February 2026
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Tycho Arete Macro Fund

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.

Commentary

February Review

The U.S. Q4 earnings season delivered another robust set of headline results, yet market attention was overwhelmingly diverted to the strategic and operational implications of AI, unfolding across three macro critical dimensions:

1. Adoption & Productivity: AI featured prominently in corporate disclosures, with 70% of S&P 500 management teams referencing the technology. Of these, 54% explicitly linked AI to productivity and efficiency improvements. However, tangible quantification remained scarce: only 10% detailed AI's impact on specific use cases, and a mere 1% provided concrete earnings uplift estimates.

2. Labor & Hiring Dynamics: Companies that have discussed AI in the context of their workforce have cut job openings by 12% over the last year vs. 8% for all companies. This divergence hints at an incipient hesitation in hiring, as firms anticipate future efficiency gains from AI deployment.

3. Capital Expenditure: Hyperscaler capex guidance once again exceeded expectations. Analysts raised their 2026 forecast—a key proxy for corporate spending plans—by 24% from the start of earnings season, to $667 billion, representing 62% growth relative to 2025. Despite this aggressive expansion, market sentiment toward capex has turned distinctly cautious: since October 2025, investors have shifted from rewarding AI driven investment to penalizing spending amid unclear return profiles and pressure on free cash flow.

Against this volatile backdrop, our portfolios delivered a modest positive return, with performance dispersion across individual positions. Long exposures to Chinese innovation themes—especially large cap internet stocks—faced headwinds from negative beta spillover from U.S. hyperscalers and SaaS names. Conversely, defensive short hedges via H share and U.S. indices, paired with selective long positions in relatively insulated China A share indices, performed strongly, more than offsetting weakness in China focused tech.

Current Outlook

Regular readers will recognize our East West Rebalancing Framework, a structural investment thesis that has anchored our trade ideas and performance trajectory since 2023. As global economic and geopolitical alignments continue to evolve, this framework has only grown more relevant.

At its core, the framework captures a historic shift in global economic models:

Historically, the post globalization equilibrium split the world into two distinct ecosystems:

- East (primarily East Asian economies): Predominantly capital intensive and investment led; characterized by elevated leverage relative to GDP.

- West (North America and Europe): Largely capital light, consumption and services driven; more moderate leverage profile.

Commentary continued overleaf

Fund Details

Launch Date:	5th July 2018
Fund Size:	$824m
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)
Management Fee:	Class SI: 1.05% Class I: 1.25% Class R: 1.75%
Pricing:	Daily
Liquidity:	Daily
Performance Fee:	All share classes: 20% with a 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, Italy (Inst.), Luxembourg, Norway, Spain, Sweden, Switzerland, Singapore (Res.)

Commentary Continued

Today, this equilibrium is actively reversing. Deglobalization pressures are driving convergence: the West is embracing greater investment intensity and gradually increasing leverage, while China is pursuing a deliberate transition away from capital intensive growth toward deleveraging and a more capital light, innovation centric model.

Where does this lead us in today's markets?

US: De-rating into the Capital-Intensive Transformation

First, in the US, there appears to be a clear shift away from the capital-light era of the 2010s toward a more capital-intensive regime. The top-down perspective is well appreciated by markets—evidenced by policy initiatives to re-industrialize the US economy and a tandem step-up in fiscal spending. However, the bottom-up perspective has only just begun to be priced in.

Notably, the outsized capex by hyperscalers is no longer a positive narrative cheered by the market. The AI revolution is inherently hardware-intensive. Unlike the early internet era, which leveraged existing telecommunications infrastructure, AI demands ground-up investment in hyperscale data centers, specialized cooling, dedicated power infrastructure, and next-generation semiconductor capacity—effectively transforming large technology companies into "digital utilities."

Market scepticism toward elevated capex reflects more than short-term ROI concerns: it signals an awareness that a structural shift from capital-light to capital-intensive business models typically leads to sustainably lower valuation multiples. This dynamic aligns with year-to-date U.S. equity behaviour: positive earnings per share growth paired with persistent P/E compression.

China: A Nuanced Transition

China's transition within this East-West rebalancing remains a nuanced narrative. The strategic direction is clear: a decisive move away from capital-intensive investment— epitomized by property and infrastructure—toward a more capital-light model focused on innovation, R&D, and intellectual property. However, the market implications of this shift are decidedly mixed.

On the one hand, the slowdown in capital-intensive investment will continue to weigh on domestic demand. Its sheer scale, combined with its lingering impact through fiscal channels and household wealth, creates a powerful headwind. On the other hand, the pivot toward innovation is a positive supply-side development with the potential to boost productivity and generate new demand. The crucial question is whether these supply-side gains can materialize against a persistent backdrop of demand-side weakness. This dynamic frames China's own version of the capex-versus-ROI debate: can technological upgrades and innovation be effectively monetized in an environment plagued by price wars and intense competitive pressures—symptoms, ultimately, of insufficient demand?

Investment Conclusions

Against this backdrop, we hold two structural views:

1. Peaking of U.S. Exceptionalism: U.S. markets— especially those dominated by hyperscalers—face structural de rating pressure as they transition to capital intensive models. Their traditional software and services advantage is being challenged by the hardware demands of the AI era. We expect U.S. equities to relatively underperform.

2. Structural Security Selection within China: We favour long positions in beneficiaries of China's economic transition—innovation and small caps—paired with caution toward structural losers: large cap, traditional, capital-intensive industries exposed to deleveraging and soft domestic demand.

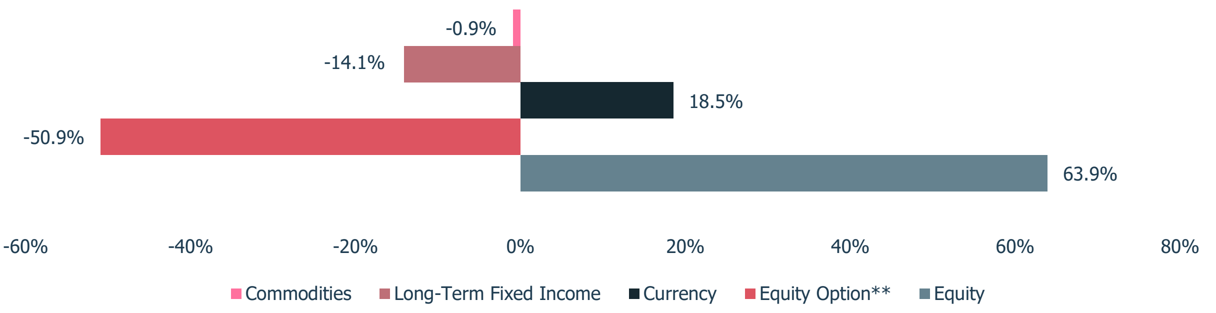
Geopolitical risk remains the critical unpriced variable. In response to escalating tensions in the Middle East, we have adopted a defensive posture, reducing both gross and net exposures to preserve capital. We intend to rebuild directional positions as volatility eases; until then, we emphasize flexibility, caution, and tactical agility.

Performance*

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD (%)
2026	5.2%	1.0%											**6.2%**
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*

CURRENCY

China	7.4%
Europe	6.8%
United States	4.3%
Total	**18.5%**

EQUITY

China	64.9%
France	-1.1%
Germany	0.6%
Hong Kong	12.8%
Japan	5.4%
South Korea	-0.3%
Taiwan	2.6%
United States	-21.0%
Total	**63.9%**

EQUITY OPTION

China	-3.5%
Hong Kong	-25.7%
Japan	1.2%
United States	-22.9%
Total	**-50.9%**

COMMODITIES

United States	-0.9%
Total	**-0.9%**

LONG-TERM FIXED INCOME

United States	-14.1%
Total	**-14.1%**

*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%											**7.1%**
Equity Sectors	3.7%	-2.5%											**1.0%**
Commodities	0.2%	0.0%											**0.2%**
FX	0.3%	0.1%											**0.5%**
Fixed Income	0.0%	-1.0%											**-1.1%**
Multi Asset	-0.1%	0.0%											**-0.1%**
Total	**6.2%**	**1.3%**											**7.6%**

*This table reports gross profit and loss, by month and 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%	7.1%
Equity Sectors	1.8%	-4.6%	1.9%	-3.6%	-5.6%	-5.8%	0.6%	8.7%	1.0%
Commodities	-	0.3%	1.0%	-0.2%	-0.1%	0.2%	0.1%	0.1%	0.2%
FX	-0.0%	-0.4%	-0.7%	-0.3%	2.2%	4.7%	-1.1%	0.2%	0.5%
Fixed Income	0.1%	1.0%	1.2%	1.3%	3.1%	5.6%	5.4%	2.6%	-1.1%
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%	7.6%

*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 27th February 2026

Source: Ocean Arete Limited.

Share Classes

	NAV PER SHARE	ISIN	INCEPTION DATE
F USD	182.42	IE00BDRV1V45	05/07/2018
F GBP	174.42	IE00BDRV1X68	05/07/2018
SI USD	173.72	IE00BFZ11G51	05/07/2018
SI USD Distributing	146.26	IE0001H8RIR5	14/11/2022
SI EUR	157.22	IE00BFZ11H68	21/09/2018
SI EUR Distributing	139.61	IE000IM5NMO2	14/11/2022
SI GBP	168.10	IE00BFZ11J82	05/07/2018
SI GBP Distributing	144.71	IE000TMH67A9	14/11/2022
SI CHF	140.34	IE00BFZ11K97	14/05/2020
SI SEK	1,424.96	IE00BFZ11L05	15/07/2020
I USD	171.39	IE00BFZ11431	04/10/2018
I EUR	152.60	IE00BFZ11548	18/10/2018
I EUR Distributing	128.94	IE00BKKFT524	30/09/2021
I GBP	164.79	IE00BFZ11654	10/05/2019
I GBP Distributing	161.67	IE00BKKFT631	17/02/2020
I CHF	122.20	IE00BFZ11761	12/04/2021
R USD	154.34	IE00BFZ11985	31/03/2020
R EUR	128.63	IE00BFZ11B07	09/03/2021
R CHF	97.20	IE00BFZ11D21	08/10/2025

All data as at 27th February 2026 unless otherwise stated.
Source: Tycho Capital unless otherwise stated.

Disclaimer

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