

Returns (AUD)	1 month	3 months	6 months	10 months	
Fund	8.90	1.79	-8.59	-8.48	
MSCI World Index	6.29	0.05	-9.35	-6.59	
Active return	2.61	1.74	0.76	-1.89	

**NAV: A\$1.4762**

up: 8.90%

MSCI World Index

up: 6.29%

#### 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

Equities rebounded strongly in July, with the S&P 500 delivering a 9.2% return. Bonds also gained 3%, with yields dropping below 2.7% from 3%. Commodity prices fell slightly, led by oil. Lower commodity prices contributed to the decline in inflation expectations embedded in bond yields. The joint rally in bonds and equities was very positive for growth stocks leveraged to both asset classes. But the decline in oil prices undermined value.

Over the month, we saw more central bank tightening in response to inflation pressures. But interestingly, in the US, growth stock investors responded quite positively to a 75bps hike from the Fed, perhaps in anticipation of inflation and the pace of rate hikes slowing once the Fed returns rates to a more neutral level. Indeed, the economic data revealed a technical recession in the US (2 consecutive quarters of negative growth), raising concerns that perhaps the Fed should pause soon for fear of overtightening.

Across the Atlantic, the ECB hiked rates 50bps and opted to stop QE. Investors initially did not know how to respond to the tightening, given other important developments in the Russian-Ukrainian conflict. Many investors were concerned that the end of QE would cut off member states from fiscal funding and drive up borrowing costs. But ultimately, these concerns did not stop equities from rallying, with investors expressing a "glass half full" view of the ECB's contingency plan and hoping for a truce in Ukraine.

Looking ahead, we have our concerns about the activity growth outlook. We think that tightening financial conditions and slowing growth ought to limit inflation for now, enabling central banks to refrain from very aggressive tightening. All of this said, we continue to see very high levels of uncertainty in volatility gauges and news-flow. Cyclical concerns and geo-political tensions are front of mind. We also see risk that credit markets could weaken in response to the combination of sharply slowing growth, central bank tightening and heightened volatility. Further, we think that there is a raft of downside risks to world growth and earnings that have not been fully factored into equity or bond pricing.

High uncertainty is negative for trend-following strategies like momentum. As such, we are short the factor. We note that momentum is on average picking stocks that do well in a high inflation, rising rates environment - but potentially with inflation slowing, the factor could be wrong footed.

Widening credit spreads undermine the efficacy of anchoring strategies like value which rely on the absence of de-leveraging pressures so that fundamentals can drive prices rather than the other way around. But when credit spreads widen, de-leveraging pressures surface and it pays to be less wedded to value.

We are long quality because we have reasons to be contrarian and bearish about the cycle. The combination of quality, anti-momentum and anti-value positioning favours long-duration growth stocks. Intuitively, growth stocks might outperform because as central banks approach neutral rate settings, the dispersion of interest rate forecasts across the street should tighten, and reduced rates uncertainty should benefit long-duration exposures most sensitive to it.

Portfolio	
Number of stocks	300
Largest stock*	2,630,254
Smallest stock*	8,656
Median Turnover*	260

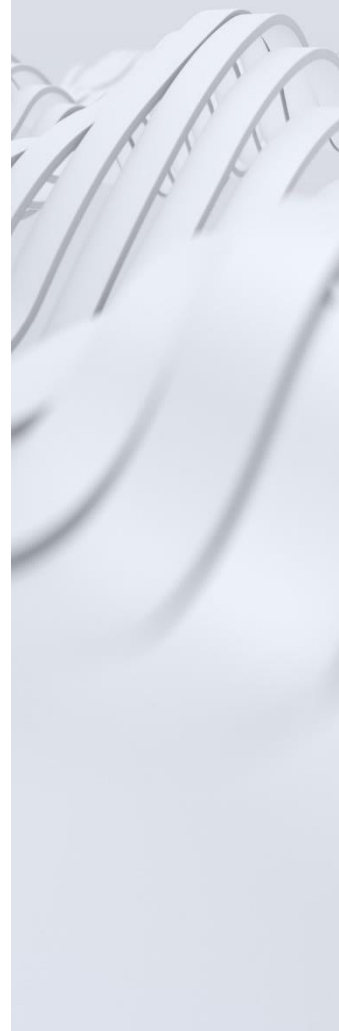
Sectors	Holding
Technology	39.9
Consumer Discretionary	13.0
Healthcare	15.9
Financials	7.6
Manufacturing	6.2
Consumer Staple	6.2
Commercial Services	6.3
Utilities	1.0
Materials	2.4
Real Estate	0.7
Energy	0.7
Industrial Services	0.2

Regions	Holding
Americas	80.1
EMEA	14.0
Asia Pac	5.9

Segment	Holding
Mega Cap	35.9
Large Cap	29.6
Mid Cap	18.7
Small Cap	15.7

*Holding as a % of portfolio, \* in USD*

## LOOKING AHEAD



**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](http://www.thymoscapital.com.au) or contact client services on (02) 8277 0000 or email [operations@oneinvestment.com.au](mailto:operations@oneinvestment.com.au)

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