

Returns (AUD)	1 month	3 months	1 year	2 years (p.a.)	Since inception (p.a.)
Fund	6.09	13.09	32.70	14.92	9.31
MSCI World Index	5.17	12.17	27.18	11.88	8.84
Active return	0.92	0.92	5.52	3.04	0.48

**NAV: A\$2.0003**

up: 6.09%

MSCI World Index

up: 5.17%

#### 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 5.3% in February, continuing its run since late 2023 when the Fed pivoted dovishly. Although 10-year bond yields rose by 26bps over the month, some large cap technology/growth stocks rallied on strong earnings momentum and positive forward guidance. In contrast, short duration value exposures strangely underperformed. The commodities component of the value bucket came under pressure because of renewed concerns about the health of the Chinese economy.

Outside of growth and value, momentum, size, profitability and high volatility factors generated alpha over the month, while leverage factors underperformed. The outperformance of momentum and size factors was broadly consistent with passive inflows into the market, rebalancing portfolios at capitalisation weights skewed towards the larger and more liquid names, including technology stocks. The outperformance of profitability factors reflected investors desire for late-cycle pricing power amid sluggish volume growth and high wage inflation. The underperformance of leverage factors reflected concerns about US commercial real estate and tightening liquidity in the financial system.

# LOOKING AHEAD

We continue to see risks of sticky inflation. Stickiness could defer rate cuts from the Fed and push up long-term bond yields. Yet multiple dispersion in equities looks unusually wide for prevailing inflation risk pricing. Even if or when the Fed cuts, we expect that heavy issuance and the lack of diversification appeal of bonds could keep longer term yields elevated, causing the yield curve to steepen. Historically, curve steepening can be a supportive regime for value factors to work.

We have a positive weight on growth, because the Fed is doing its best to behave credibly and to limit rates uncertainty. However, we are even more positive on value and quality. We think that quality and size are important characteristics to have, even though the market rally grinds on, because we can see some very late cycle asset allocation dynamics at work. Importantly, we see risks that high bond-equity correlation could contribute to higher term premia in bonds, leading to weakness in expensive equities and higher market volatility. We also worry about credit spreads widening from below-average levels, because of lingering liquidity, banking or real estate issues.

As for momentum, we are wary of the fact that the factor is contributing the most alpha to portfolios, even though uncertainty is elevated in 2024. Momentum reflects both passive inflows and artificial intelligence trends in earnings. But in our view, the factor should not be so dominant.

Portfolio	
Number of stocks	300
Largest stock (\$USbn)	3,049
Smallest stock (US\$bn)	9.5
Liquidity (days) *	0.7

Sector	Holding
Technology	38.4
Financials	12.9
Healthcare	12.7
Consumer Discretionary	12.8
Consumer Staple	5.3
Commercial Services	6.3
Energy	2.9
Manufacturing	3.9
Utilities	2.6
Real Estate	0.1
Materials	0.8
Industrial Services	1.1

Factor exposure	z Score
Value	(0.35)
Momentum	0.66
Quality	1.62

Region	Holding
Americas	73.1
EMEA	18.8
Asia Pac	8.2

Segment	Holding
Mega Cap	44.2
Large Cap	30.6
Mid Cap	14.6
Small Cap	10.6

\* estimate of days required to trade \$100m @ 20% ADT  
Holdings = number of individual stock positions

## 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](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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