

Returns (AUD)	1 month	3 months	6 months	12 months	Since inception (p.a.)
Fund	3.76	-0.07	7.82	19.08	9.66
MSCI World Index	4.76	-0.79	6.31	14.17	9.40
Active return	-1.00	0.72	1.51	4.91	0.26

NAV: A\$1.7688

up: 3.76%

MSCI World Index

up: 4.76%

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 experienced its best month in 2023, rising by 8.9% in November. This coincided with a sharp drop in bond yields from nearly 5% down to 4.3%. Compositionally, long-duration growth and leveraged exposures experienced the strongest gains, while energy performed poorly on the back of lower oil prices.

The narrative was all about changes to the US Treasury's issuance program and disinflation. Early in the month, Treasury Secretary Yellen switched the issuance program in favour of short term bills, and away from long term bonds. This showed some reflexivity to higher bond yields and their drivers in October. It also resulted in attractive enough bill yields to cause money funds to pull out funds from the Fed's reverse repo account to fund issuance. This was effectively like a shot of quantitative easing for the system, and reflecting this, bonds and stocks rallied together.

Consumer price index data was surprisingly soft for October, contributing to pause or easing expectations and exaggerating the issuance-driven rally in bonds. Investors started to price out themes driving up the risk premium in bond yields, such as fiscal dominance, where issuance becomes necessary just to service debts. Indeed, much of the reason for fiscal dominance pricing in October had to do with government funding costs rising, rather than debt-to-GDP spiralling out of control. Therefore, it stood to reason that a drop in bond yields could trigger self-fulfilling strength in bonds as tail risks got priced out.

Our fund has given back some performance with bonds and equities outperforming, led by growth and leverage factors. Nevertheless, we remain positive on value, quality and large caps.

While we can see the case for bonds to experience a counter-trend rally on technical factors and disinflation, we continue to believe that: (1) technical factors could still drive up the risk premium in bond yields and that; (2) the last legs of disinflation could be quite troublesome and painful.

We continue to see oversupply of bonds. Issuance is projected to remain high by authorities, even at 3.8% bond yields (i.e. lower than today's yields), with interest payments driving at least half of deficits going forward. Importantly, the Fed is losing money on its portfolio and could continue to do so for another 5-7 years without dramatic rate cuts. With issuance high, we need to be able to identify willing buyers. But the Fed and Asian central banks are reducing their bond holdings, while banks have balance sheet constraints. Therefore, the onus falls onto asset allocators to take up issuance. But with bonds and stocks trading with highly positive correlation (of around 70%), the risk is that the lack of diversification on offer causes them to demand a higher yield than what we see today as compensation.

The doves take the views that either recession is nigh driving deep rate cuts from the Fed, or that the Fed might cut rates purely in response to disinflation. But if it is a meaningful recession on the cards, it is hard to see why bonds and equities should trade in lockstep as they currently are. Rather, widening credit spreads and earnings weakness should be causing equities to sell and bonds to rally. As for the view that the Fed could cut purely on disinflation, the problem is of the last leg of disinflation down to 2% proves very difficult. Indeed, leading indicators suggest that wage inflation could reaccelerate while productivity growth slows, driving up unit labour cost inflation to rates inconsistent with 2% inflation. Also, fiscal stimulus threatens to inflate corporate pricing power for a little while longer.

We are open to overtightening views, hence our quality bias. But we do not think that rates fall in benign economic scenarios ... certainly not as much as the market is pricing. Therefore, we really struggle with cyclical growth plays. We also think that persistent inflation is consistent with tighter multiple dispersion in equities than we see now, and value factors outperforming.

Portfolio	
Number of stocks	300
Largest stock*	2,974,308
Smallest stock*	8,896
Median Turnover*	172

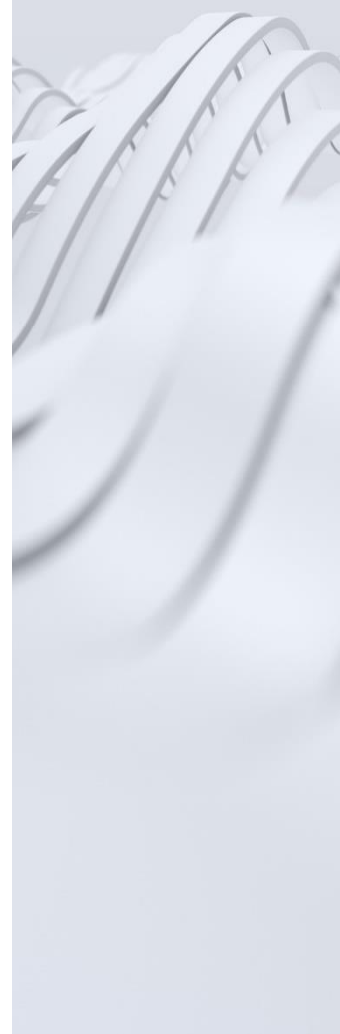
Sectors	Holding
Technology	34.5
Financials	15.8
Healthcare	13.0
Consumer Discretionary	12.2
Consumer Staple	5.6
Commercial Services	5.5
Energy	4.4
Manufacturing	3.4
Utilities	3.5
Real Estate	0.3
Materials	0.9
Industrial Services	0.9

Regions	Holding
Americas	69.5
EMEA	21.0
Asia Pac	9.4

Segment	Holding
Mega Cap	44.1
Large Cap	30.4
Mid Cap	14.0
Small Cap	11.5

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

Disclaimer:

One Funds Services Limited ("OFSL"), ACN 615 523 003, AFSL 493421, is the issuer and trustee of the Thymos Global Equities Long Only Fund. The material contained in this communication is general information only and was not prepared by OFSL but has been prepared by Thymos Funds Management Pty Ltd ("Thymos"), a Corporate Authorised Representative of One Wholesale Fund Services Ltd ("OWFS"), ACN 159 624 585, AFSL 426503. Thymos has made every effort to ensure the accuracy and currency of the information contained in this document. However, no warranty is made as to the accuracy or reliability of the information. Investors should consider the Information Memorandum ("IM") dated 1 July 2021 issued by OFSL before making any decision regarding the Fund. The IM contains important information about investing in the Fund and it is important investors obtain and read a copy of the IM before deciding about whether to acquire, continue to hold or dispose of units in the Fund. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund. Past performance is no guarantee of future performance. This report does not take into account a reader's investment objectives, particular needs or financial situation and is general information only to wholesale investors and should not be considered as investment advice and should not be relied on as an investment recommendation.