnover*	277

Sectors	Holding
Technology	40.9
Consumer Discretionary	12.4
Healthcare	15.8
Financials	8.3
Manufacturing	6.4
Consumer Staple	5.5
Commercial Services	7.8
Utilities	0.9
Materials	0.7
Real Estate	0.4
Energy	0.7
Industrial Services	0.1

Regions	Holding
Americas	81.5
EMEA	13.0
Asia Pac	5.5

Segment	Holding
Mega Cap	35.5
Large Cap	29.3
Mid Cap	19.3
Small Cap	15.9

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

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