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.

Commentary

July Review

In July, the momentum unwind we had flagged in June did realise — but faster, longer, and broader than we had judged likely. What began as a repricing of the global AI hardware complex became, by month-end, a full-scale unwind of the momentum factor itself, worldwide. The scale bears recording: by index measures stretching back to 1999, the drawdown in technology momentum in July was one of the worst on record.

Despite having added hedges and bringing down net exposure across the book, we still suffered large losses in July. That is the signature of a factor event, not a directional one; it is also, we recognise, cold comfort, and we owe investors a precise account of what happened and what we misjudged.

The losses came in two parts. The first was the global AI unwind itself. Our long in global AI hardware bore the brunt as memory and semiconductor names fell violently. The hedges added in June and July — short KOSPI 200, Nikkei and Nasdaq index futures performed as designed, absorbing nearly two-thirds of the gross loss; short KOSPI 200 was the single largest contributor in the book. What we misjudged was not the direction of risk but its duration and velocity: the residual long was sized for a correction of ordinary length, and this one did not stop where prior episodes had. The result was a net loss of roughly 4% on the complex despite the hedge.

The second part came from China — and here the miss was different in kind. Our working assumption, validated as recently as June, was that the bifurcation of the AI ecosystem made China's onshore complex a diversifier: domestically funded, lightly levered, outside the machinery amplifying the selling elsewhere. July broke that assumption, despite genuinely constructive local developments; Kimi's frontier progress and CXMT's capacity ramp, but the onshore market drew no benefit, if anything, cheaper Chinese capability arguably added to the pressure on global hardware economics as it failed to lift the domestic tape.

The unwind was imported, but not as a simple contagion story. Our read is that the onshore market carries its own crowded momentum complex — domestic quantitative strategies concentrated, by construction, in small caps and once the global factor cracked, that positioning unwound in sympathy, through a channel that owed little to AI. Our longs across CSI 1000, STAR 50, ChiNext and China renewables bore the full weight, and our China hedges inverted: the short legs in HK large-cap indices rallied as the onshore longs fell, both sides of the pair losing at once — the same inversion of winners and losers seen globally, and a hedge built against direction offering little protection against factor.

On the other side of the ledger, the cyclical and structural book did its work. Long China financials — insurance foremost — gained as the rotation favoured domestic cash flow over momentum, with China internet and pharma adding alongside. Short US Treasuries contributed as bonds found no flight-to-quality bid — consistent with our long-held view on the secular cost of capital, and a small but telling confirmation that this was a positioning event rather than a growth scare. Gold, our out-of-consensus short, was immaterial on the month.

Fund Details

Launch Date:	5th July 2018
Fund Size:	$886m
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, Greece, Iceland, Italy (Inst.), Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Singapore (Res.)

Commentary Continued

Current Outlook
What broke the AI trade? It would be tempting to file July under "technical adjustment" and move on — and there would be truth in it since factor drove the month. But an unwind of this degree can imply more fundamental fissures and, not surprisingly, we spent the month focused on the drivers behind the market action and its attendant implications.

Crowding Beyond the Tape
We knew the trade was crowded — hence the hedges added in June, which earned their keep. What we underestimated was that the crowding extended beyond markets, into the real economy itself. At the crux of our misjudgement in July is China's own leverage to the AI trade. Roughly a third of China's GDP growth last year came from net exports – a fact that we well understood. What we under-appreciated, however, was that over half of this year's export growth has come from the AI chain; and within that, first-half chip exports rose 96% by value on just 7% by volume. The growth engine of the world's second-largest economy, in other words, now runs in meaningful part on memory prices. Add the circular financing of the ecosystem, vendors and customers increasingly funding one another, and a single crack can rapidly lead to wider fissures. A crowded market can be hedged; a crowded economic ecosystem, less so. While the market side has largely cleared (sell-side estimates suggest Korea's leveraged ETF overhang has shrunk from some $50bn to $17bn, with hedge-fund de-grossing mostly complete), the real-economy imbalances are more appropriately assessed in the context of months and years. The AI trade simply commands a higher risk premium than it did in June, and we now price it accordingly.

The Cycle Question
Memory has a playbook, refined over four decades, and its central rule is sharply etched in the simple math of cyclical supply and demand: the time to sell is when the second derivative turns negative. The peak in the growth rate has always preceded the peak in the price, and the peak in the price has always preceded a painful decline in the equities. By that rule, July delivered the signal. DRAM contract prices rose roughly 90% in the first quarter and 60% in the second; the third-quarter projection is nearer 15% — still rising, but a pronounced flattening of the curve, and one driven not by new supply but by demand beginning to crack.

Yet part of the picture departs from the script: the crack is confined, so far, to the consumer — PC and handset makers – squeezed by months of relentless cost increases. The AI tier shows no such strain — server DRAM remains undersupplied, HBM the most tightly allocated product in the industry, hyperscaler backlogs stretching twelve to eighteen months of contracted demand. This is the debate that will define the next phase of the trade: does AI demand carry the cycle beyond its old playbook, into something structural — a cycle whose marginal buyer is no longer the consumer but the hyperscalers? Possible, and the evidence for it is genuine. But few phrases have cost investors more than "this time is different", and we choose to respect the cyclical playbook until we see data that proves otherwise. To that end, we remain watchful — above all for any sign of the consumer's weakness climbing the stack.

When Higher Capex is No Longer Rewarded
What complicates the picture is that even granting firm AI demand — and the hyperscalers' capital spending still being revised upwards grants it emphatically — the deterioration in free cash flow begets its own question: sustainability. July supplied the test case. Alphabet reported revenue nearly $3bn ahead of expectations, cloud growth of 82%, a backlog beyond half a trillion dollars — and raised its capital spending guidance towards $205bn, tipping free cash flow negative for the first time in its listed history. This would typically lend to the playbook of "Hyperscalers down, hardware up", but this time is different. For two years the market's reaction function had been simple — more capex, higher hardware — and in July it snapped: demand confirmed, investment increased, price down. The question had changed, from demand to return, and on the return no one — ourselves included — yet has the answer. The internet scaled at zero marginal cost; intelligence does not. Every token carries a cost of goods, and enterprises have begun to behave accordingly — setting budgets, routing to cheaper models, asking why tenfold the tokens yielded only twice the output. Demand has not fallen; it has ceased to be unconditional. Until the return question finds its answer, capital expenditure reads as cost rather than promise — and this, we judge, is the largest challenge the trade now faces.

Throwing China into the Mix…
July's other shock came from China: a frontier-grade release from Kimi and a wave of open-weight models good enough to unsettle Wall Street and Washington alike. The instinctive reading — Chinese progress as a direct strike on US AI profitability — mistakes the mechanism. What good-enough open models truly do is commoditise the model layer itself: when a frontier advantage can be distilled away within months, differentiation becomes fleeting, and value migrates elsewhere in the chain — towards compute, and towards whoever owns the user. For hardware demand this is not bearish; commoditised intelligence is consumed in greater volume, the Jevons logic we have argued since the DeepSeek moment. But it hones the return question above to a fine edge: the frontier laboratories must spend ever more to defend leads that erode ever faster. Two ecosystems are consolidating — much as Apple and Android once did — one pursuing the frontier, the other pursuing diffusion, and China's diffusion path is the cheaper one to walk.

For China itself, however, we hold the uncomfortable thought alongside the constructive one: an economy in which consumption stays soft, growth leans on exports, and exports lean on AI is heading in the right direction while growing more concentrated — and more levered to the very cycle now in doubt. We remain well clear of the China-disruption bears. We also concede that this alone may not be enough to climb the wall of worry.

Where Does This Lead Us
While it is too early to write off the thesis on structurally higher AI demand, markets are increasingly scrutinizing destination vs path. And while our conviction in the demand is intact; our conviction in the path — its smoothness, its multiple — is not, and the positions are now sized to the path rather than the destination. As such, we have shifted our exposure in equities to a more neutral positioning.

On duration and gold, July arguably strengthened the case. Markets may have stopped applauding the capex, but the capex will be spent all the same — contracted, financed, and rising — and capital absorbed on that scale continues to push real yields higher, and Treasuries and gold lower. We retain our conviction on these trades.

Finally, two developments would lead us to reduce further: CSP's funding stress turning systemic as financial conditions tighten; or the consumer's weakness climbing the stack into HBM, which would tell us the cyclical reading of memory had defeated the structural one. Neither is present today; both are watched daily.

Tycho Arete Macro Fund

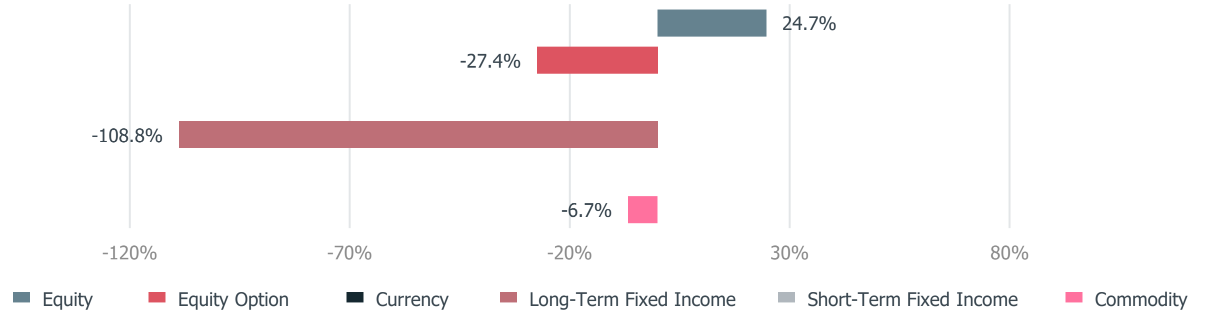
July 2026

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%						**1.5%**
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

Total	**0.0%**

EQUITY

China	39.8%
France	-0.9%
Germany	0.8%
Hong Kong	-18.5%
Japan	5.1%
South Korea	-5.0%
Taiwan	3.4%
United States	-0.1%
Total	**24.7%**

EQUITY OPTION

China	0.1%
Hong Kong	-13.5%
Japan	-18.9%
United States	4.8%
Total	**-27.4%**

COMMODITIES

United States	-6.7%
Total	**-6.7%**

LONG-TERM FIXED INCOME

United States	-108.8%
Total	**-108.8%**

*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.

Tycho Arete Macro Fund

July 2026

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%						5.2%
Equity Sectors	3.7%	-2.5%	-5.9%	5.6%	3.7%	-2.8%	-7.8%						-7.9%
Commodities	0.2%	0.0%	0.5%	-0.1%	0.0%	2.4%	-0.3%						3.2%
FX	0.3%	0.1%	-0.2%	-0.1%	-0.2%	-0.1%	-0.0%						-0.1%
Fixed Income	0.0%	-1.0%	0.3%	0.6%	0.1%	-0.9%	2.3%						1.4%
Multi Asset	-0.1%	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%

*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%	5.2%
Equity Sectors	1.8%	-4.6%	1.9%	-3.6%	-5.6%	-5.8%	0.6%	8.7%	-7.9%
Commodities	-	0.3%	1.0%	-0.2%	-0.1%	0.2%	0.1%	0.1%	3.2%
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%	1.4%
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%	1.6%

*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 31st July 2026
Source: Ocean Arete Limited.

Share Classes

	NAV PER SHARE	ISIN	INCEPTION DATE
F USD	174.34	IE00BDRV1V45	05/07/2018
F GBP	166.69	IE00BDRV1X68	05/07/2018
SI USD	165.89	IE00BFZ11G51	05/07/2018
SI USD Distributing	139.20	IE0001H8RIR5	14/11/2022
SI EUR	149.24	IE00BFZ11H68	21/09/2018
SI EUR Distributing	132.55	IE000IM5NMO2	14/11/2022
SI GBP	160.47	IE00BFZ11J82	05/07/2018
SI GBP Distributing	138.16	IE000TMH67A9	14/11/2022
SI CHF	130.49	IE00BFZ11K97	14/05/2020
SI SEK	1,345.26	IE00BFZ11L05	15/07/2020

Share Classes - Continued

	NAV PER SHARE	ISIN	INCEPTION DATE
I USD	163.54	IE00BFZ11431	04/10/2018
I EUR	144.58	IE00BFZ11548	18/10/2018
I EUR Distributing	122.34	IE00BKKFT524	30/09/2021
I GBP	157.24	IE00BFZ11654	10/05/2019
I GBP Distributing	153.77	IE00BKKFT631	17/02/2020
I CHF	114.44	IE00BFZ11761	12/04/2021
R USD	146.99	IE00BFZ11985	31/03/2020
R EUR	120.83	IE00BFZ11B07	09/03/2021
R CHF	89.82	IE00BFZ11D21	08/10/2025

All data as at 31st July 2026 unless otherwise stated. Source: Tycho Capital unless otherwise stated.

Disclaimer

This factsheet is produced by the Investment Manager for marketing purposes only and does not constitute an offer or solicitation to subscribe for shares in the Tycho Arete Macro Fund (the "Fund"), a sub-fund of Tycho ICAV, registered as an Irish collective asset-management vehicle on 22 December 2015 with variable capital constituted as an umbrella fund with segregated liability between sub-funds in Ireland and authorised by the Central Bank pursuant to the Act and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended). For more information on the risks associated with the Fund, please refer to the sections entitled Risk Factors in the Prospectus. Full details regarding the Fund are set out in the Key Investor Information Document (the "KIID"), the Key Information document (the "KID"), the Prospectus including the Supplement, the Instrument of Incorporation and the latest Audited Financial Statements published for the Fund (the "Fund Documents"). Before any subscription, you should read the Fund Documents. The information provided in the Fund Documents should not be considered a recommendation to purchase or sell any particular security. Any securities or sectors referred to in this factsheet must not be taken as an investment recommendation or indication that investments in the same will be profitable. The price and value of investments can go down as well as up. Income may fluctuate reflecting changes in market conditions, currency movement and taxation liabilities. Investment in the Fund described in this factsheet carries a substantial degree of risk. You may not get back the original amount invested. An investment in the Fund should only be made by persons who can sustain a loss on their investment. Any such investment should not constitute a substantial portion of an investment portfolio and may not be appropriate for all investors.

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