



# Talaria Global Equity Fund (Managed Fund)

Quarterly Update June 2024

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*Signatory of:*



# Investment Insights

A concentrated, momentum driven market tests the resilience of many investment strategies. We draw parallels between one of our portfolio holding's unexpected deals and style drift by asset managers. We discuss practical ways in which we counter pressure to deviate from our investment process. We consider the role of normalised cash earnings in idea generation and the associated challenges when margins are high, and forecasts are higher. We are sceptical of upbeat US consensus earnings' forecasts, but we can see how government spending might explain analysts' optimism.

## Style drift

Convenience stores (konbinis) in Japan are everywhere. The three main players, Seven-Eleven, Lawson and FamilyMart often locate their outlets close to each other. They compete fiercely, weaponising their different fried chicken options to attract customers.

From gourmet meal offers and freshly brewed coffee to banking, parcel delivery, and ticket purchasing, konbinis cater to more needs than their western counterparts. In a country with an aging and shrinking population, konbinis are expected to grow, further embedding themselves in Japanese society. These convenience stores are interesting commercial and cultural phenomena.

Unfortunately, given subsequent events, they did not figure in our investment case when we decided to own shares in Japan's second largest telecom KDDI.

Our reasons for liking KDDI were its consistent delivery of the highest return on invested capital in the global telecom industry, its minimal debt and its attractive valuation. Through dividends, buybacks and growth, it had a history of delivering strong shareholder returns. With management having been good capital allocators, we anticipated more than sufficient upside to justify investing.

Then in February, out of the blue, KDDI launched a USD 3.3 billion offer for joint control of convenience store chain Lawson. It said it wanted to help Lawson grow in ecommerce and push into other services like online medical consultations.

The complex deal surprised the market, causing general consternation at the departure from prior plans to invest in core telecom areas such as 5G.

From our point of view, it undermined the investment case. The strategic rationale was hard to understand as were the synergies. Most importantly, it damaged our confidence in the management and made us concerned about what they might do next. Whether or not the Lawson deal ultimately creates value, we had bought one thing and ended up owning another.

Investors in funds have a similar experience when a chosen asset manager starts running the portfolio in a different way from what they promised. Investors call this change in approach style drift, a benign term for something serious.

One of the causes of style drift is fund manager career risk, though we are not as cynical about things as this may sound. Asset managers, trying to make their way just like everyone else, are sometimes faced with a market exerting tremendous pressure on them to change their investment strategy. This year's trends in equities are like that, with an extraordinary period for momentum and broad indices rising on the back of just a narrow set of leading stocks.

## Holding the line

We are far from immune to market pressures, but we have a duty to hold the line. We test whether we are doing this in numerous ways, many of them to do with the day-to-day interaction within the investment team – we keep each other honest. At a higher level we value several tools, two of which we highlight here.

**1. We compare our portfolio and the index as if they were each a single company to ensure that what we own delivers what we promise (table below).**

Metrics (Index 100 = Sales)	Talaria Portfolio <sup>(1)</sup>	FTSE Developed <sup>(1)</sup>
<b>Income Statement Figures</b>		
Sales	100	100
EBIT	14.3	13.7 <sup>(2)</sup>
Interest Paid	1.3	0.5 <sup>(3)</sup>
Pre-Tax	13.0	14.3
Tax Rate	21%	20% <sup>(3)</sup>
After-Tax Profit	10.3	11.4
Dividends	4.6	4.2
Retained Earnings	5.7	7.2
<b>Balance Sheet Figures</b>		
Equity ( Book Value)	71	74
Debt	47	96
Cash	16	66
Net Debt	32	30
<b>Leverage Ratios</b>		
Debt/Equity	66%	130%
Net Debt / Equity	44%	41%
<b>Efficiency/Profitability Ratios</b>		
Sales/Total Capital	97.1%	96.0%
EBIT / Total Capital	13.9%	13.2%
ROE	14.5%	15.5%
Return on Total Capital	10.0%	11.0%
<b>Valuation Figures</b>		
Price	139.4	224.2
Price / Sales	1.4	2.2
Price / Book Value	2.0	3.0
Price / Earnings	13.5	19.6
Earnings Yield	7.4%	5.1%
Dividend Yield	3.3%	1.9%
Retained Earnings Yield	4.1%	3.2%
Dividend Payout Ratio	45%	37%
Enterprise Value / EBIT	11.9	18.5

(1) As of 30 June 2024

Source: Bloomberg, Talaria

(2) Based on consensus EBITDA and Talaria estimate of D&A.

(3) Based on Talaria estimate of index interest expense and tax rate.

The analysis shows that the portfolio is good quality, offers exceptional value and is made up of companies with:

- strong balance sheets
- good returns on capital and equity
- better shareholder returns than the index and, given the lower starting price,
- a better retained earnings yield that can be reinvested at double digit rates.

Net debt for the portfolio and the index is near identical, but the portfolio has considerably less gross debt. This means it is less exposed to the refinancing risk that we know is present given the rise in interest rates since March 2022.

More subtly, perhaps, it is also less exposed to the risk of widening credit spreads. Were the currently narrow spreads to blow out, the higher risk priced into the debt would be taken through the equity. This is because shareholders, subordinated in the capital structure, would take onboard debtholders' rising concerns about a company's financial strength.

**2. We examine the portfolio's factor exposure versus a broad global index.** Currently our portfolio has lower exposure to beta and to momentum than the index. It has similar earnings growth but on lower sales variance, in other words the earnings growth is more certain. It has an attractive relative valuation, evident in higher yields and lower multiples compared to the index.

## Current challenges

In what follows we discuss the challenges to idea generation consistent with our investment process at a time when many shares are not only discounting already high margins but also capitalising even more optimistic forecasts – a so-called peak-on-peak market. We also touch on these optimistic forecasts in relation to government spending.

### Normalised Cash Earnings

As value investors, we look at a company's normalised cash earnings. These are the through cycle cash earnings from the current capital base. Some people use the terms earnings power, sustainable earnings, or recurring earnings instead, but the underlying idea is the same: it is impossible to value an asset unless you have a realistic idea of its future cashflows.

This approach means we do not pay for growth. While growth is important in valuation, it is a poor predictor of future returns. Growth is hard to forecast, and stocks with high growth expectations are often hyped and expensive. For a value investor, growth manifests over time in the balance sheet as tangible and/or intangible assets.

Arriving at normalised cash earnings involves two main tasks. First, reviewing past annual reports and financial statements to identify adjustments needed to arrive at realistic numbers. Second, thinking about and adjusting for the cyclicity of a business: modelling last year's peak earnings as sustainable is pointless if history shows they are likely to fall.

## Adjusting the Numbers

It is hard to think of a time when our analysts have not had to adjust a company's numbers. This is not always a negative; there are times when an accounting policy fails to do justice to a particular component of a business's through cycle earnings power.

There are a variety of areas where adjustments might be necessary. Normalised cash earnings might incorporate persistent annual expenses presented by management in the statutory accounts as one-offs. They might include a reduction of overly optimistic assumptions concerning return on pension plan assets. And most businesses incur costs that are central and therefore should be reflected, despite not fitting into an accounting schedule.

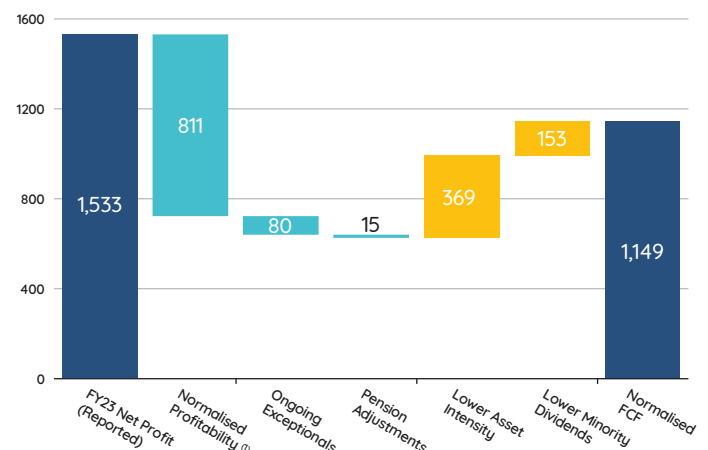
One high-profile area for adjustment is stock-based compensation. This is presented as a non-cash item, but the dilution is real enough. To offset this dilution, companies need to buy back stock, eating into cashflows.

These adjustments, though technical, have significant impact. An investor paying 1x book value for a company with a 10% ROE should receive a 10% annual return. However, if the 10% ROE is illusory, derived from aggressive, inattentive or unthinking accounting the actual return will be lower.

Poor earnings quality and the requirement for adjustments to arrive at normalised cash earnings need not be a barrier to making an investment. The key issue is whether the stock's price offers upside based on the normalised numbers.

The waterfall chart below shows the adjustments we made to arrive at normalised free cash flow for our holding CF Industries. It is worth highlighting the lower capital intensity column which shows a positive number relating to capital efficiency. CF's depreciation expense is materially higher than its maintenance capex as it still reflects a facility investment that ended in 2016. In the same way as extrapolating last year's high profitability per tonne would not be realistic, evident in the deduction to show normalised free cash flow, it would be wrong to 'penalise' the numbers for a near decade old investment.

### CF Industries - Normalised FCF (\$USDM)

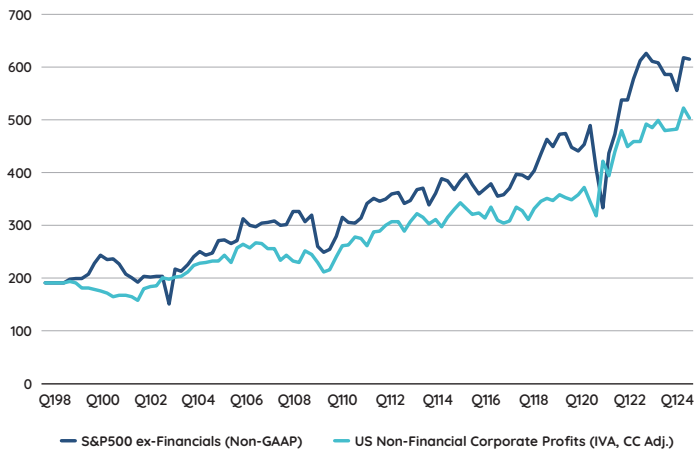


(1) Normalised profitability based on assumed through-cycle EBITDA/Ton.

Source: CF Industries company fillings

Interestingly, adjustments that flatter corporate earnings tend to scale in line with the economic cycle. As noted in our December 2022 quarterly report, the gap between adjusted earnings for the S&P 500 and whole economy profits widens as the cycle matures, only to dramatically close during downturns. The widening may indicate management under increasing pressure to reclassify costs to meet targets or guidance.

### Corporate Earnings Index ex. Financials (1998 = 100)



\*IVA - Inventory Valuation Adjustment;  
 CC - Capital Consumption

Source: Bloomberg, FRED

### Cyclicality and normalised cash earnings

In addition to making these accounting adjustments, nailing down a company's normalised cash earnings requires thinking about its activities in relation to the overall economy and the business cycle. For example, the periods around the Global Financial Crisis (GFC) and COVID-19 are useful benchmarks when assessing the potential downside to a company's profits during a recession.

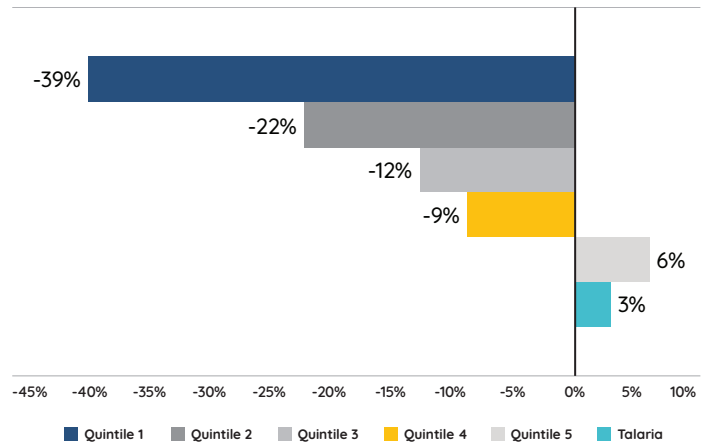
Currently, a major challenge to generating investment ideas is that margins are high across stocks, sectors, industries, and regions. This situation, while not insurmountable, means that equities are often expensive because some investors are capitalising future cash flows by extrapolating recent high profitability. To make matters worse, others are capitalising even higher levels of profitability based on optimistic consensus forecasts.

To illustrate the problem, we looked at a large number of equities to see how much consensus forecasts would have to move to meet 10-year mean margins. We considered a sample of over 1600 global equities with a market capitalisation of at least USD 5 billion, a level that roughly equates to our investment screen's minimum daily turnover requirement of USD 30 million. We excluded Oil and Gas Producers and Financials. Stocks also had to have 10 years of history and a positive 10-year mean margin. We divided the sample into quintiles based on the ratio of 2026 EBIT margin forecast to 10-year high.

80% of the sample, have consensus forecasts that would have to fall materially, by -39% in the most extreme quintile, to equate to the 10-year mean margin. Only the bottom 20%, has a consensus forecast under the mean. Whilst this is not to imply that all stocks in the sample are pricing in unrealistic numbers, or numbers that provide a poor starting point for an investment idea, it does give a sense of the current challenge.

The chart also shows that the Talaria portfolio's forecast numbers are below the 10-year mean margin. As a reminder, this relatively conservative position comes in combination with the traits we highlighted above concerning strong balance sheets, good returns on capital and equity, and strong shareholder returns that can be reinvested at double digit levels.

### 2026 profitability forecast decline required (%) to equate to trailing 10-year average



Source: Willis Welby

A useful characteristic of this analysis is that it is not market cap weighted. Therefore, it is not distorted by the optimism surrounding a few Tech stocks with vast market capitalisations.

There is, of course, no question that the total share of profits captured by Tech has been a phenomenon; one that drives the dominant global equity market narrative. And it is also clear that consensus forecasts anticipate further Tech success with the sector's 2026 estimated EBIT a staggering 39% higher than for 2023. This on its own accounts for some 23% of the anticipated absolute EBIT growth of the S&P500 to year end 2026.

But importantly for those looking for investment ideas across a universe of stocks, Tech far from fully explains the higher consensus forecasts for the index. There is optimism around non-Tech areas of the market as well.

The table below shows 2026 consensus EBIT margin forecasts for nine global sectors. Each sector's numbers are expressed as a ratio to the relevant 10-year mean and the 2023 EBIT margin. A ratio of 1.0 in the relevant column indicates that the forecast margins are at the 10-year mean or the 2023 level. In all cases they are at or above 1.0.

### EBIT margin forecasts for global sectors in an historic context

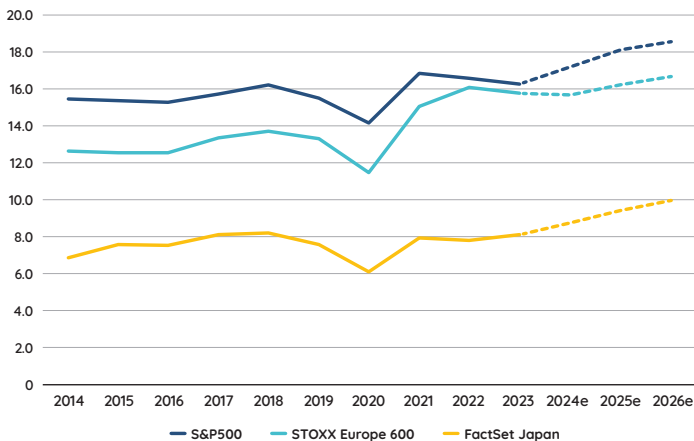
Sector	2026e / 10-year mean	2026e / 2023
Oil & Gas	2.3	1.1
Technology	1.9	1.2
Consumer Services	1.8	1.1
Utilities	1.5	1.0
Industrials	1.4	1.1
Telco	1.3	1.3
Basic Materials	1.3	1.6
Healthcare	1.2	1.2
Consumer Goods	1.2	1.2
Mean	1.5	1.2

Source: Willis Welby

Naturally the optimism in stocks and sectors exists also in broad regional indexes. For the three we consider below, 2023 EBIT margins were high relative to historical averages, and forecasts are considerably higher than that.

### Historic and forecast EBIT margins for broad indices

#### EBIT Margins (%) 2014 - 2026(e)



Source: FactSet

The chart above shows 2014 – 2023 EBIT margins for the S&P 500, the STOXX Europe 600, and a broad FactSet Japan index. It also shows a further three years of forecasts identified by the broken lines.

EBIT margins for each index have 2026 consensus estimates above last year’s level. The S&P 500’s 2026 margin is forecast at 18.5% (2023: 16.3%), STOXX Europe’s is at 16.7% (2023: 15.8%), and FactSet Japan’s at 10.0% (2023: 8.1%).

Consensus forecasts for 2026 margins have these relationships to all-time highs: S&P500 169 basis points higher than 2021’s 16.9%, STOXX Europe 62bps higher than 2022’s 16.1%, and FactSet Japan 177bps higher than 2018’s 8.2%.

Again, our point is not that there are no individual stock ideas available for us to unearth. We are researching opportunities all the time. However it is unquestionably true that most stocks we look at are priced off very high levels of profitability even before adjustments. Of course, the good news is that this is only temporary; we know that things will change and that the opportunity set will grow.

### Big government, big profit

In recent quarterly reports, we have laid out reasons to be pessimistic on the US economy and corporate earnings based on established relationships between various economic data series starting with interest rates and progressing through leading, coincident, and lagging indicators. The latest releases show that these relationships hold and suggest challenges for the economy and, by extension, for corporate profits.

While there is always room for debate, we think that the current high employment levels make a mild slowdown, such as the 1995 soft landing, unlikely. However, there are some who believe that 1995 could be this cycle’s prototype, which at least assumes a pullback. As we have seen, the consensus among analysts is considerably more optimistic. Estimates for S&P 500 EBIT growth are 13.0% in 2024, 11.7% in 2025, and 9.5% in 2026.

How might one make sense of this given the high base, especially as no-one is predicting strong economic growth? The Kalecki Equation is a way into one possible explanation.

Kalecki says:

Whole Economy Profits = Net Investment + Dividends – Household Savings – Government Savings – Foreign Savings

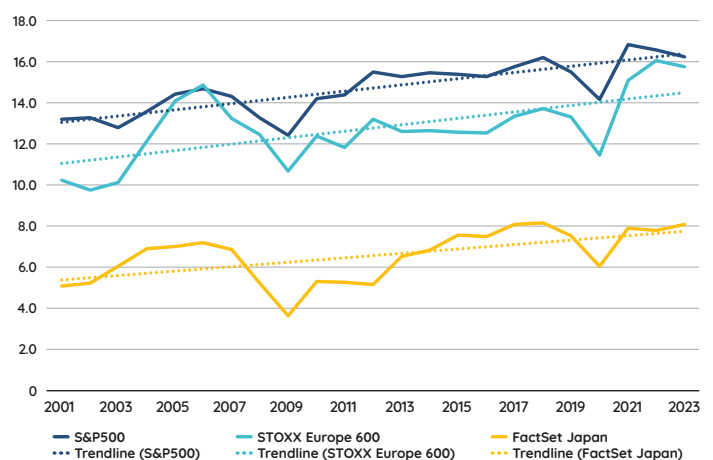
The government (dis)savings or the deficit component of this formula has significantly increased as a percentage of GDP since 2012 and shows signs of growing further. For example, there now seems to be bipartisan support for extending the Tax Cuts and Jobs Act of 2017, which might mean a \$4.7 trillion reduction in revenues and an additional \$800 billion in costs over the next decade. Were this to happen, we have seen estimates of the 2033 deficit moving to more than 8% of GDP from the 6.8% projected under current law.

We are a long way from a return to what the U.S. government’s Bureau of the Fiscal Service defines as a sustainable fiscal policy—one where the ratio of debt held by the public to GDP is stable or declining over the long term. And the US fiscal position has prompted recent warnings from the Congressional Budget Office and the IMF amongst others.

The risks of high debt-to-GDP ratios are well-known, lower levels of absolute growth, economic instability, higher interest rates, reduced financial flexibility in crises, intergenerational unfairness, and potential social and political unrest. As a real-world example, the then Truss led UK government discovered in 2022 that markets do not always play ball when they have no confidence in policymakers’ budget discipline.

But with debt doves flying high, and all other things being equal, this may be one mechanism underwriting the forecast profit growth that we otherwise find hard to explain. Certainly, the general 20-year rise in profitability, appears to coincide with unorthodox intervention, most notably around the GFC and Covid-19.

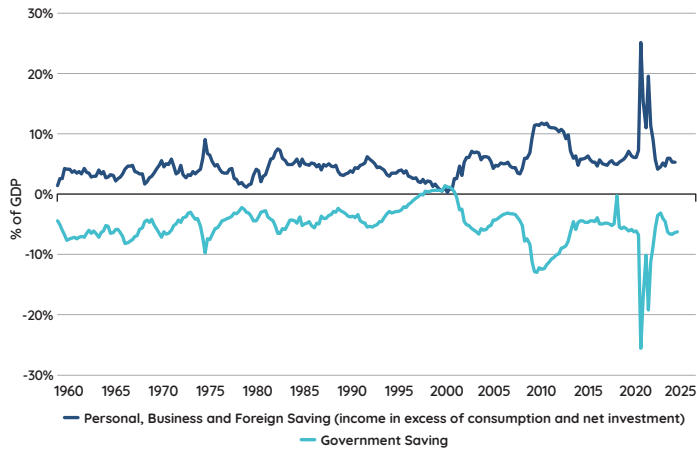
#### EBIT Margins (%) 2001 - 2023



Source: FactSet

And looking further back, US whole economy profits and government savings are mirror images of each other:

### Personal, Business and Foreign Saving vs Government Deficit



Source: FRED

## Summary

To some, vast government spending, amounting to the socialisation of risk and the profit pool, makes investment a free hit; to others, it is a road to chaos. Strong earnings forecasts may mean hope to one investor and concern to another. The narrowness of equity markets may not figure in one list of downside risks and be at the top of another.

Away from these and other differences of opinion, we maintain our investment process. This means investors in our strategy know what they own, and we benefit from the discipline of a firm framework. Changing our investment process would only add to the uncertainties under which we must make decisions.

As we have shown, the current market is challenging for idea generation. The good news is that this is not permanent. When change comes, we expect to take advantage of this as we have in the past.



## June 2024 Quarterly Performance

A risk-off rally lifted global equity markets slightly in the second quarter. But behind the modest overall gains lay a market of extremes. Breadth was near the lows reached during the dot-com bubble. Only larger, growth companies and a few defensive sectors managed positive returns. Cracks appeared elsewhere – small caps and cyclicals suffered outright declines as the global economy grappled with the lagged impact of higher interest rates.

Extreme market bifurcation continued in the second quarter of 2024. The big kept getting bigger. The largest ten stocks in the S&P500 index accounted for nearly three quarters of first-half returns and their market cap now is an unprecedented 37% of the Index market cap. Market breadth – measured by the percentage of companies that achieve returns higher than index average – dropped to around 30%, a low reached months before the dot-com bubble burst in 2000.

Meanwhile, the real economy showed signs of weakness with earnings season for most economically sensitive stocks going poorly. Political risks came to the fore roiling markets in France and Mexico, while defensive sectors started to outperform cyclical ones. These are all classic signs of a late-stage cycle in markets.

The US equity market, driven by a handful of megacap tech stocks, was the only bright spot across major world indices. The broad-based S&P 500 and tech-heavy NASDAQ were up 3.9% and 8.3%, respectively. In Europe, the Stoxx 50 dropped -3.7% driven by weakness in France (the CAC index slid -8.9% on the back of political developments) and Germany (DAX down -1.4%). In Asia, the NIKKEI 225 was down -1.9% despite continued weakness in the yen while the Shanghai Composite was also down -2.4%.

Against this challenging backdrop, the Fund delivered a return of -4.16% for the quarter.

**Distributions: The Fund paid a June 2024 quarterly distribution of 15.5 cents per unit taking its 12-month income return to 7.49%.**

The growth sectors - home to the megacap names - led performance in Q2. Tech (NVDA, AAPL, MSFT) and Communication Services (Google, Meta) were up +11.2% and +7.7%, respectively. Defensive sectors also did well as investors continued to digest the lagged effect of high interest rates on the economy – Utilities and Healthcare were up +2.2% and +0.2%, respectively. Cyclical sectors fell with materials leading the slide (-4.0%) followed by industrials (-2.6%) and energy (-2.0%).

Interest rates remained high with the US 10-year yield climbing by 20 basis points to 4.4%. Expectations for interest rate cuts in the US have been significantly reduced – the market now expects less than two by the end of 2024, down from three at the end of March.

The AUD gained against most major currencies as the reality of a more restrictive monetary policy in Australia relative to other regions bit. Oil prices were marginally lower (-2.0%) while the Bloomberg commodity Index edged up +1.5% with no apparent trend emerging. The VIX remained very low by historical standards, closing the quarter at 12.4, 0.6 points lower than at the end of the first quarter.

Pharmaceutical giant Roche was the top contributor to performance this quarter. The shares rebounded from a very low valuation reached in the first quarter and we see continued upside from here. Henkel, a German consumer products and adhesives manufacturer, was another top contributor. Strong Q1 result saw management upgrade FY24 guidance on the back of better margins and organic volume trends. Redeia, a Spanish electric utility company, also contributed positively to the quarter. Growth in the regulated asset base and improved odds of higher regulated return to be awarded next year, have led to upgrades in earnings expectations.

The largest detractor to performance this quarter was Mexican retailer Fomento Economico Mexicano (FMX). FMX shares declined in line with the local Mexican index on the back of what was viewed as market unfriendly presidential election outcome. However the fundamentals remain unchanged and we continue to see valuation upside in the shares. Japanese telco giant NTT was also a large detractor to performance. Its shares fell sharply on a disappointing FY24 result where the company missed guidance and gave underwhelming guidance for next year. The company also flagged spending more cash on M&A over the coming years, although an undemanding valuation keeps us invested for now.

The fund initiated a new position in Brenntag, the largest chemicals distributor in the world. The main attractions are a capital light business model, a growing top line and a stable margin regardless of economic outlook at an attractive valuation (see Stock in Focus). The fund exited three positions on valuation grounds after reaching our price targets – Wheaton Precious Metals (metals streaming), H&R Block (tax advisory) and Sandoz (generic and biosimilar drugs maker).

# Stock in focus: Brenntag

Brenntag is the largest distributor of chemicals in the world and is a new addition to the fund. The main attractions are a capital light business model with a growing top line and a stable margin regardless of economic outlook. We see around 45% upside from here in a normalised valuation by 2027.

Brenntag is a German distributor with global operations. The business is split into two divisions – Specialties and Essentials. Both are leaders in their respective fields of distribution.

## Business model

Chemical distribution is a very fragmented market. Brenntag is the market leader with a market share of just 5%. It connects chemical manufacturers like Solvay and BASF with chemical users (typically small and medium enterprises). It operates a network of 700 locations in 78 countries and employs over 17,000 staff to sell, manage and deliver the roughly 10,000 chemical products it offers.

There are several characteristics that we like about Brenntag’s model.

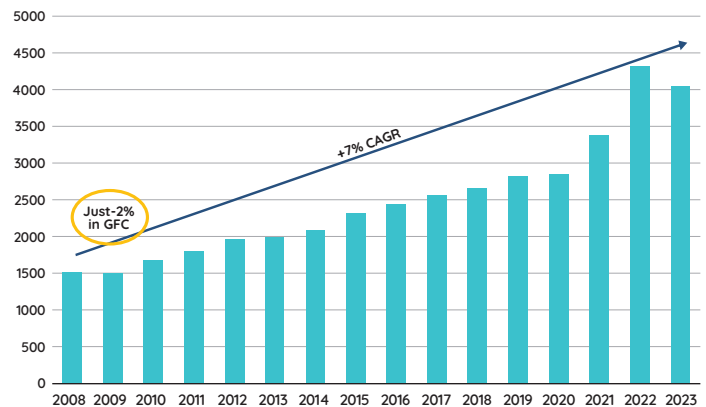
First, the business is capital light. There are no manufacturing facilities. The biggest tangible assets are the warehouses and working capital. Goodwill and intangibles are roughly a third of total assets. Average ROIC on a through-cycle basis is in the mid-teens.

Second, high fragmentation means vast potential for M&A. Brenntag has closed over 100 deals since 2010, expanding and deepening its global reach and scale. M&A has added 3% on average to sales growth with this trend expected to continue well into the future. Acquisitions are generally accretive, with transaction multiples lower than the average trading multiples for Brenntag.

Third, the balance sheet is clean and cash conversion high. Current net debt to EBITDA is sitting at just 1.6x with an explicit cap set by management of 2.0x. Roughly 95% of net income since 2013 has been converted into free cash flow of which half has been returned to shareholders and half has been spent on acquisitions.

Finally, there is low gross and operating profit variability regardless of the economic environment. Brenntag’s sales of chemical products are cyclical, like the rest of the chemicals industry. But Brenntag and other distributors manage gross profits well during cyclical downturns, extracting a bigger gross profit per unit (bigger “mark-up”), and keeping the gross profit in absolute terms much more stable. Even during the 2009 GFC economic slump, gross profit was down just -2% YoY vs 2008, despite a -14% drop in sales (see chart).

## Gross Operating Profit



Source: Company accounts

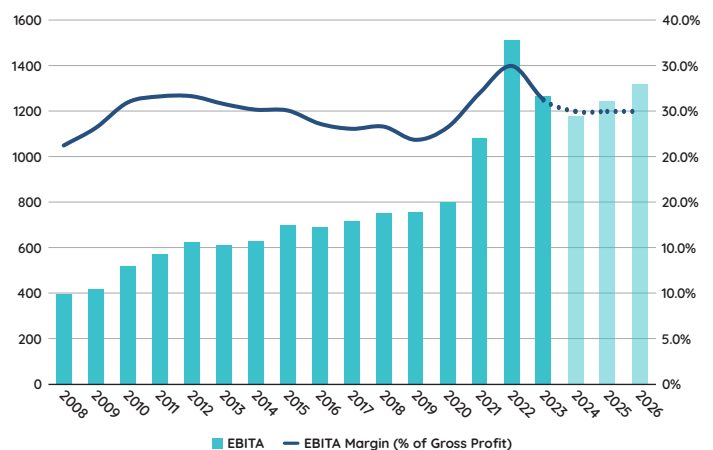
## Investment case in a nutshell

We estimate the fair value of Brenntag shares to be around 95 euros per share by 2027, including dividends. This offers a significant upside on the price at the time of writing of 65 euros. There are four parts to achieving fair value.

Firstly, we assume gross profit will continue expanding at a rate of four percent each year – three percent from M&A and one percent from organic growth. The four percent growth is conservative compared to both company targets and the seven per cent historical growth.

Secondly, we assume that the contribution margin (EBITA over gross profit) remains at 30%. This is in line with the long-term history and well below the 36% target set by management (see chart).

## Brenntag – EBITA and EBITA contribution margin, 2008-2026, actual and forecast



Source: Company accounts, Talaria estimates



Thirdly, we assume a 12x EV/EBITA exit multiple in 2027, below both peer averages and the company specific long-term average.

Finally, we expect the company to continue paying roughly 40% of its FCF in the form of dividend, delivering additional 3% yield per annum.

All four components are achievable; they are in line or below historical averages, and below the company's own targets and yet they imply a significant valuation upside from here.

## Stress case

What could go wrong? We assume the normalised contribution margin falls to a historic low of 28%, the gross profit growth remains low at just 2% per annum by 2027 and the exit multiple drops to 10x EV/EBITA, near the lower end of historic range. Such an outcome implies a price of 52 euros per share versus a price at the time of writing of 65 euros – a much narrower gap compared to the base case.

# Talaria Global Equity Fund (Managed Fund)

## Top 10 Holdings\*

Company name	% weight
Sanofi	5.6%
Gilead	5.2%
Roche	5.2%
Johnson & Johnson	5.0%
WEC Energy	4.1%
Bunzl	4.1%
Alibaba	4.0%
Medtronic	3.9%
Nestle	3.8%
Henkel	3.6%

\* Weightings include option positions held and cash backing put options. It assumes that put options will be exercised.

## Performance at 30 June 2024

Period	Total Return	Average Market Exposure
1 month	-1.29%	63%
3 months	-4.16%	60%
6 months	-1.33%	58%
1 year	1.23%	58%
3 years p.a.	8.50%	57%
5 years p.a.	7.91%	56%
7 years p.a.	8.16%	58%
10 years p.a.	8.39%	59%
Since Inception p.a.	7.08%	61%

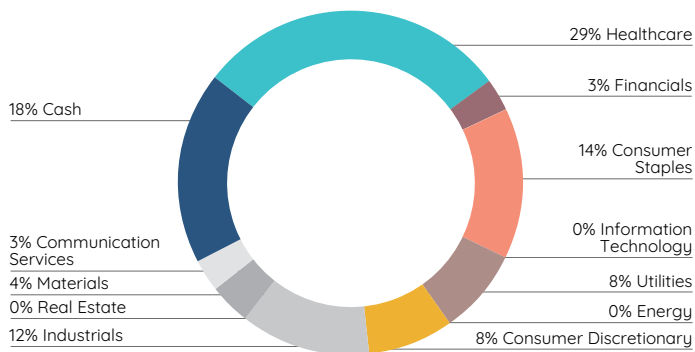
1 Fund Returns are calculated after fees and expenses and assume the reinvestment of distributions

2 Inception date for performance calculations is 18 August 2008

3 Past performance is not a reliable indicator of future performance

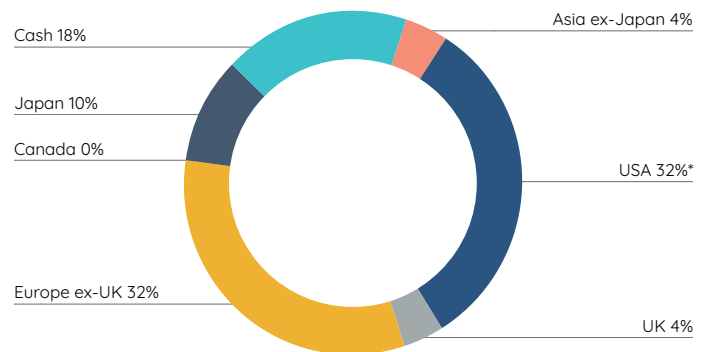
4 Average Market Exposure based on delta-adjusted exposure of underlying portfolio

## Sector Allocation



\* Weightings include option positions held and cash backing put options. It assumes that put options will be exercised.

## Regional Allocation



\* USA includes American Depositary Receipts (ADRs) listings.

## Quarterly distribution

Period	Cents per Units	Reinvestment price
June 2024	15.550	\$4.8406
March 2024	7.600	\$5.0606
December 2023	7.600	\$4.9896
September 2023	7.300	\$5.0630
June 2023	14.4457	\$5.0085
March 2023	7.250	\$4.9811
December 2022	7.000	\$4.8288
September 2022	7.000	\$4.6234
June 2022	11.564	\$4.6553

## Asset allocation

Asset allocation	% weight
Global equity	58.0%
Cash - put option cover	24.0%
Cash	18.0%
<b>Total</b>	<b>100.0%</b>

## Portfolio contributors      Portfolio detractors

Roche	FEMSA
Henkel	Nippon Telegraph & Telephone Corp
Redeia	Ambev
Sodexo	Secom

1 Portfolio contributors and detractors are based on absolute quarterly contributions to return, including option positions

## Talaria Global Equity Fund (Managed Fund)

### Fund snapshot

<b>APIR Code</b>	AUS0035AU	<b>Inception Date</b>	18 August 2008
<b>Management Fee</b>	1.16% p.a. of the net asset value of the Fund plus Recoverable Expenses	<b>Liquidity</b>	Daily
<b>Recoverable Expenses</b>	Estimated to be 0.12% of net asset value of the Fund each Financial Year	<b>Exit Price</b>	\$4.84060 (30 Jun 2024)
		<b>Buy / Sell Spread</b>	0.20% / 0.20%
<b>Platform Availability</b>	AMP North, Asgard, Ausmaq, BT Wrap, BT Panorama, CFS FirstWrap, CFS FirstChoice, Hub24, IOOF Pursuit, Linear, Macquarie, Mason Stevens, MLC Wrap, MLC Navigator, MyNorth, Netwealth, Powerwrap, Praemium, Xplore Wealth	<b>Distributions</b>	Quarterly
		<b>Minimum Investment</b>	\$5,000

### Important Information

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