THYMOS CAPITAL

GLOBAL EQUITIES LONG ONLY
MARCH 2023

Returns (AUD)	1 month	3 months	6 months	12 months	Since inception (p.a.)
Fund	**4.42**	**13.47**	**13.36**	**4.16**	**-2.49**
MSCI World Index	3.49	9.30	12.42	2.34	-0.21
Active return	**0.93**	**4.17**	**0.94**	**1.82**	**-2.28**

NAV: A$1.5728
up: 4.42%

MSCI World Index
up: 3.49%

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

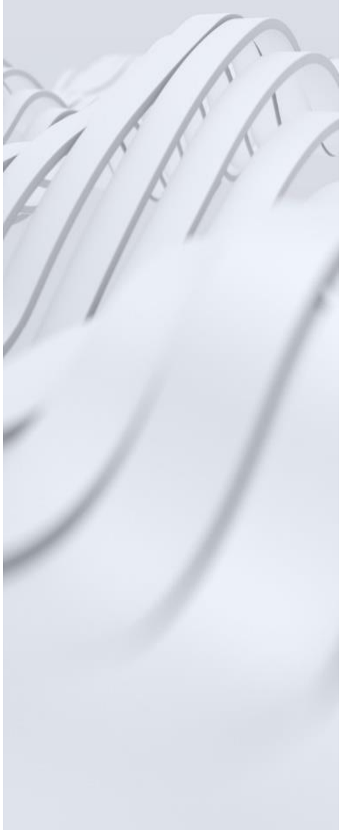
The Fund gives investors a broad exposure to global equities in developed markets. The portfolio is actively managed and aims to achieve above benchmark returns.

LAST MONTH

Equities were volatile in March. Initially, stocks and credit weakened while bonds rallied sharply as investors responded to regional bank turmoil in the US. Specifically, investors were worried that bank runs could spread, causing liquidity issues for regionals. Further, with many regional banks subject to heavy mark-to-market losses on their "hold to maturity" portfolios, the risk investors had to price was a liquidity event leading to a solvency event. Investors also took note of sharp decline in European banks, with Credit Suisse experiencing large deposit outflows. As equities weakened, financials and commercial real estate exposures led the declines.

Later in the month, when policy makers deployed various measures to support liquidity in the system, and suspended mark-to-market accounting rules for obtaining emergency liquidity from the Fed, equities recovered. Some investors took the view that liquidity provision from the Fed was tantamount to quantitative easing (QE) to the extent that it involved balance sheet expansion. Also, investors also took comfort from the arranged merger of UBS and Credit Suisse, cutting off some liquidity and solvency issues coming out of Europe. But interestingly, in the late March recovery phase, small caps have underperformed, in part because of concerns about tightening credit availability from US regional banks.

LOOKING AHEAD



We are cautious about leveraged exposures in this environment. While US bank failures look idiosyncratic, the common element in the crisis to date is an inverted yield curve (short-term rates above long-term bond yields), which penalizes intermediaries from conducting maturity transformation - borrowing short and lending long. Indeed, one could argue that some of the problems we are seeing in the US regional banking system are due to banks trying to get around the negative profit signal from an inverted curve - undercutting depositors on rates and going out the risk spectrum of lending. To fix the crisis, we think that the yield curve needs to steepen. But for now, policy makers are focused on lowering inflation, and are therefore reluctant to cut rates. At the same time, it is not tenable for the curve to steepen through increases in long-term bond yields either, because this would make mark-to-market issues for the Fed, banks and property a lot worse. Therefore, we are stuck with an inverted curve regime for now, and this means little daylight for banks. And if banks cannot see daylight and continue to see deposit flight, the risk is that they tighten credit availability, with negative implications for highly geared companies.

We have a quality bias in the circumstances. We can also see a case for growth stocks to do well if bond yields fall. But multiple dispersion in the equity market is getting wide again. In other words, expensive long-duration growth stocks are becoming very expensive relative to cheaper cyclicals. This implies limits on how well growth stocks can do. Moreover, if one does not think that long-term bond yields can drop meaningfully below 2-2.5% because of sticky inflation, then there really are limits on how well growth stocks can outperform. As such, we are attempting to strike a compromise between value and growth.

We are short momentum. Uncertainty is very high, and this traditionally signals an inflection point in the cycle. Inflection points are not kind to trend-following strategies like momentum. Importantly, the composition of the momentum basket is changing with some of 2022's losers leading the way in 2023, and some of 2022's winners lagging in 2023.

Portfolio	
Number of stocks	300
Largest stock*	2,349,559
Smallest stock*	8,490
Median Turnover*	231

Sectors	Holding
Technology	32.4
Healthcare	17.3
Consumer Discretionary	11.1
Financials	11.4
Commercial Services	6.5
Manufacturing	4.5
Consumer Staple	8.0
Materials	0.8
Utilities	2.4
Energy	4.3
Real Estate	0.6
Industrial Services	0.5

Regions	Holding
Americas	77.1
EMEA	14.8
Asia Pac	8.1

Segment	Holding
Mega Cap	41.3
Large Cap	28.9
Mid Cap	16.2
Small Cap	13.5

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.

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