GLOBAL EQUITIES LONG ONLY
AUGUST 2022

Returns (AUD)	1 month	3 months	6 months	11 months	
Fund	**-3.27**	**0.66**	**-5.69**	**-11.47**	
MSCI World Index	-2.63	-1.50	-6.61	-9.04	
Active return	**-0.64**	**2.16**	**0.93**	**-2.43**	

NAV: A$1.4280
down -3.27%

MSCI World Index
down -2.63%

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 weakened in August, giving back most of their gains in July. Bonds also weakened, with concerns about European geo-politics, inflation and tightening weighing on sentiment. Investors effectively went back to their way of thinking from the first half of the year, worried about stagflation risk because of supply shortages of key commodities, which in turn have been exacerbated by the Russian-Ukranian conflict. Central bankers also contributed to weakness, with a number of officials insisting that a slowdown is necessary to contain inflation pressures, and that they are willing to tighten into a slowdown. This train of thought was particularly noticeable among European Central Bank officials, with Schnabel delivering a speech about the "Great Volatility" era at the Jackson Hole Symposium. In slight contrast, Fed Chair Powell was non-committal on the choice between a 50 or 75bps rate hike in September, preferring to take a data-dependent approach. Indeed it was interesting to see that Powell was data-dependent near-term, despite also channelling former Fed Chair Volcker in his address, and warning about the dangers from premature loosening of policy.

From a factor perspective, momentum trades backing commodities and defensives have returned to vogue. Value has underperformed. Quality factor performance has been mixed, with low-volatility outperforming, but growth behaving more erratically.

LOOKING AHEAD

We are trimming exposure to growth factors, having benefited from a bounce in July. Growth stocks tend to do well when rates uncertainty and the term premium component of the market discount rate are falling. While we expect rates uncertainty in the US to peak as the Fed returns rates to neutral or slightly restrictive territory, we cannot say the same for Europe.

We retain a preference for low-volatility and low-leverage stocks, balanced against an anti-momentum overlay. We prefer low-volatility, because we think that market volatility could rise sharply in a stagflationary environment with central banks tightening and stretched cross-asset valuations. We also have concerns about downside earnings risk as the global economy slows. We prefer low-leverage because if equity volatility rises, credit spreads are likely to widen, making it more difficult and more costly for heavily-geared firms to get external financing. But we also note that momentum trades could easily unwind, either because higher volatility triggers uncluttering of crowded positions, or because sentiment bounces from currently oversold levels.

Our base case is that central banks continue to tighten, attempting to manage down demand in a supply constrained environment. This might be viewed by some as the wrong medicine for the condition of the global economy - but nevertheless, we think that central bankers are willing to give this option another go. Once they see a material downturn in the global economy, potentially without much success in cooling inflation, we could see them walk back their hawkishness, with the narrative then becoming one of living with higher inflation for longer. In turn, this could support stronger sentiment and a bottoming out in the market. Another catalyst we are monitoring for recovery is the prospect of China re-opening its economy after the October National Party Congress.

Portfolio	
Number of stocks	300
Largest stock*	2,503,984
Smallest stock*	8,306
Median Turnover*	249

Sectors	Holding
Technology	39.6
Healthcare	16.0
Consumer Discretionary	10.7
Financials	7.4
Commercial Services	7.2
Manufacturing	7.0
Consumer Staple	6.5
Materials	2.3
Utilities	1.7
Energy	0.7
Real Estate	0.6
Industrial Services	0.2

Regions	Holding
Americas	79.8
EMEA	14.0
Asia Pac	6.1

Segment	Holding
Mega Cap	34.4
Large Cap	30.5
Mid Cap	18.0
Small Cap	17.1

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