

Returns (AUD)	1 month	3 months	6 months	12 months	Since inception (p.a.)
Fund	-2.81	-0.15	9.38	24.00	6.66
MSCI World Index	-3.89	-0.36	6.21	19.40	5.98
Active return	1.09	0.21	3.18	4.61	0.68

**NAV: A\$1.7204**

down -2.81%

MSCI World Index

down -3.89%

### 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 declined 4.8% in September. Weakness was relatively broadly based across sectors, with energy and insurance the main exceptions. In terms of underperforming sectors, weakness was most pronounced in technology and real estate.

From a factor perspective, value, quality, and size factors generated the most alpha, while growth detracted.

September was all about a steep rise in US 10-year bond yields to 4.6%. This undermined valuations of high multiple stocks and contributed to value outperforming growth and leverage factors. Part of the reason why yields rose was speculation that the Bank of Japan (BoJ) could exit quantitative easing (QE) before the end of the year, with higher oil prices and yen (JPY) depreciation driving up import prices and future core inflation. Indeed, investors reasoned that even if the BoJ were to hold off policy normalisation, the JPY could still weaken on policy rate divergence with the Fed, resulting in Japanese policy makers selling US dollar denominated assets like Treasuries, to purchase JPYs and defend the currency. Apart from Japanese developments, investors also noted evidence of resilience in the US economy underpinned by the corporate sector, an uptick in core services inflation and supply tightness driving up oil prices and headline inflation.

We remain positioned in value, quality, and large capitalisation stocks.

It is possible that bonds rally from here, given that they look oversold on tactical indicators. But long duration and leveraged exposures in the stock market do not seem to have sold off enough to be in line with current bond yields. Indeed, we think multiple dispersion in the equity market still seems inappropriately wide for prevailing levels of inflation risk, suggesting that there is still scope for value to outperform. And it is possible that bonds continue to sell off, to the extent that transmission of policy tightening to the economy is delayed or impaired, or to the extent that the economy is resilient and accelerating.

We continue to worry about equity volatility (VIX) rising as rates rise. Higher volatility and rates are bad for naive risk parity type investments which are prevalent in the asset allocation world, and unwinding of positioning could drive risk-off movements across asset classes and momentum reversal within the equity market. Currently, we have a trivial weight on momentum, but have the nimbleness to position for reversal should a volatility shock become evident.

## LOOKING AHEAD

Portfolio	
Number of stocks	300
Largest stock*	2,676,737
Smallest stock*	8,433
Median Turnover*	178

Sectors	Holding
Technology	31.3
Financials	18.4
Healthcare	13.1
Consumer Discretionary	12.0
Consumer Staple	5.7
Commercial Services	5.0
Energy	5.3
Manufacturing	3.4
Utilities	3.7
Real Estate	0.2
Materials	1.1
Industrial Services	0.9

Regions	Holding
Americas	68.2
EMEA	22.0
Asia Pac	9.8

Segment	Holding
Mega Cap	44.2
Large Cap	29.3
Mid Cap	14.2
Small Cap	12.2

*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 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 complete ness. 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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