TYCHO CAPITAL

October 2026

funds.tychocap.com

Tycho Arete Macro Fund

arete

Objective

The Tycho Arete Macro Fund is an actively managed Global Macro Strategy with strong focus on China and Developed Markets. The strategy aims to deliver competitive risk-adjusted returns while maintaining low correlation with all major asset classes. The investment process is centred around a top down macro-analytical framework to incorporate the rapidly changing economic conditions around the world, especially within China. The Fund is managed by Will Li, CIO and Arete Founder, supported by the Arete Investment team. Investments are across multiple asset classes and in liquid instruments only. The Fund is actively managed and is not managed in reference to a benchmark. This is a disciplined process and replicable strategy with a strong focus on managing risk through different market environments. The fund is actively managed and is not managed in reference to a benchmark.

Commentary

October Review

October was the month the market stopped asking whether the AI build-out was real and started asking who would pay for it. The answer arrived as a prospectus: within a fortnight the largest hyperscalers reported negative free cash flow, held or raised 2027 capex, and raised close to $150bn in equity and bonds — oversubscribed, but followed in each case by a lower share price. The Nasdaq fell 5.3%, its worst month since March 2025. Asia, as the hardware end of the chain, bore the brunt: the KOSPI lost around 17%, the CSI 300 entered a bear market and emerging markets fell 8%.

Moves in bonds were equally telling. The 10-year started the month above 5.25% with Q3 GDP at 3.4%, PCE re-accelerating to 3.6%, oil up 14% through $100 and two Fed dissents in favour of a hike — and still finished at 4.91%. The market was not pricing a softer Fed; it was pricing a softer build-out.

The fund lost an estimated −3.5% (AMF) and −2.9% (ANF). The short in 10-year duration cost roughly 1.5% as yields fell — the mirror image of September — and our residual long exposure in equities, albeit small, cost a further 1.9%. We ended the month net short equities, receiving rates, and short gold.

Current Outlook

From Buyback to Raise

For most of the past decade, the defining financial act of the great technology companies was returning cash. They generated more than they could spend, and the surplus led to equity buybacks year after year. This quarter the defining act is raising cash; the same companies now come to market to place newly issued stock and bonds, and the proceeds fund investments that are still cash-flow negative on the horizon. The demand for that paper is, for now, sufficient — offerings are covered many times over — and yet the shares fall on the news. The market can still absorb the issuance, but the sailing is getting rougher.

The market's wariness is reasonable on three counts. The sheer volume of capital required is without precedent for private companies. The structures used to raise it — special-purpose vehicles, chip-backed debt, vendor financing, leases that sit beside the balance sheet rather than on it — have the complexity, and the opacity, of the instruments that financed the housing bubble. And Washington has shifted. A Democratic Congress limits the scope for further fiscal expansion and is more likely to slow data-centre construction than to speed it. None of these is a trigger. Together they describe a cycle that has become harder to finance and underwrite.

The Second Derivative

Our first hypothesis is that we are at or near the turning point of the AI capex cycle. Not the end of demand — which is still growing — but the end of its acceleration. The adoption curves that justified 2027's spend are beginning to show signs of flattening into something more ordinary. Against decelerating revenue sits accelerating cost. Memory, high-bandwidth packaging, power and turbines are all short, and shortage is inflationary: the cost of producing a unit of intelligence is still rising even as its price keeps falling.

Fund Details

Launch Date:	5th July 2018
Fund Size:	$841m
Ocean Arete AUM:	$1.4bn
Fund Structure:	UCITS
Domicile:	Ireland
Min Investment:	Class SI: $50,000,000 Class I: $1,000,000 Class R: $10,000
Currencies:	USD (base); GBP, CHF, EUR, JPY, SEK, (all hedged)
Annual Management Charge: *(charged on the Fund's net asset value and included in the ongoing charges figure on p.4)*	Class SI: 1.05% Class I: 1.25% Class R: 1.75%
Pricing:	Daily
Liquidity:	Daily
Performance Fee:	All share classes: 20% above high watermark
Manager:	Waystone Management Company (IE) Limited
Investment Manager:	Kepler Partners LLP
Sub Inv. Manager:	Ocean Arete Limited
Portfolio Manager:	Will Li
Inv. Universe:	Global
UK Reporting Status:	Yes
Country Registrations:	Ireland UK Austria Belgium Denmark Finland France Germany Greece Iceland Italy (Inst.) Luxembourg Netherlands Norway Portugal (Res.) Spain Sweden Switzerland Singapore (Res.)

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Commentary Continued

Decelerating top line into an inflating cost base is the arithmetic of every investment cycle's turn — the railways of the 1840s, the telecoms build-out of 2000, China's property boom after 2018. The pattern is familiar enough that the timing, not the direction, is the open question.

What makes this turn more dangerous than its predecessors is how the spend is financed. The funding is reflexive, in Soros's terminology: when stocks rise, financing is easy and the build-out proceeds; when stocks fall, spreads widen, financing slows, demand softens and stocks fall further. The loop runs in both directions and makes equilibrium elusive.

One Factor, Two Channels

Our second hypothesis is that if the cycle rolls over, the contagion will run wider than the tech sector itself. We wrote in August that economies and risk assets alike had become geared to a single factor; the corollary is that the factor's reversal is therefore not insulated within one sector. Two channels carry it. The first is credit: hyperscaler issuance is now a large share of investment-grade supply, the growth book of private credit, and the collateral behind an expanding pool of asset-backed paper in utilities and property. A spread-widening there is a spread-widening everywhere, and it arrives at a moment when central banks are tightening into an oil shock rather than easing into a slowdown. The second is wealth: to a considerable degree, the resilience of the US consumer is the resilience of the top decile's portfolio, and that decile is long the factor. A consumer who looks sturdy in the GDP accounts is one whose spending has been underwritten by capital gains in a handful of stocks.

Nor is the exposure limited to the US. Data-centre construction is a visible contributor to growth globally; China's export recovery leans on the hardware chain; the Asian supply base is the chain itself. In a one-factor world, more assets are correlated than anyone's risk model admits.

Market Implications

The first implication follows directly. The more export-, hardware- and investment-driven an economy, the more cyclical and geared it is to the factor, and the more it has to give back. That is Asia: Korea, Taiwan and Japan at the hardware end, and China through exports. October was the preview — a 17% fall in Seoul, a bear market in Shanghai, a regional selloff that spread from one chip index to the next. Most of these markets have also been the year's great outperformers, and the gearing that carried them up has not been fully unwound. To express this, we are net short equities with exposure on where the gearing is highest — Nasdaq, Taiwan, KOSPI and Nikkei.

The second implication reorders a thesis we have written about since August. We argued then that the long end of the bond market was no longer trading inflation expectations so much as the funding needs of the build-out — that capital absorbed at that scale would push real yields higher. September proved the point on the way up. October proved it on the way down. With PCE at 3.6%, oil above $100 and the Fed's hawks in open dissent, the 10-year rallied 35 basis points, because the market had begun to doubt the capex that was supposed to absorb the capital. If issuance is the driver, then a slower build-out means less issuance, a smaller term premium and lower yields — and they fall with equities, not against them. A Congress less inclined to fiscal expansion reinforces the same direction. We were on the wrong side of this in October and have repositioned into receiving rates.

We should be candid about what this view is and is not. It is a view on the structure of the cycle, not a forecast of its date. We have written before that we have been bearish too early in earlier cycles, and that years stood between China's visible over-leverage and its reckoning. Capex cycles turn on the second derivative, and the second derivative is a noisy signal: a quarter of flat guidance can be a top or a pause, and the difference is only knowable in retrospect. We do not claim to tell them apart in real time, and we have not built the book as though we could. The positions are sized cautiously to be survivable if we are early, not merely profitable if we are right. And we watch, closely and without prejudice, for the demand-side signals that would give this cycle a longer life than we have assumed — adoption that re-accelerates, enterprise revenue that catches up with the spend, a productivity dividend that arrives on schedule. If those appear, the thesis is wrong on timing and we will adapt. The mechanism we have described is reflexive in both directions; humility about when it turns is not agnosticism about where it leads.

Performance*

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD (%)
2026	5.2%	1.0%	-5.7%	5.0%	6.5%	-1.0%	-8.5%	-1.0%	0.2%	-3.3%			**-2.6%**
2025	-3.9%	2.9%	0.6%	-9.3%	2.8%	6.2%	4.8%	6.8%	4.0%	-4.6%	-3.7%	2.3%	**7.6%**
2024	2.2%	0.0%	1.5%	1.7%	0.0%	0.9%	0.3%	-0.9%	7.4%	3.4%	1.5%	0.1%	**19.3%**
2023	2.5%	-0.8%	-1.8%	-1.7%	6.0%	0.0%	-1.7%	4.3%	1.6%	1.4%	-0.0%	1.7%	**11.5%**
2022	-4.8%	-1.6%	1.6%	-2.8%	-0.0%	-0.1%	1.3%	1.4%	-1.0%	2.9%	-5.7%	0.5%	**-8.5%**
2021	1.4%	1.8%	1.2%	0.4%	-0.8%	0.4%	2.3%	1.8%	-1.2%	0.8%	-0.2%	0.2%	**8.2%**
2020	-4.6%	2.7%	2.2%	3.3%	1.9%	2.1%	0.2%	-0.1%	-3.2%	0.6%	4.1%	1.9%	**11.3%**
2019	1.7%	0.1%	0.9%	2.1%	0.0%	1.5%	-1.0%	0.0%	1.4%	0.6%	1.3%	0.9%	**9.8%**
2018							0.5%	0.9%	-0.3%	0.1%	0.4%	-2.4%	**-0.8%**

*Class F USD Net Total Return. Performance period is since inception 5th July 2018. Past performance is not a reliable indicator of future results. The value of investments and the income from them may fall as well as rise and you may not get back the amount of your original investment. The return of your investment may increase or decrease as a result of currency fluctuations if your investment is made in a currency other than that used in the past performance calculation.

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Tycho Arete Macro Fund

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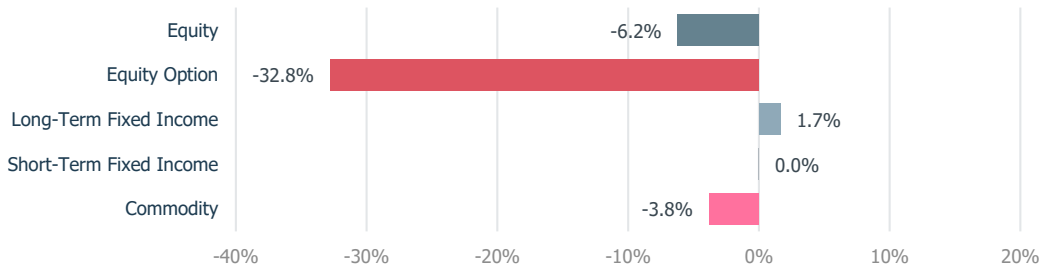
Net Asset Type Exposure*



*Please be aware these figures report net exposure, gross exposure could be much higher.
**Equity option calculations are based on delta-adjusted exposures.

Net Regional Exposure*

EQUITY		EQUITY OPTION		LONG-TERM FIXED INCOME		SHORT-TERM FIXED INCOME		COMMODITIES	
China	6.1%	Hong Kong	-6.2%	United States	1.7%	United States	0.0%	United States	-3.8%
France	-0.7%	United States	-26.7%						
Hong Kong	-7.3%								
Japan	-1.2%								
South Korea	-1.1%								
Switzerland	0.0%								
Taiwan	-0.2%								
United States	-1.9%								
Total	**-6.2%**	**Total**	**-32.8%**	**Total**	**1.7%**	**Total**	**0.0%**	**Total**	**-3.8%**

*This table reports country exposure by asset class. Country exposure is defined by where the security is listed. Please be aware these figures report net exposure, gross exposure could be much higher.

Profit & Loss Attribution

Gross returns YTD*

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Equity Indices	**2.1%**	**4.7%**	**-1.6%**	**0.7%**	**4.5%**	**0.3%**	**-5.2%**	**0.7%**	**1.4%**	**-0.4%**			**6.9%**
Equity Sectors	**3.7%**	**-2.5%**	**-5.9%**	**5.6%**	**3.7%**	**-2.8%**	**-7.8%**	**-1.7%**	**-2.2%**	**-1.9%**			**-13.8%**
Commodities	**0.2%**	**0.0%**	**0.5%**	**-0.1%**	**0.0%**	**2.4%**	**-0.3%**	**-0.7%**	**0.0%**	**0.0%**			**2.5%**
FX	**0.3%**	**0.1%**	**-0.2%**	**-0.1%**	**-0.2%**	**-0.1%**	**-0.0%**	**0.2%**	**-0.2%**	**0.0%**			**-0.1%**
Fixed Income	**0.0%**	**-1.0%**	**0.3%**	**0.6%**	**0.1%**	**-0.9%**	**2.3%**	**-0.2%**	**2.0%**	**-1.2%**			**2.0%**
Multi Asset	**-0.1%**	**0.0%**	**-0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**			**-0.1%**
Total	**6.2%**	**1.3%**	**-6.9%**	**6.6%**	**8.1%**	**-1.1%**	**-11.0%**	**-1.6%**	**0.9%**	**-3.5%**			**-2.7%**

*This table reports gross profit and loss, by month and year-to-date before expenses and fees have been included. Returns are summarised to provide an illustration of where the profit and loss is being generated. Past performance is not a reliable indicator of future results. Source: Ocean Arete Limited

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Gross Returns Since Inception*

	2018	2019	2020	2021	2022	2023	2024	2025	2026**
Equity Indices	-2.6%	18.2%	11.1%	13.9%	-6.8%	8.6%	12.6%	3.2%	6.9%
Equity Sectors	1.8%	-4.6%	1.9%	-3.6%	-5.6%	-5.8%	0.6%	8.7%	-13.8%
Commodities	-	0.3%	1.0%	-0.2%	-0.1%	0.2%	0.1%	0.1%	2.5%
FX	-0.0%	-0.4%	-0.7%	-0.3%	2.2%	4.7%	-1.1%	0.2%	-0.1%
Fixed Income	0.1%	1.0%	1.2%	1.3%	3.1%	5.6%	5.4%	2.6%	2.0%
Multi Asset	-	-	-	-	-	-	5.3%	-2.5%	-0.1%
Total	-0.7%	14.6%	15.0%	11.1%	-7.2%	13.3%	25.2%	11.1%	-2.7%

*This table reports gross profit and loss, by calendar year and before expenses and fees have been included. Returns are summarised to provide an illustration of where the profit and loss is being generated. Returns are since inception of the Tycho Arete Macro Fund on 5th July 2018. Past performance is not a reliable indicator of future results.
** YTD as at 30th October 2026
Source: Ocean Arete Limited.

Share Classes

	NAV PER SHARE	ISIN	ONGOING CHARGES*	INCEPTION DATE
F USD	167.30	IE00BDRV1V45	0.95%	05/07/2018
F GBP	159.94	IE00BDRV1X68	0.95%	05/07/2018
SI USD	158.89	IE00BFZ11G51	1.20%	05/07/2018
SI USD Distributing	133.00	IE0001H8RIR5	1.20%	14/11/2022
SI EUR	142.14	IE00BFZ11H68	1.23%	21/09/2018
SI EUR Distributing	126.39	IE000IM5NMO2	1.23%	14/11/2022
SI GBP	153.64	IE00BFZ11J82	1.23%	05/07/2018
SI GBP Distributing	132.29	IE000TMH67A9	1.23%	14/11/2022
SI CHF	123.43	IE00BFZ11K97	1.23%	14/05/2020
SI SEK	1,278.94	IE00BFZ11L05	1.23%	15/07/2020
I USD	156.41	IE00BFZ11431	1.40%	04/10/2018
I EUR	137.62	IE00BFZ11548	1.43%	18/10/2018
I EUR Distributing	116.56	IE00BKKFT524	1.43%	30/09/2021
I GBP	150.29	IE00BFZ11654	1.43%	10/05/2019
I GBP Distributing	146.83	IE00BKKFT631	1.43%	17/02/2020
I CHF	108.19	IE00BFZ11761	1.43%	12/04/2021
R USD	140.43	IE00BFZ11985	1.90%	31/03/2020
R EUR	114.87	IE00BFZ11B07	1.93%	09/03/2021
R CHF	84.80	IE00BFZ11D21	1.94%	08/10/2025

*The ongoing charges figure is based on annual expenses including investment management fees, administrator fees, director fees, depositary & trustee fees and audit fees for year ending 31 December 2025. It excludes performance fees and portfolio transaction costs. This figure may vary from year to year.

All data as at 30th October 2026 unless otherwise stated.
Source: Tycho Capital unless otherwise stated.

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