

Returns (AUD)	1 month	3 months	6 months	12 months	Since inception (p.a.)
Fund	-0.91	-1.79	5.09	15.82	5.69
MSCI World Index	-1.47	-4.18	1.80	9.73	4.43
Active return	0.55	2.39	3.29	6.08	1.26

NAV: A\$1.7047
down -0.91%

MSCI World Index
down -1.47%

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

US equities weakened by 2.1% in October, while bond yields rose sharply to 4.9% from 4.6%. The week performance of stocks was extremely highly correlated with bonds, and this was evident in the underperformance of rates-driven exposures such as banks, real estate and some technology stocks. Factor-wise, October was all about defensive value outperforming, while growth lagged.

In terms of why US bond yields were up so sharply, part of the story had to do with stronger-than-expected inflation and uncertainties therein. Part of the story was global, with high inflation nudging the Bank of Japan closer to the exits of quantitative easing. But at a portfolio level, the fact that bonds and equities have been so highly correlated has itself been a problem for bonds. In a heavy bond issuance environment, multi-asset investors have become more price sensitive, because they have not seen sufficient diversification with stocks.

LOOKING AHEAD

We remain overweight liquid and large capitalisation names, with a preference for defensive value. There is much volatility in rates markets, with investors currently debating how high 10-year bond yields can go before bringing on a slowdown and perhaps, cooling inflation. But from our perspective, the key issue is that bond-equity correlation remains very high. In such circumstances, we either position for beta because we think bonds rally aggressively, or look for diversification options because we feel beta is too unreliable or unpredictable. We prefer the alpha option. After all, market gauges are telling us that within equities, there is more diversification than there is between stocks and bonds. We believe that the sources of diversification in equities are in those exposures that have been left behind in a narrow-breadth rally, such as cheaper stocks. These contrast with large cap growth and leveraged exposures which are effectively trading as bond proxies. But by the same token, we do not want to take a full cyclical tilt either, because we can see risks that the economy will eventually slow, and quite sharply, with enough tightening.

Our leading indicators of bond-equity correlation suggest that it will remain high around 70% for the foreseeable future. We also know from Treasury guidance that bond issuance will remain elevated. In the circumstances, we see plenty of oversupply of a non-diversifying asset class, which could still drive bonds lower, and equities with them. Again, this supports the view that we should be pursuing alpha over beta.

Portfolio	
Number of stocks	300
Largest stock*	2,629,991
Smallest stock*	7,959
Median Turnover*	163

Sectors	Holding
Technology	32.7
Financials	17.6
Healthcare	13.5
Consumer Discretionary	11.8
Consumer Staple	6.1
Commercial Services	5.0
Energy	4.6
Manufacturing	3.1
Utilities	3.4
Real Estate	0.3
Materials	0.9
Industrial Services	0.9

Regions	Holding
Americas	69.7
EMEA	20.8
Asia Pac	9.5

Segment	Holding
Mega Cap	44.1
Large Cap	29.4
Mid Cap	13.5
Small Cap	13.0

*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 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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