

Returns (AUD)	1 month	3 months			Since inception	NAV: A\$1.5952 up: 0.18%
Fund	0.18	5.09			3.04	Benchmark up: 0.37%
Benchmark	0.37	1.10			1.47	
Active return	-0.19	3.99			1.56	

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 Short Market Neutral

Thymos Global Equities Long Short Market Neutral Fund seeks to generate returns above RBA cash rate that are not correlated with returns of other investment classes such as bonds, equities, real estate or commodities..

**LAST
MONTH**

US equities returned 2.4% in August, but experienced incredible volatility intra-month. The first few days of the month involved a steep drawdown in stocks as the Bank of Japan (BoJ) threatened to raise rates beyond what global carry trade investors were comfortable with, while weak US labour market data raised recession concerns.

Equity volatility (VIX) spiked as high as 65% intraday, a level not seen since the pandemic. Quality exposures outperformed during this period. However, later in the month, the BoJ backed down from hawkish rhetoric, while solid US retail sales data allayed near term recession fears and the Fed committed to an easing cycle. There were also reports that VIX had been distorted by the pricing of illiquid options used to calculate the index. Therefore, in the second half of August, stocks recovered by more than the initial drawdown.

Lower fund return reflect performance fees paid to the manager for the previous quarter.

LOOKING AHEAD

We remain long quality, value and growth, but with most emphasis on quality. We continue to see downside risks to world growth, initially in China. In the US, investors are optimistic about fiscal stimulus prospects. But rising delinquencies on consumer loans suggest that excess saving from the pandemic has been depleted, while labour market data look very soft. If fiscal stimulus is not incremental relative to previous years, the higher cost of living combined with the negative effects of sticky inflation on asset prices could still drive weakness in the economy. Reflecting these risks, leading indicators like the real yield curve and growth in global liquidity are pointing to downside risk. Further, we continue to see risks that carry trades unwind because the BoJ is moving rates in the opposite direction to the Fed, undermining the US dollar against the Japanese yen, and making Japanese funding of global high yield investments much less attractive.

As for value, we think that multiple dispersion is too wide for prevailing inflation risk, noting that leading indicators are consistent with inflation around 3% - not 2% as the Fed is suggesting is achievable. Tightening of dispersion should offer support for cheaper stocks, not to mention higher bond yields if investors come to the view that Fed easing cannot be that deep. Of course, if carry trades continue to unravel, and tightness in global liquidity undermines the earnings cycle, there will be many value traps out there. For this reason, we compromise quality and value.

Portfolio	
Holdings (Long / Short)	150 / 150
Largest stock (\$USbn)	3,371
Smallest stock (US\$bn)	5.1
Liquidity (days) *	0.9

Sector	Holdings
Technology	26 / 25
Financials	24 / 24
Healthcare	13 / 13
Consumer Discretionary	18 / 18
Consumer Staple	9 / 9
Commercial Services	11 / 11
Energy	5 / 5
Manufacturing	17 / 17
Utilities	9 / 9
Real Estate	7 / 8
Materials	6 / 6
Industrial Services	5 / 5

Factor exposure	z Score
Value	0.24
Momentum	0.30
Quality	1.66

Region	Holdings
Americas	90 / 90
EMEA	36 / 36
Asia Pac	24 / 24

Size Segment	Holdings
Mega Cap	4 / 0
Large Cap	14 / 2
Mid Cap	37 / 21
Small Cap	95 / 127

* 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 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 thymos@oneinvestment.com.au

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