

Returns (AUD)	1 month	3 months	6 months	12 months	Since inception (p.a.)
Fund	0.75	7.01	18.12	17.59	7.61
MSCI World Index	2.46	6.24	15.52	15.98	8.98
Active return	-1.71	0.77	2.60	1.61	-1.36

NAV: A\$1.7358
up: 0.75%

MSCI World Index
up: 2.46%

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 returned 3.2% in July. Bond yields rose 15bps to 3.96%.

Compositionally, cyclicals led the rally, with growth and leveraged exposures also outperforming. Investors have taken the view that a narrow breadth rally since March should broaden out, especially in the absence of recession. Indeed, the US economy has defied more bearish prognostications from leading indicators and financial conditions indices for an extended period. The CHIPS act has contributed to a surge in factory construction, bolstering activity and employment at a time when rate hikes should be starting to bite. Also, it has remained unclear the extent to which savers have benefited from rate hikes versus borrowers lost out.

Until these unique factors run their course, investors seem comfortable to buy stocks. What is interesting is how large-cap technology and growth stocks continue to rally despite higher bond yields. Ordinarily, we would expect long-duration growth stocks to underperform when the discount rate rises. Some of the unusual outperformance has to do with earnings growth holding up. But we also think that the market is still holding onto the immaculate disinflation narrative ... that inflation can come off because of easing supply chains, while economic growth can continue uninterrupted by excessive policy tightening.

Bond market investors are challenging the immaculate disinflation narrative by pricing in higher structural (5-year, 5-year forward) inflation, even though cyclically, inflation is coming off in the here and now. In our view, this is a key risk factor for investors because it signals that growth-inflation trade offs are much harsher than the Consensus believes. At the very least, it could drive interest rate volatility higher. At worst, higher rates uncertainty could also permeate into other asset classes, especially if central banks are drawn over the line to overtighten.

In the circumstances, we like value and quality. Value should do well because multiple dispersion within equities is too wide for prevailing inflation risk pricing, let alone higher inflation risk pricing going forward. But we are wary of the prospect of multiple dispersion tightening because the earnings of cyclical exposures fall - not just expensive stocks experiencing a multiple derating. Therefore, we seek to avoid value traps by also applying quality overlays.

We do not think that growth factors are completely done yet ... but we do think that value has more to offer. And we see the risk of higher rates uncertainty limiting how much growth factors can outperform medium term.

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 or contact client services on (02) 8277 0000 or email operations@oneinvestment.com.au

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