Monthly Market Commentary

February hinted at a change in market leadership from a regional and sector perspective, with US growth equities underperforming.

Investors sold US stocks on the back of rising fiscal policy uncertainty alongside concerns over tariffs, spending, and immigration, as well as risks from a broader trade war. Economic data was also soft with a weak ISM Services reading, falling consumer sentiment and hotter-than-expected inflation weighing on sentiment.

Alongside already waning confidence in FY25 and FY26 earnings forecasts (the US has seen the worst regional earnings revision ratio) this reporting season has witnessed several US companies beginning to flag a weaker consumer backdrop relative to expectations. Supermarket group, Walmart cited “uncertainties related to consumer behaviour” as one factor behind a subdued FY26 guide with fellow retailer, Target also attributing a decline in February sales in part to “declining consumer confidence”.

Courtesy of unprecedented concentration risk, US markets were also disproportionally impacted by ongoing weakness within the mega-caps. Except for Meta, each of the Magnificent 7 fell during February, with Tesla amongst the worst performers on reports of ongoing sales weakness. More broadly, investors are beginning to worry about the cohort’s incremental returns in the face of eye-watering capital expenditure plans and apparently growing competition.

Against this backdrop the Fund delivered 2.17% during the month taking its 12-month return to 10.29%

The deteriorating macro environment saw US small caps bear the brunt of investor selling with the S&P600 Small Cap Index down 5.8% in February. US large caps were also lower during the month with the NASDAQ and S&P500 falling 4% and 1.4%, respectively. In contrast, European equities continued to push higher through February, boosted by the prospects of an expansionary fiscal policy backdrop exemplified by loosening debt sustainability rules, and the signalling of increased EU defence spending. The potential for peace in Ukraine also helped sentiment. All major European bourses finished well in the green with performance led by the German DAX, up 3.8% for the month, spurred by the election of a new perceived pro-growth government in Germany. France’s CAC40 and the UK FTSE also delivered good performance, up 2% and 1.6%, respectively.

Asian markets were more mixed with Japan’s Nikkei225 down 6.1% due to escalating trade tensions, weakness in semi/tech stocks, and the prospects of more rate hikes. China’s Shanghai Composite finished up 2.2%, boosted by ongoing strength in its domestic AI plays.

From a global sector perspective Consumer Discretionary was the worst performer, dragged lower by Tesla and Amazon to close down 6.1%, followed by Communications, down 5.1%, and Info Tech, down 1.9%. All other sectors finished up for the month, apart from Industrials which fell modestly, down 0.4%.

The AUD against the USD, and commodities were broadly flat in February with the Bloomberg Commodity Index up 0.4% despite a 3.8% slide in WTI oil prices. Given the ‘orderly’ nature of February’s rotation, there was not a volatility spike as the VIX rose 3.2 points to finish at 19.6, while yields on 10yr US Treasuries fell 33bps to close at 4.21%.

The Fund recently gained exposure to US-based, EOG Resources, one of North America’s largest independent oil & gas producers. We were attracted to EOG thanks to its multi-decade resource base, solid growth pipeline, very competitive cost position (less than $15 cash costs per barrel), net cash balance sheet, and a good track record of capital deployment. With the stock trading on a ~7% Free Cash Yield (all of which is returned to shareholders) and ~2x EV/Invested Capital (i.e. close to 10-yr lows) we think EOG makes for a compelling investment opportunity.

Swiss-based food and beverages giant, Nestle was the biggest contributor to performance following a well-received FY24 result. Key highlights were strong Q4 organics and better-than-expected H2 margins translating to H2 EBIT approx. 4% above consensus. FY25 guidance and medium-term targets (+4% organics, +17% margins) were also re-affirmed at the result with the company also giving more colour on restructuring plans.

US-based fertilizer giant, CF Industries was the largest detractor. Despite delivering a reasonable FY24 result with no surprises, concerns over end-market farm demand, capex plans, and the prospects of a flattening global cost curve weighed on shares. However, the stock is cheap, trading at below 1x Gross Invested Capital, which is a good proxy for replacement cost. Hence, given our confidence in the long-term fundamentals of the sector, the strategic nature of CF’s assets, and a balance sheet capable of funding both network expansion and shareholder returns, we think the skew is to the upside and will continue to hold.

TALARIA

Talaria Global Equity Fund – Foundation Units
Monthly Update | February 2025

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 28 February 2025[1]

	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	2.17%	6.26%	5.54%	10.29%	9.44%	8.72%	8.99%	7.46%	7.77%
Avg. Market Exposure[4]	66%	69%	67%	64%	58%	57%	59%	59%	61%

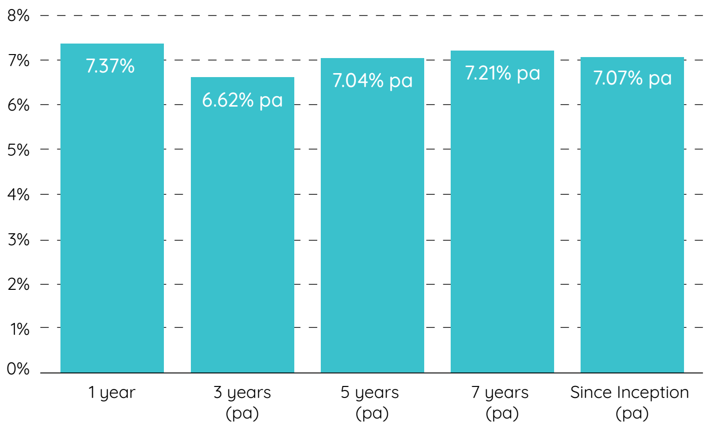
1 Fund Returns are calculated after fees and expenses and assume the reinvestment of distributions
2 Inception date for performance calculation is 1 October 2005
3 Past performance is not a reliable indicator of future performance

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 Inception[5]

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 Distributions[6]



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

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Zenith HIGHLY RECOMMENDED

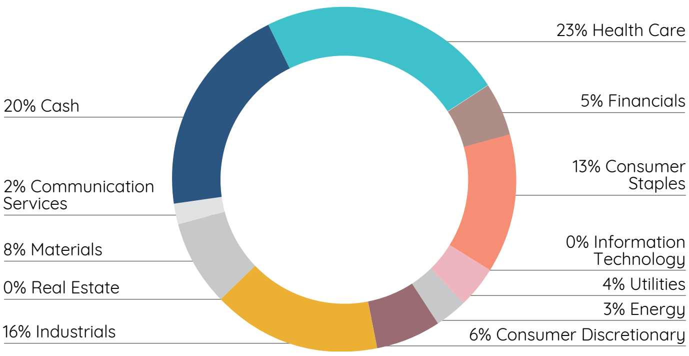
Recommended Lonsec Research

Top 10 Holdings[7]

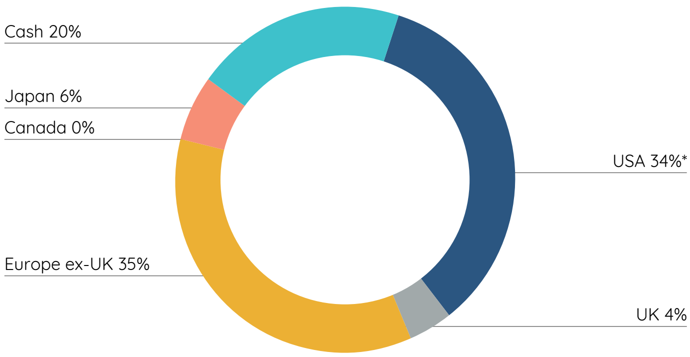
Company Name	Holding	Country	Sector	Description
Roche	5.9%	Switzerland	Health Care	A global leader in cancer treatments
Johnson & Johnson	5.5%	USA	Health Care	Pharmaceutical, medical devices and consumer health products company
Sanofi	5.2%	France	Health Care	Top 5 pharmaceutical firm with leading positions in diabetes and rare diseases
Newmont	4.6%	USA	Materials	One of the top 3 gold producers in the world
Everest Re	4.1%	USA	Financials	Leading global provider of reinsurance and insurance services
Bunzl	4.1%	United Kingdom	Industrials	Multinational distribution and outsourcing business
Brenntag	4.0%	Germany	Industrials	Largest third-party chemicals and ingredients distributor in the world
Nestle	3.8%	Switzerland	Consumer Staples	One of the world's largest food companies measured by revenues
Sodexo	3.7%	France	Consumer Discretionary	A multinational food services and facilities management company
Medtronic	3.6%	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 Allocation[8]



Regional Allocation[9]



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

Signatory of: PRI Principles for Responsible Investment

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.
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