

Monthly Market Commentary

April was a weak month for global equity markets with most indices ending a rally that had started in November of last year.

A series of hotter than expected inflation prints sent government bond yields surging, upending the consensus view on rate cuts, and putting downward pressure on stock market valuations. From an anticipated three rate cuts by June earlier in the year, most investors moved to expecting only one 25bps cut by year end. Inflation fears were also stoked by supply risks emanating from tensions in the Middle East.

An underwhelming Q1 GDP print in the US further complicated the outlook for equities, raising the prospects of both stubborn inflation and weak underlying growth delivering an era of stagflation. In this environment equities have tended to underperform as margins come under pressure with little ability to pass through rising input costs.

US markets underperformed their regional counterparts with the NASDAQ and S&P500 down 4.4% and 4.2%, respectively, as investors overlooked what has so far been a reasonable earnings season (~80% of companies beating Q1 EPS estimates). Against the risk-off backdrop, small caps performance was even worse with the S&P600 Small Cap Index falling 5.7% in April.

European bourses fared a lot better with the UK FTSE the standout performer, finishing up 2.4% in April. Across the continent most other major indices fell with the French CAC and German DAX both down 2.7% and 3.0%, respectively. In Asia, Japan's Nikkei225 fell 4.9% as the widening interest rate differential drove more yen weakness, raising concerns of imported inflation impacting domestic consumer sentiment. In contrast, China's Shanghai Composite rose 2.1% following what has been a very challenging period.

Underperformance of US mega-cap tech stocks weighed on the Consumer and Tech sectors with both falling by more than 5%. Amongst the biggest detractors was Meta, which saw its shares drop by more than 10% on results after issuing weaker than-expected revenue guidance. Industrials, Financials and Healthcare were also lower, down 3.1%, 3.9% and 4%, respectively. Staples did well in a relative sense, down only 1.6%, while Energy and Utilities both rose 0.3% and 0.8%, respectively.

Against this backdrop the Talaria Global Equity Fund – Foundation Units delivered -1.78% for the month.

In terms of currencies, the AUD fell 0.7% against the USD. However, such a move paled in comparison to the weakness in the Japanese Yen (JPY) which fell 4.1% against the USD to hit levels last seen in 1990. Commodities were stronger with the Bloomberg Commodity Index rising 2.2%, despite the 1.5% fall in WTI oil prices. As mentioned earlier, yields on 10yr US treasuries rose 48bps to close at 4.7%, with VIX also higher by 2.6 points to finish the month at 15.7.

The two biggest contributors to performance in April were the Fund's holdings in Chinese eCommerce giant Alibaba, and French pharmaceutical group Sanofi. Global catering group Sodexo was also a meaningful contributor with its shares performing strongly after a solid set of H1 24 results. On the back of better pricing trends, management raised FY organic sales guidance to the upper end of the previous range (~8%), while also lowering the FY tax rate, all of which implied a ~6% upgrade to FY24 EPS consensus. The company also demonstrated good cost management with H1 margins up ~40bps. All of this suggests the company is well on track to achieving its FY25 targets which we think could result in share price outcomes >€100 over the next few years (25% upside).

In terms of new positions, the Fund recently gained exposure to German company Brenntag, the world's largest distributor of specialty and industrial chemicals. Brenntag has grown solidly over the years, thanks in part to an active M&A program, having spent almost €2bn on approx. 100 tuck-in acquisitions since 2010. The net of all this has contributed ~3% to sales growth per annum and given group incremental returns in the mid-teens range, a highly effective strategy at creating shareholder value. The business also generates substantial cash flows courtesy of its asset-light business model (i.e. no manufacturing sites) and exhibits very low levels of cyclicality, noting that EBIT only fell 3% during the GFC. Given these attractive attributes, as well as limited balance sheet risk, we think Brenntag makes for a compelling investment opportunity with our bottom-up analysis suggesting shares could be worth ~€99/share over the next few years, ~30% upside from current prices.

We believe the most compelling way to compound clients’ wealth is by utilising multiple return sources to deliver superior risk-adjusted investment outcomes.

- Long-term compounding of investor wealth
- Multiple sources of return
- Quarterly distributions
- Risk focused investment mindset



The investment process behind the Talaria Global Equity Fund takes a high conviction, value biased approach to construct a portfolio of high quality, large cap companies from around the globe. Our unique investment methodology harnesses the benefits of consistent income generation and capital appreciation to grow investors’ real wealth.

Performance as at 30 April 2024¹

	1 Month	3 Months	6 Months	1 Year	3 Years (pa)	5 Years (pa)	7 Years (pa)	10 Years (pa)	Since Inception (pa) ²
Total Return	-1.78%	-1.40%	1.34%	3.81%	9.94%	8.06%	7.81%	7.92%	7.54%
Avg. Market Exposure⁴	59%	58%	57%	57%	56%	56%	58%	59%	61%

¹ Fund Returns are calculated after fees and expenses and assume the reinvestment of distributions
² Inception date for performance calculation is 1 October 2005
³ Past performance is not a reliable indicator of future performance

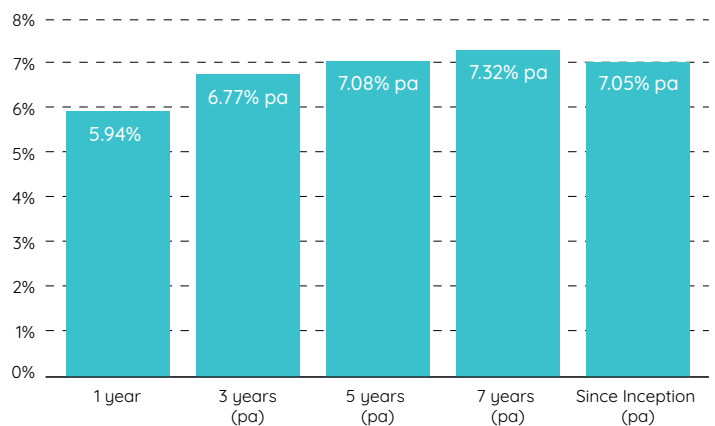
⁴ Average Market Exposure calculated on delta-adjusted exposure of underlying portfolio. Since inception market exposure is calculated from 1 October 2005

Growth of \$100,000 Since Inception⁵



⁵ Calculations are based on exit price, net of management fees and expenses and assumes reinvestment of distributions Past performance is not a reliable indicator of future performance

Annual Distributions⁶



⁶ Illustrates Distribution Returns for the Talaria Global Equity Fund - Foundation Units for the financial year ending 30 June 2023. Inception date is 1 October 2005

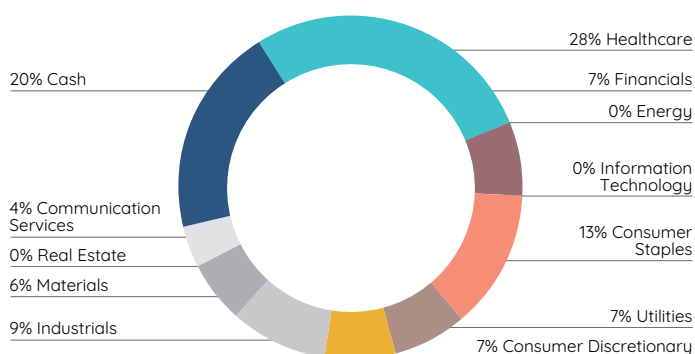


Top 10 Holdings⁷

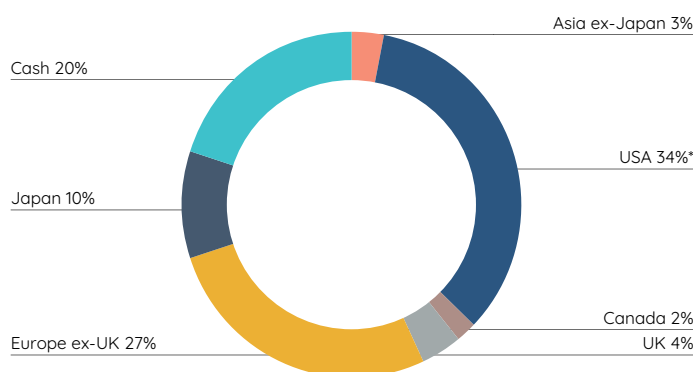
Company Name	Holding	Country	Sector	Description
Sanofi	5.4%	France	Healthcare	Top 5 pharmaceutical firm with leading positions in diabetes and rare diseases
Johnson & Johnson	5.1%	USA	Healthcare	Pharmaceutical, medical devices and consumer health products company
Gilead	4.9%	USA	Healthcare	Leading research based biopharmaceutical company
Roche	4.7%	Switzerland	Healthcare	A global leader in cancer treatments
Wec Energy	4.1%	USA	Utilities	A US regulated electricity and gas utility company
Bunzl	3.6%	United Kingdom	Industrials	Multinational distribution and outsourcing business
FEMSA	3.5%	Mexico	Consumer Staples	Operates largest Mexican convenience store chain, and part owner of Coca-Cola bottling and Heineken
Nestle	3.4%	Switzerland	Consumer Staples	The world's largest food company measured by revenues
Ambev	3.3%	Brazil	Consumer Staples	Largest Latin American brewing company
Medtronic	3.2%	USA	Healthcare	A leading medical devices company

⁷ Weightings include option positions held and cash backing put options. It assumes that put options will be exercised. Should the put option not be exercised the cash will revert to the unencumbered cash portfolio or may be used to cover further put options.

Sector Allocation⁸



Regional Allocation⁹



^{8,9} Weightings include option positions held and cash backing put options. It assumes that put options will be exercised. Should the put option not be exercised the cash will revert to the unencumbered cash portfolio or may be used to cover further put options.

* USA includes American Depository Receipts (ADRs) listings.

Fund Snapshot

Management Fee	Nil	Inception Date	1 October 2005
Performance Fee	20% - subject to High Watermark	Liquidity	Daily
Distributions	Quarterly	Availability	Wholesale Clients Only
Minimum Investment	\$50,000	Buy / Sell Spread	0.20% / 0.20%

Important Information

Foundation Units in the Talaria Global Equity Fund are issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFS Licence No. 234454. Foundation Units are currently available to what the Corporations Act 2001 (Sections 761GA and 761G) defines as Wholesale Clients. Talaria Asset Management Pty Ltd ABN 67 130 534 342, AFS Licence No. 333732 is the investment manager and distributor of the Fund. References to "we" means Talaria Asset Management Pty Ltd, the investment manager. The information in this document is general information only and is not based on the financial objectives, situation or needs of any particular investor. In deciding whether to acquire, hold or dispose of the product you should obtain a copy of the current Information Memorandum and consider whether the product is appropriate for you. A copy of the Information Memorandum can be obtained by calling Talaria Asset Management on (03) 8676 0667. Investment decisions should not be made upon the basis of the Fund's past performance or distribution rate, or any ratings given by a rating agency, since each of these can vary. In addition, ratings need to be understood in the context of the full report issued by the rating agency itself. The information provided in the document is current at the time of publication.

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