TYCHO CAPITAL

December 2025
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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.

Commentary

Review of 2025

2025 unfolded as a year of unrelenting volatility in global markets—no shortage of hairpin turns, from tariff brinkmanship to AI breakthroughs. Amidst historical volatility we experienced our largest drawdown followed by a steadfast recovery that landed us firmly in positive territory at year-end. The last twelve months underscore the robust and repeatable process we have deployed since inception: a blend of rigorous research, sharp risk controls, and consistent focus on long-term asymmetries over short-term noise.

We entered 2025 with a bullish view on Chinese equities, a conviction built upon three interlocking pillars. First, we saw the early signs of a crucial domestic rebalancing: a decoupling of the broader economy from the beleaguered property sector. Policymakers, we argued, were prioritizing financial stability through targeted debt resolution and refusing the siren call of blanket stimulus. This painful but necessary pruning of the "old economy" was creating a leaner, more sustainable foundation for growth, even if it meant near-term GDP headwinds. Second, and more dynamically, we identified a powerful capital migration underway. Savings and investment were flowing away from low-return infrastructure and property and into high-return, private-sector innovation in artificial intelligence, electric vehicles, pharmaceutical, and advanced manufacturing. This was epitomized by breakthroughs DeepSeek's cost-effective AI model—not just a policy wish but tangible evidence of China climbing the value chain. This shift, we believed, would drive a fundamental improvement in aggregate corporate profitability, the true engine of equity returns. Third, we posited that external pressure from the West, particularly the United States, was nearing a peak. The economic costs of severe decoupling, we reasoned, would prove untenable for both sides, leading to a managed, if volatile, rivalry rather than an irreversible break.

While these hypotheses did play out over the course of the year, the path was anything but smooth—a series of risk events triggered outsized volatility that threatened to derail economic logic. The year began with a surprisingly conciliatory tone from the newly inaugurated Trump administration. But with April came the defining crucible of the year: in a rapid and unprecedented sequence of escalations, the perceived worst-case scenario in U.S. - China trade relations became a temporary reality. Tariff threats soared to levels that implied economic decoupling between the world's two largest economies. Markets gapped down violently, correlations broke down, and realized volatility shattered risk models. Adhering to our risk disciplines, we reduced exposures during a time of heightened uncertainty. To add insult to injury, a swift policy reversal from Washington led to a classic market whipsaw. It was a sobering demonstration of how markets driven by the whims of policymakers could render even careful analysis momentarily inert.

This period highlighted the key challenge of the year—and likely the foreseeable future: balancing short-term volatility and uncertainty from a constant and often contradictory 24/7 stream of policy missives, tweets and feints against long-term fundamentals and economic shifts. Looking back, our discipline and process held firm in a time of uncertainty as we applied our analytical framework to dissect the chaos, separating the Foundation Layer of China's enduring economic transition from the Policy Layer of reversible political posturing and the Economic Layer of second-order effects.

Commentary continued overleaf

Fund Details

Launch Date:	5th July 2018	
Fund Size:	$764m	
Ocean Arete AUM:	$1.2bn	
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 overleaf

Commentary Continued

This structured thinking provided clarity amidst the noise, leading us towards the view that the April crisis was a policy shock rather than a fundamental negation of China's innovation trajectory or rebalancing. In short, we retained conviction that our core thesis remained intact.

This discipline laid the groundwork for recovery. As the immediate decoupling fears subsided post-April, and our foundational thesis began to reassert itself in the data; resilient exports, tangible progress in "anti-involution" policies curbing overcapacity, and concrete AI capex and monetization milestones. We scaled our positions to match our investment conviction and focused on liquid, precise exposures: long Chinese equity indices with a deliberate barbell of long "new economy" sectors (small cap, AI, tech, pharma) against short "old economy" proxies, while maintaining macro-hedges, such as short U.S. duration to express our parallel view of a structurally higher global cost of capital. The market's journey from May onward validated this approach as we were beneficiaries of the subsequent rally, a move very much driven by market recognition of capital reallocation and systemic deleveraging.

The result was a performance recovery both deliberate and decisive. By adhering to a rigorous investment process—one that combines deep fundamental research with stringent risk management—we were able to navigate our way back and then some from a historic drawdown. The volatility of 2025 demonstrated that in a world of unpredictable headlines and policy shocks, the sharpest edge lies not in predicting the next twist, but in maintaining the discipline to separate transient noise from fundamental structural change and having the tenacity to act accordingly.

Current Outlook

Several key themes from 2025 are poised to extend into the new year. Geopolitically, the persistent shift from multilateralism toward unilateralism—where national self-interest dictate actions and world orders—continues to elevate the risks of conflict. This environment is driving heightened global spending on defense, critical supply chains, manufacturing capacity, and strategic technologies. These fiscal pressures, evident across many nations, are exacerbating budget deficits and raising the cost of capital. Consequently, we observe strengthening demand for gold, alongside weakening foreign appetite for U.S. debt and dollar-denominated assets. The path of least resistance therefore points to higher long-term yields, firmer gold prices, and a softer U.S. dollar, though the pace of these moves remains uncertain. A critical variable is secondary risk sentiment: while equities will likely tolerate a gradual rise in yields, the margin for error is thin. A bearish scenario in which bond vigilantes question debt sustainability could precipitate sharper dislocation.

Meanwhile, China's economic rebalancing is expected to continue, marked by ongoing deleveraging and advancing innovation. While equity markets in 2025 recognized and rewarded this transition, the robust returns were driven almost entirely by multiple expansion—underneath the 22% return of HSCEI in 2025, the P/E ratio expanded by 23%, whereas earnings per share actually declined by 64bps. Beneath this stagnant earnings growth, revenue increased 5% but profit margins contracted by 6%, pressured by intense competition and aggressive capital expenditure. While effective and return-oriented capital allocation should ultimately result in increasing margin, presently the room for error is thin against a backdrop of persistent demand-side weakness. Further progress in innovation and corporate profitability must continue to outweigh the hangover from a property sector that is still working on completing its deleveraging cycle.

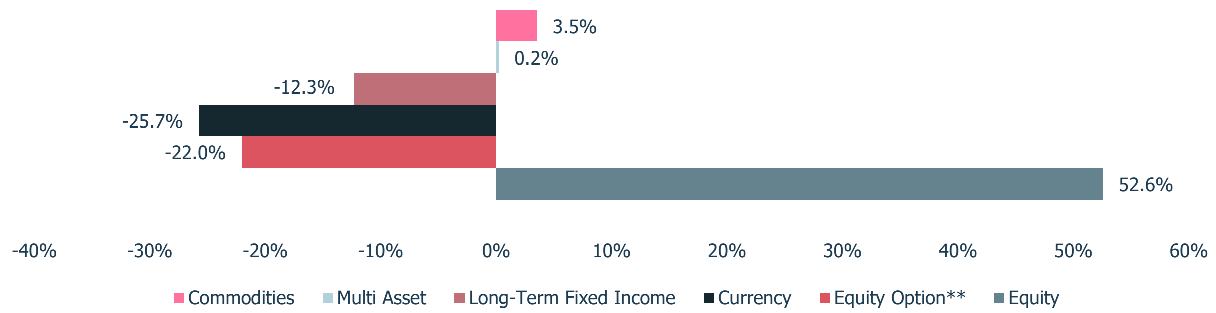
In this vein, both US and China confront significant questions in 2026. Which segment of the bifurcated K-shaped economic distribution will dominate consumption and, in turn, overall growth? How will evolving capital expenditure trends affect corporate margins and equity prices as investors scrutinize monetisation progress? How will FX markets digest the growing divergence in global macroeconomic trajectories? Regardless of the answers, volatility is likely to remain abundant, setting the stage for another year of consequential macroeconomic opportunities.

Performance*

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD (%)
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		EQUITY		EQUITY OPTION		MULTI ASSET		COMMODITIES		LONG-TERM FIXED INCOME	
China	18.5%	China	44.6%	Hong Kong	-16.2%	China	0.2%	United States	3.5%	United States	-12.3%
Europe	-11.5%	Hong Kong	2.3%	United States	-5.8%						
Japan	-1.5%	South Korea	2.1%								
United States	-31.2%	United States	3.5%								
Total	**-25.7%**	**Total**	**52.6%**	**Total**	**-22.0%**	**Total**	**0.2%**	**Total**	**3.5%**	**Total**	**-12.3%**

*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	-1.9%	1.9%	-0.3%	-8.8%	1.7%	3.6%	2.1%	5.0%	1.5%	-1.6%	-2.2%	2.2%	**3.2%**
Equity Sectors	-0.5%	0.9%	1.6%	-1.1%	1.2%	2.2%	2.9%	3.9%	3.0%	-3.2%	-1.8%	-0.2%	**8.7%**
Commodities	-0.1%	-0.0%	-0.1%	0.5%	-0.2%	-0.2%	-0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	**0.1%**
FX	-0.1%	0.5%	-0.4%	0.1%	0.0%	0.4%	-0.5%	0.4%	-0.1%	-0.6%	0.0%	0.6%	**0.2%**
Fixed Income	0.2%	0.1%	0.4%	0.2%	0.2%	0.1%	0.3%	0.1%	-0.1%	-0.1%	0.1%	0.9%	**2.6%**
Multi Asset	-0.6%	-1.1%	-0.3%	-0.1%	-0.2%	0.1%	0.7%	-0.4%	0.5%	-0.1%	-0.7%	-0.3%	**-2.5%**
Total	**-3.0%**	**2.2%**	**0.8%**	**-9.2%**	**2.7%**	**6.1%**	**5.5%**	**9.1%**	**4.9%**	**-5.7%**	**-4.6%**	**3.3%**	**11.1%**

*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
Equity Indices	**-2.6%**	**18.2%**	**11.1%**	**13.9%**	**-6.8%**	**8.6%**	**12.6%**	**3.2%**
Equity Sectors	**1.8%**	**-4.6%**	**1.9%**	**-3.6%**	**-5.6%**	**-5.8%**	**0.6%**	**8.7%**
Commodities	**-**	**0.3%**	**1.0%**	**-0.2%**	**-0.1%**	**0.2%**	**0.1%**	**0.1%**
FX	**-0.0%**	**-0.4%**	**-0.7%**	**-0.3%**	**2.2%**	**4.7%**	**-1.1%**	**0.2%**
Fixed Income	**0.1%**	**1.0%**	**1.2%**	**1.3%**	**3.1%**	**5.6%**	**5.4%**	**2.6%**
Multi Asset	**-**	**-**	**-**	**-**	**-**	**-**	**5.3%**	**-2.5%**
Total	**-0.7%**	**14.6%**	**15.0%**	**11.1%**	**-7.2%**	**13.3%**	**25.2%**	**11.1%**

*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.

Source: Ocean Arete Limited.

Share Classes

	NAV PER SHARE	ISIN	INCEPTION DATE
F USD	171.84	IE00BDRV1V45	05/07/2018
F GBP	164.33	IE00BDRV1X68	05/07/2018
SI USD	163.70	IE00BFZ11G51	05/07/2018
SI USD Distributing	137.83	IE0001H8RIR5	14/11/2022
SI EUR	148.57	IE00BFZ11H68	21/09/2018
SI EUR Distributing	131.93	IE000IM5NMO2	14/11/2022
SI GBP	158.44	IE00BFZ11J82	05/07/2018
SI GBP Distributing	136.38	IE000TMH67A9	14/11/2022
SI CHF	132.96	IE00BFZ11K97	14/05/2020
SI SEK	1,347.22	IE00BFZ11L05	15/07/2020
I USD	161.55	IE00BFZ11431	04/10/2018
I EUR	144.25	IE00BFZ11548	18/10/2018
I EUR Distributing	121.88	IE00BKKFT524	30/09/2021
I GBP	155.35	IE00BFZ11654	10/05/2019
I GBP Distributing	152.42	IE00BKKFT631	17/02/2020
I CHF	115.81	IE00BFZ11761	12/04/2021
R USD	145.56	IE00BFZ11985	31/03/2020
R EUR	121.66	IE00BFZ11B07	09/03/2021
R CHF	90.94	IE00BFZ11D21	08/10/2025

All data as at 31st December 2025 unless otherwise stated.
Source: Tycho Capital unless otherwise stated.

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