

Monthly Market Commentary

July saw a spike in equity market volatility as a pronounced rotation away from the crowded AI/mega-cap trade tech assets drove performance in small-caps and non-Tech.

Helping fuel some of this were signs of cooling inflation and weakening employment trends which catalysed a rotation into companies with higher margins/returns, solid balance sheets, lower sales variability and those that are less reliant on strong forward growth to justify valuations. Contributing to market volatility was also systemic fund selling, unwinding of carry trades, covering amongst short volatility strategies and general fears of a recession as more signs emerge of a broad-based slowdown.

As bottom-up analysts our key focus is on company dynamics with numerous results during earnings season highlighting just how quickly economic momentum has moderated. We would note that one of the world's largest alcohol companies, Diageo, warned that consumers are facing an "extraordinary environment" reporting its first drop in sales since 2020. US banks have also raised concerns about bad debts, particularly on commercial loans and lower income customers. Interestingly, there also appears to be a squeeze developing in the higher income brackets, with LVMH reporting Q2 organics of 1% vs consensus of 3%.

Cyclical pressures have also weighed on mega-cap tech names, with share price weakness exacerbated by already high starting valuations. For example, Alphabet saw its shares fall 5% on disappointing YouTube revenues with management also flagging margin pressure from rising depreciation. Tesla also delivered disappointing results with shares down 12% after the company announced product delays and lower auto margins on higher costs and discounting.

US small caps were the standout performers in July. The S&P600 Small Cap Index rose 10.7%, well ahead of its large cap peers, the S&P500, up 1.1%, and the NASDAQ which fell 0.8%. European markets fared generally better led by the UK FTSE, up 2.5%, followed by the German DAX, up 1.5%, while political uncertainty weighed on the French CAC40, finishing up 0.7%.

Asia was weaker with ongoing issues in China's real estate sector and spill-over risk driving the Shanghai Composite Index lower by 1%. Japan's Nikkei225 was also lower, falling 1.2% in local currencies, on the back of a soaring JPY which finished up 6.5% against the USD thanks to an interest rate hike by the BOJ and anticipated cuts at the US Fed.

Performance at a sector level reflected this rotational shift with Tech and Communication Services down 2.1% and 3.2%, respectively, courtesy of their outsized exposure to previous favourites. Utilities and Financials were stronger, up 6.5% and 5.7% respectively while Industrials also delivered solid performance, up 4.6%.

Against this backdrop the Fund performed strongly, returning +6.29% for the month.

The AUD fell 1.9% against the USD as the Bloomberg Commodity Index declined 4%. WTI Oil was also lower, falling 5% in July. As noted above, volatility spiked in July with the VIX rising 3.9 points to close at 16.36, while yields on 10yr US Treasuries fell 37bps to 4.02%.

The Fund's holdings in pharmaceutical majors Roche, Gilead, Johnson & Johnson, and Sanofi were the four biggest contributors to performance, in that order. While all benefitted from sector rotational dynamics, Roche and Gilead were particularly strong on encouraging new drug updates. Namely, Roche's new weight-loss pill, and a Gilead treatment which showed 100% effectiveness in preventing HIV infections in women.

In terms of laggards, employee benefits and rewards group, Pluxee was the biggest drag on performance as a poorly received Q2 result and regulatory concerns weighed on shares. However, given its highly cash generative business model, structural growth attributes and some decent valuation support (stock trading on 12x FY25 EPS), we will continue to hold.

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 31 July 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	6.29	4.04	2.58	6.76	9.24	8.49	8.73	8.24	7.67
Avg. Market Exposure⁴	67%	64%	61%	59%	57%	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

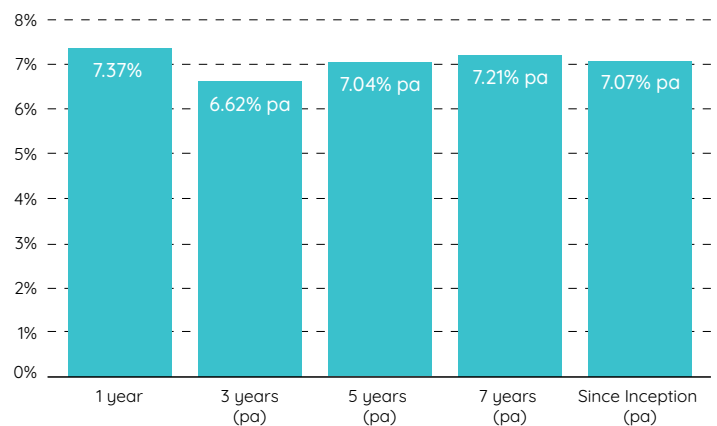
⁴ Average Market Exposure calculated on delta-adjusted exposure of underlying portfolio. Since inception market exposure is calculated from 1 October 2005

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



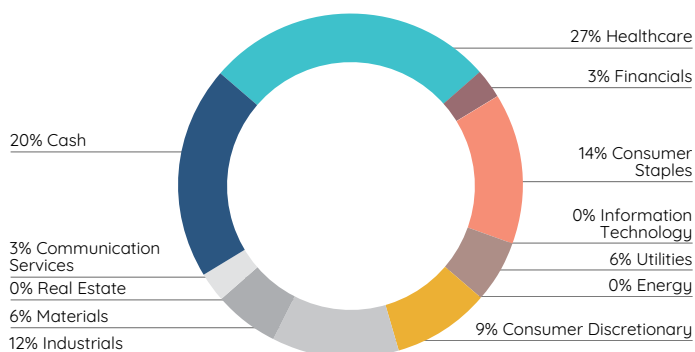
⁶ Illustrates Distribution Returns for the Talaria Global Equity Fund - Foundation Units for the financial year ending 30 June 2024. Inception date is 1 October 2005

Top 10 Holdings⁷

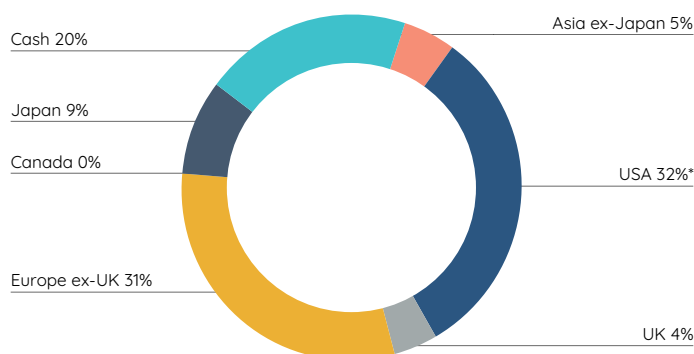
Company Name	Holding	Country	Sector	Description
Roche	5.7%	Switzerland	Healthcare	A global leader in cancer treatments
Gilead	5.2%	USA	Healthcare	Leading research based biopharmaceutical company
Johnson & Johnson	5.2%	USA	Healthcare	Pharmaceutical, medical devices and consumer health products company
Sanofi	4.9%	France	Healthcare	Top 5 pharmaceutical firm with leading positions in diabetes and rare diseases
Alibaba	4.7%	Hong Kong	Consumer Discretionary	One of the world's largest eCommerce and technology groups
Henkel	4.0%	Germany	Consumer Staples	A multinational household products and adhesives company
Wec Energy	3.8%	USA	Utilities	A US regulated electricity and gas utility company
Medtronic	3.8%	USA	Healthcare	A leading medical devices company
Ambev	3.7%	Brazil	Consumer Staples	Largest Latin American brewing company
Bunzl	3.7%	United Kingdom	Industrials	Multinational distribution and outsourcing business

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 Depositary 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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 Principles for Responsible Investment