



Tycho Arete Macro Fund

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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

September Outlook

September was the month the bond market presented the bill. The selloff in Treasuries accelerated, the US 10-year yield rising 53bp to 5.28% — its largest monthly climb in four years — while the Fed, which entered the year priced for cuts, hiked for the first time in three. On the surface there were culprits enough: oil back above \$100, a hawkish turn in Washington. But the deeper force remains structural: the investment boom continues to gobble up capital, the sums now so great that even historically cash-rich tech groups must fund the build-out with debt — presenting lenders with a set of complex calculations that demand an increasingly higher term premium. Our short in duration — the book's longest-held expression of that view — collected +2%, the month's largest contributor.

Equities, remarkably, did not break on a 53bp yield move; they split. The Nasdaq gained 3.2% even as the Russell 2000 fell 5.4% and most stocks corrected quietly beneath a resilient index surface. Against the mounting pressure of rising rates, markets were repricing AI demand and adoption: new frontier model and agent roll-outs from OpenAI (Astra) and Meta (Muse) drew millions of users within weeks, agentic workloads promised a step-change in inference demand, and the revenue reads have so far confirmed it. The numerator, for now, is outrunning the discount rate. Everything outside the complex — rate-sensitive and without an AI growth story — absorbed the full 53 basis points. Leadership did not rotate; it narrowed. We were positioned for precisely this shape of tape — directional longs in Nasdaq, FTSE Taiwan and our hardware basket against shorts in the broad S&P and the AI laggards — and both legs paid.

China was the month's casualty, and for three compounding reasons. The Xi-Trump summit optimism that had supported the tape through the summer faded without concrete deliverables. The AI gap widened — September's agentic breakthroughs were all American, a reminder that the ecosystem bifurcation cuts both ways. But most crucially, the fundamentals kept weakening at home: profits softened into Golden Week, and the domestic economy keeps adding gravity faster than the innovation complex can generate escape velocity. The CSI 300 lost nearly 6%. Our onshore and HK longs — financials, internet, AI hardware — bled roughly 0.3% in sympathy, but more than offset by our hedges in China A50 and HSI. With gravity winning for now, we have further reduced our long exposure in HK/China.

Current Outlook

To understand the most consequential trade in the world today, it helps not to start in Silicon Valley. Start instead in China, circa 2010 — a build-out visible from everywhere, suppliers booking profits years before end demand arrived, credit flowing freely to a sector deemed too important to fail. We spent our careers studying and trading that boom from the inside, through its long ascent and potentially longer unwind. Watching the AI build-out today, we keep encountering the same economic mechanisms.

For the AI boom is, before it is anything else, an investment boom — capital-intensive, debt-hungry, and strategically important. The technology is genuinely new; the economics are not. Because the breakthrough is real, the market reads the build-out as a secular trend and prices it accordingly. But secular trends are claims about demand, and what is being built is supply — at staggering capital intensity and high marginal cost. Chips depreciate, power is metered, every incremental token carries a bill. The parallel most often reached for is the dot-com era, and on the infrastructure side it is not wrong — the fiber build-out was also capital-hungry, also ran ahead of demand, and ended in a glut.

Fund Details

Launch Date:	5 th July 2018
Fund Size:	\$872m
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: <i>(charged on the Fund's net asset value and included in the ongoing charges figure on p.4 & 5)</i>	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 Spain Sweden Switzerland Singapore (Res.)

Commentary Continued

But the business model this time is fundamentally different. The internet era sold software and websites: expensive to create, nearly free to serve, so that once demand arrived the marginal economics were extraordinary. The AI era sells intelligence by tokens, and every token is manufactured — on depreciating hardware, with metered power. High capital intensity and high marginal cost is not the anatomy of the internet business model; it is the anatomy of an industrial one. Which is why the closer relative, to our eyes, is China's property boom.

Same Mechanism, Different Sector

Strip the two booms to their core mechanics and they share more similarities than differences, running the same four gears:

- 1. *Investment-led growth:* Capex is booked as supplier earnings years before end demand arrives, if it arrives. Upstream profits led China's market for a decade while the consumption share fell, just as hyperscaler and supply-chain earnings now dominate index EPS growth while the consumer stalls.
- 2. *A rising cost of capital:* The build-out's demand for savings outruns supply, and real yields grind to cycle highs. Financial repression masked this in China but did not prevent it — the true price surfaced off balance sheet, in trust loans and private credit. The West's version prints more honestly, every day: a 10-year real yield at fifteen-year highs.
- 3. *Crowding-out:* Capital abandons whatever is not the priority sector, and investment outside the complex goes flat. In China, property and infrastructure absorbed the banking system's credit for a decade while private, non-property investment stagnated — "the state advances, the private sector retreats" (国进民退). The world now runs the same pattern with new labels: AI, power, grid and defence take the capital and the policy priority, while S&P capex ex-AI is flat and rate-sensitive activity — housing, non-data-centre construction — wilts under the very yields the build-out created. The boom does not merely outgrow the rest of the economy; it actively de-funds it.
- 4. *Policy complicity:* Once a sector is declared strategic, leverage is tolerated and risk premia compress. In China, LGFV debt priced as quasi-sovereign for a decade on the belief that Beijing would not let property fail; today, AI framed as a national-security race compresses risk premia across the complex.

Where We Are in the Cycle

Every investment boom is, at its core, a race between two lines — the cost of capital, which rises as the build-out absorbs the world's savings, and the return on invested capital, which deteriorates as each marginal project gets worse. The boom does not end when the story breaks; it ends when the lines cross — when the marginal dollar invested no longer clears its funding cost.

What complicates the picture is that circular financing masks the crossing. In China, local governments — the owners of the land — created their own buyers: financing vehicles, funded with borrowed money, that purchased land from the very governments that sponsored them, with the proceeds booked as the fiscal revenue that justified further borrowing. The supplier manufactured its own demand and called it income. In the AI complex, the chip-maker's equity funds the model labs whose multi-year compute commitments return as the chip-maker's revenue — the seller financing its own customer, demand counted at face value. Both loops inflate the very revenue used to judge returns. Measured ROIC stays flattering while marginal ROIC quietly sinks, and so the lines can cross long before the market notices they have.

Where do the signposts place us now? Late in the acceleration stage, with the first indicators of transition flickering: capex approaching parity with free cash flow, debt becoming the marginal source of funding, circular commitments a growing share of booked growth. We are not calling a top — China taught us how long this stage can reward the patient bull, and how expensive it is to be early. But September's bond market, charging 53 basis points more for the month, suggests the cost-of-capital line is no longer waiting patiently.

How to Trade This

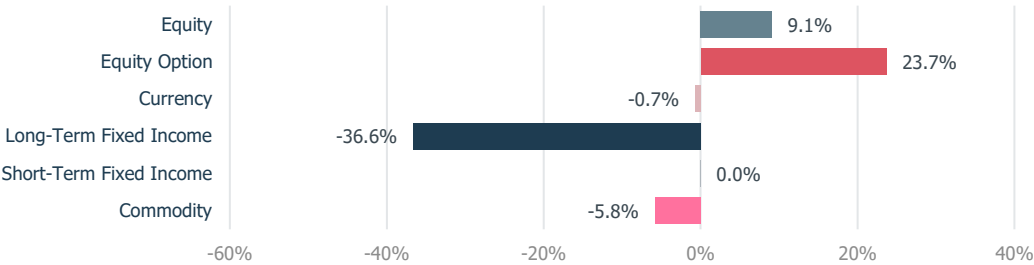
Our book is positioned for a late-stage acceleration of investment and hedged for the peak, built on four pillars. First, the rising cost of capital itself: short US duration, a curve steepener and short gold — three legs of one trade, tied respectively to nominal yields, the term premium and real yields. Second, the acceleration's beneficiaries: long Nasdaq and Taiex futures, long global AI hardware and the CSPs — contracted demand and visible cash flow still command the market's only premium. Third, the peak-investment hedge: short Nikkei, among the most levered equity markets to AI spend and uniquely exposed to a rising cost of capital through its own bond market — higher JGB yields and a firmer yen strike from both sides. Fourth, a moderate short in China via equity indices, reflecting a domestic economy whose gravity is, for now, winning against the innovation complex's escape velocity.

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%				0.7%
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.

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		COMMODITIES		SHORT-TERM FIXED INCOME	
China	17.2%	China	0.0%	United States	-5.8%	United States	0.0%
France	-0.7%	Hong Kong	8.8%				
Hong Kong	-20.0%	Japan	6.3%				
Japan	-16.4%	South Korea	0.0%				
South Korea	0.4%	United States	8.5%				
Switzerland	-0.0%						
Taiwan	11.3%						
United States	17.3%						
Total	9.1%	Total	23.7%	Total	-5.8%	Total	0.0%

CURRENCY		LONG-TERM FIXED INCOME	
United States	-0.7%	United States	-36.6%
Total	-0.7%	Total	-36.6%

*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%				7.3%
Equity Sectors	3.7%	-2.5%	-5.9%	5.6%	3.7%	-2.8%	-7.8%	-1.7%	-2.2%				-11.9%
Commodities	0.2%	0.0%	0.5%	-0.1%	0.0%	2.4%	-0.3%	-0.7%	0.0%				2.5%
FX	0.3%	0.1%	-0.2%	-0.1%	-0.2%	-0.1%	-0.0%	0.2%	-0.2%				-0.1%
Fixed Income	0.0%	-1.0%	0.3%	0.6%	0.1%	-0.9%	2.3%	-0.2%	2.0%				3.2%
Multi Asset	-0.1%	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%				0.8%

*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

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%	7.3%
Equity Sectors	1.8%	-4.6%	1.9%	-3.6%	-5.6%	-5.8%	0.6%	8.7%	-11.9%
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%	3.2%
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%	0.8%

*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 September 2026

Source: Ocean Arete Limited.

Share Classes

	NAV PER SHARE	ISIN	ONGOING CHARGES*	INCEPTION DATE
F USD	173.01	IE00BDRV1V45	0.95%	05/07/2018
F GBP	165.43	IE00BDRV1X68	0.95%	05/07/2018
SI USD	164.56	IE00BFZ11G51	1.20%	05/07/2018
SI USD Distributing	137.81	IE0001H8RIR5	1.20%	14/11/2022
SI EUR	147.43	IE00BFZ11H68	1.23%	21/09/2018
SI EUR Distributing	131.09	IE000IM5NMO2	1.23%	14/11/2022
SI GBP	159.19	IE00BFZ11J82	1.23%	05/07/2018
SI GBP Distributing	137.06	IE000TMH67A9	1.23%	14/11/2022
SI CHF	128.29	IE00BFZ11K97	1.23%	14/05/2020
SI SEK	1,327.25	IE00BFZ11L05	1.23%	15/07/2020
I USD	162.08	IE00BFZ11431	1.40%	04/10/2018
I EUR	142.77	IE00BFZ11548	1.43%	18/10/2018
I EUR Distributing	120.92	IE00BKKFT524	1.43%	30/09/2021
I GBP	155.77	IE00BFZ11654	1.43%	10/05/2019
I GBP Distributing	152.19	IE00BKKFT631	1.43%	17/02/2020
I CHF	112.47	IE00BFZ11761	1.43%	12/04/2021
R USD	145.59	IE00BFZ11985	1.90%	31/03/2020
R EUR	119.22	IE00BFZ11B07	1.93%	09/03/2021
R CHF	88.19	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 September 2026 unless otherwise stated.

Source: Tycho Capital unless otherwise stated.

Disclaimer

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