GLOBAL EQUITIES LONG ONLY
DECEMBER 2023

Returns (AUD)	1 month	3 months	1 year	2 years (p.a.)	Since inception (p.a.)
Fund	**0.71**	**3.55**	**28.52**	**1.89**	**4.51**
MSCI World Index	1.66	4.94	21.82	2.25	4.84
Active return	**-0.95**	**-1.39**	**6.70**	**-0.35**	**-0.33**

NAV: A$1.7814
up: 0.71%

MSCI World Index
up: 1.66%

Thymos Capital

Thymos is an Australian fund manager specialising in global equities. Funds are managed though 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 rose by almost 5% in December, extending the rally since November. Gains corresponded with a sharp decline in bond yields below 4%. Investors were encouraged by the Fed's endorsement of market rate cut pricing. The official narrative was about the scope to cut rates purely in response to disinflation. But policy makers would also have been concerned about what was happening to markets when bond yields rose to 5%. Related to this, they would have taken the liquidity injections from money market funds drawing down their reverse repo (RRP) balances at the Fed, supporting lower short-term bond yields. However, with the RRP falling sharply, officials would also have had concerns about what would happen should it completely run down, effectively removing a liquidity buffer for the system. By flagging the possibility of rate cuts down the line, the Fed also opened up the debate about when its balance sheet policy might also change.

Factor-wise, December was all about high-beta and growth stocks outperforming, while value, quality and momentum lagged.

LOOKING AHEAD

We think that bond yields can recover somewhat because market rate cut pricing is very aggressive, and such deep rate cuts almost never materialise in the absence of recession. Yet no Fed official is projecting this outcome, and most investors are coming to a soft landing Consensus. Therefore, the risk is that some rate cuts get priced out if inflation or activity growth prove resilient. This would support value.

The complication is that Fed officials are showing their hand, willing to ease if financial conditions tighten abruptly. The Fed put helps to suppress the risk premium in bonds, for as long as it is a position supported by disinflation. Indeed, in 6-month annualised terms, inflation is close enough to 2. Therefore, at first glance we have a credible put, especially if the bond market becomes disorderly again, that could be asserted at a 10-year yield of 4.5%. History suggests that this could provide a tailwind for growth stocks for a longer period of time. But the risk is that a fall in bond yields and rallies in equities and credit, could trigger easing of financial conditions, causing growth and inflation to reaccelerate. As it stands, wage inflation is still high, and there is room for core services inflation to converge higher to it. If inflation risk surfaced again, we could have value trumping growth.

We are not prepared to completely dismiss the risks of a hard landing. The world economy is currently experiencing soft growth - not outright negative growth. But it would not take much of a shock to change this situation for the worst. As such, we continue to have an eye on quality.

Our portfolio blends quality, value and growth, with more weight on quality than value and more weight on value than growth.

Portfolio	
Number of stocks	300
Largest stock*	2,994,371
Smallest stock*	9,626
Median Turnover*	200

Sectors	Holding
Technology	35.4
Financials	14.5
Healthcare	12.6
Consumer Discretionary	12.8
Consumer Staple	5.7
Commercial Services	5.6
Energy	4.5
Manufacturing	3.3
Utilities	3.1
Real Estate	0.3
Materials	1.0
Industrial Services	1.1

Regions	Holding
Americas	70.9
EMEA	20.4
Asia Pac	8.6

Segment	Holding
Mega Cap	44.8
Large Cap	30.6
Mid Cap	14.4
Small Cap	10.2

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 we 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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