

Returns (AUD)	1 month	3 months	6 months	12 months	Since inception (p.a.)
Fund	6.02	-0.16	-0.45	-9.01	-8.90
MSCI World Index	3.33	-0.87	0.40	-8.81	-7.54
Active return	2.69	0.70	-0.85	-0.20	-1.36

**NAV: A\$1.4695**

up: 6.02%

MSCI World Index

up: 3.33%

### 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 rallied strongly in January, up 3.33% in AUD and 7% in USD. Bonds rallied too, with 10-year yields falling to 3.5% from 3.9%. Within equities, cyclical growth and technology stocks led the charge. Style-wise, the story was all about momentum reversal, which our portfolio has been positioned for.

The narrative behind the moves involves the familiar story of peaking inflation on easing supply chain pressures and the Fed nearing the end of its tightening cycle (albeit with a few more 25bps hikes in store). But there is a hidden story about stealth quantitative easing (QE) from the US Treasury as it spends without raising debt, ahead of the debt ceiling. Stealth QE helps to limit the reduction in the Fed's balance sheet, suppressing rates and volatility.

Also, there are other growth-positive developments to heed. First, Chinese re-opening continues in consumption-driven sectors, while the process of re-opening in the short term seems to not be adding to global inflation pressures. Second, the US housing market appears to be stabilizing in response to lower bond yields and mortgage rates. Third, the US labour market seems to be very strong, helping to allay hard landing fears. With recession being deferred or at least, priced out at the margins, high-beta stocks offering long-duration cashflows are performing the best.

Notwithstanding positive narratives, we see a few causes for concern. First, we think that volatility (VIX) pricing is too complacent. VIX is too low relative to leading indicators, and the skew of VIX is too low. Protection is cheap as no-one really wants it while hard landing fears are being moved aside. We can understand why investors might be willing to back stories about the Fed put via stealth QE and mobilization of the reverse repo (RRP) facility longer term - but there are a few steps to go through before we get to this point. Notably, inflation is still elevated, and the Fed still wants to hike rates in response to tight labour markets. Also, Chinese reopening, while not inflationary now, could end up being quite inflationary tomorrow if it gathers momentum.

Second, we note that timely indicators of Chinese industrial and property sector growth are looking quite lacklustre for this stage of the cycle. Mining and emerging market (EM) exposures are running well ahead of fundamentals in this regard. Post Chinese New Year, it is possible that the re-opening recovery will broaden out and that stimulus will be deployed. But as we wait, the risks of the Fed hiking rates and pushing up the US dollar are increasing and resulting capital flight from the EM complex could be a problem, along with weakness in exports.

Third, we worry that US housing is still in a state of flux, given that bond yields are still volatile. If rates rise further from here, we expect US housing recovery to be cut short. This in turn could have negative flow on effects for the consumer and construction employment.

Finally, we continue to worry about tightness of labour markets fuelling margin squeeze and more aggressive Fed tightening. Margin squeeze is negative for corporate earnings, while Fed tightening could exacerbate hard landing fears and create additional volatility in the market discount rate.

In the circumstances, we are neutralizing our anti-momentum positioning, and increasing our quality buffers.

Portfolio	
Number of stocks	300
Largest stock*	2,310,978
Smallest stock*	8,861
Median Turnover*	234

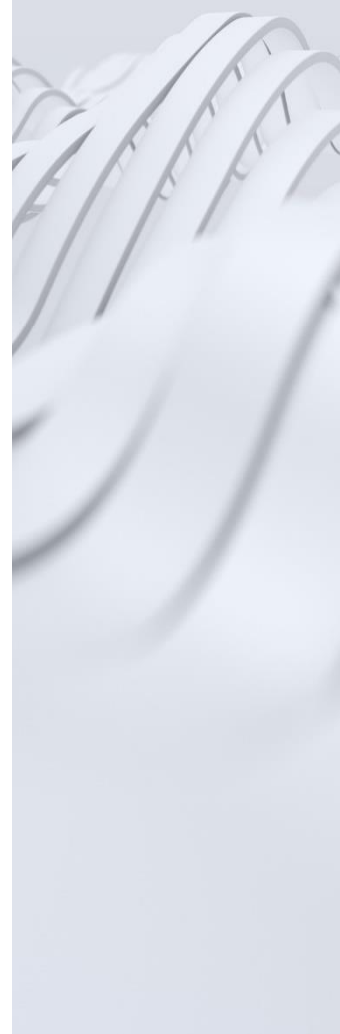
Sectors	Holding
Technology	34.8
Healthcare	15.9
Consumer Discretionary	11.4
Financials	9.8
Commercial Services	7.3
Manufacturing	5.3
Consumer Staple	8.6
Materials	0.4
Utilities	2.1
Energy	3.1
Real Estate	0.9
Industrial Services	0.3

Regions	Holding
Americas	73.8
EMEA	17.2
Asia Pac	9.0

Segment	Holding
Mega Cap	38.8
Large Cap	29.9
Mid Cap	15.3
Small Cap	16.0

*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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