

Returns (AUD)	1 month	3 months	6 months	12 months	Since inception (p.a.)
Fund	5.16	9.69	24.46	27.27	6.96
MSCI World Index	3.36	6.58	16.50	20.64	6.36
Active return	1.80	3.10	7.97	6.63	0.60

**NAV: A\$1.7252**

up: 5.16%

**MSCI World Index**

up: 3.36%

### 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

The S&P 500 defied pessimism, returning 6.6% in June. Style-wise we witnessed an increase in factor volatility. But looking through it all, value, leverage and growth added some alpha while momentum and quality lagged.

Interestingly, long-duration growth stocks continued to generate alpha despite a material increase in 10-year bond yields. Part of this story has had to do with the artificial intelligence narrative. But we think there has also been a little more to the dynamic. Decomposing bond yield movements, we have seen terminal (or neutral) rate estimates get revised higher over the month while term premia (ie the compensation for getting rate estimates wrong) have compressed. The market price of rates volatility has fallen. Arguably, it has been the compression of term premia and the decline in rates uncertainty which has offered some support for growth stocks most sensitive to the bond risk component of the market discount rate.

Even so, investors have not been able to take their eyes completely off valuations, with multiple dispersion unusually wide for this stage of the cycle. Moreover, resource and energy stocks that have traditionally sat deep in the value bucket, have attempted to stage comebacks on speculation about Chinese stimulus and OPEC production cuts. Interestingly, leveraged value exposures like banks have also added some alpha, with investors expressing less concern about cycle and deleveraging risks given less bad news on the us regional banking front.

With value and growth adding some alpha and the market rising, defensive quality factors have noticeably lagged

We are long value, long quality and long size. We are neutral momentum.

We remain of the view that multiples on expensive growth stocks are too high considering that bond yields are higher. Importantly, we sense that interest rate uncertainty is likely to increase, even this late into the Fed's tightening cycle. The issue is that rate hikes are not proving as effective as initially thought in tightening financial conditions, slowing growth and lowering inflation. There are several reasons for this such as rate hikes benefiting savers more than they hurt incumbent borrowers, restoring of activity from the emerging markets, and whatever pent up demand has been left over from the pandemic. We suspect that when actual real rates turn positive, we will see financial conditions tighten and the economy start to slow. But we could still be a few months away from this, and in the meantime, central banks are expressing as much confusion about the state of affairs as investors.

If the cycle continues to defy the pull of financial conditions and higher rates, investors would need to respond to the upside surprise by adding more positively leveraged exposure to higher rates. This isn't necessarily in the cyclical space, as it is the intention of central banks to slow rate sensitive spending. Therefore, we maintain a quality overlay to compromise our value overlay.

By the same token, we think that higher rates uncertainty will eventually drag on the performance of long duration growth factors. Therefore, we consider value as a defence against a growth correction.

Finally, we have a negligible weight on momentum, with rates and equity volatility falling recently, removing a trigger for an unwind. We do expect volatility to rise going forward from unsustainably low levels, especially as central banks take rate hikes further. But we play this through quality and size overlays..

Portfolio	
Number of stocks	300
Largest stock*	2,846,109
Smallest stock*	8,992
Median Turnover*	218

Sectors	Holding
Technology	31.4
Financials	17.6
Healthcare	13.1
Consumer Discretionary	10.1
Consumer Staple	6.2
Commercial Services	5.6
Energy	6.2
Manufacturing	4.0
Utilities	3.1
Real Estate	0.3
Materials	1.4
Industrial Services	0.9

Regions	Holding
Americas	71.6
EMEA	21.4
Asia Pac	7.0

Segment	Holding
Mega Cap	43.3
Large Cap	28.7
Mid Cap	15.3
Small Cap	12.6

*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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