

Returns (AUD)	1 month	3 months	6 months	12 months	Since inception (p.a.)
Fund	-6.69	-0.09	2.26	-19.22	-14.07
MSCI World Index	-4.72	2.86	3.56	-14.18	-6.65
Active return	-1.96	-2.95	-1.30	-5.04	-7.42

**NAV: A\$1.3861**

down -6.69%

**MSCI World Index**

down -4.72%

### 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

US equities fell 5.9% in December. Bonds also sold off, with the US 10-year bond yield rising to 3.9% from 3.7% over the month. In otherwise illiquid conditions, the main catalyst for weakness was a renewal of concerns about quantitative tightening (QT) with the European Central Bank (ECB) issuing a timeline on balance sheet reduction and the Bank of Japan (BoJ) lifting its cap on 10-year bond yields. Investors also took note of bumps in the road for Chinese re-opening, with the rapid spread of coronavirus (COVID-19) making some investors worry about higher inflation from labour shortages and production disruptions. All of this said, emerging market (EM) equities did outperform developed market (DM) equities. Non-oil commodity prices strengthened, but oil prices fell on concerns about ailing global growth.

With both equities and bonds weakening, we have seen growth factors underperform, while quality factors have been mixed. On the flipside, momentum has outperformed, given its preference for the beneficiaries of higher interest rates. Value too has outperformed, with yield curves globally steepening, signaling less negative earnings growth expectations.

Leading indicators suggest that there is still downside risk to world economic growth and earnings. The downside risk naturally makes us think about defensive positioning. However, given that inflation is still the dominant concern among bond and equity investors, we are open to the possibility of multiple expansion if inflation comes off cyclically and central banks hold off aggressive tightening as a result. Indeed, if inflation really comes off down to 2% or below on the back of slowing demand growth and loosening supply chains, it is even possible that multiple expansion from a dovish pivot from central banks can help us look through near-term earnings downside. Of course, hawks will rightly point out that labour markets are tight and wage inflation pressures are elevated, making it unlikely that a return to 2% core inflation is likely anytime soon. And central banks are telling us that they still plan to raise rates and leave them elevated in the foreseeable future.

As we await a pivot or pause, we expect that bond yields can stabilize or fall. This should support reversal of momentum factor performance. We also think that the yield curve could get more inverted, signalling greater recession risk and supporting a quality overlay. As for value, we worry that further curve inversion will undermine growth expectations and factor performance. We also think that multiple dispersion in the market is only around long-term average levels when accounting for falling inflation and high uncertainty, it should arguably be above long-term average levels. Therefore, the prospect of wider dispersion is likely to limit how well value factors can perform.

Portfolio	
Number of stocks	300
Largest stock*	2,066,942
Smallest stock*	8,426
Median Turnover*	219

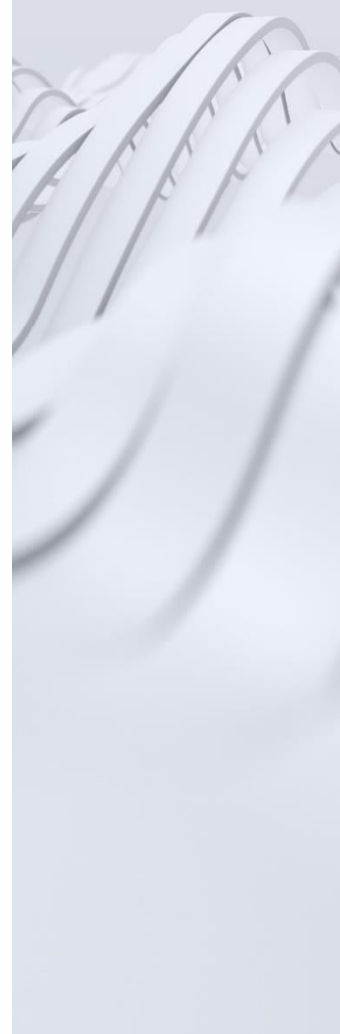
Sectors	Holding
Technology	39.3
Healthcare	15.6
Consumer Discretionary	13.7
Financials	8.1
Commercial Services	5.5
Manufacturing	5.4
Consumer Staple	6.0
Materials	0.2
Utilities	2.7
Energy	1.2
Real Estate	2.0
Industrial Services	0.2

Regions	Holding
Americas	76.1
EMEA	15.4
Asia Pac	8.5

Segment	Holding
Mega Cap	33.7
Large Cap	29.2
Mid Cap	16.8
Small Cap	20.3

*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 an 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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