

End of Financial Year & Current Positioning Snapshot

FY 2019 closed with Talaria delivering strong absolute returns for our investors and given the increased uncertainty - in the financial press at least - we wanted to share some context around where we see the market now and how we're positioned to continue to deliver in FY20.



How did we get here?

12 month Global Equity¹ returns in A\$ dominated by US Stocks...

	Total Return	Return From US	% Contribution
Global Equities ¹	12.62%	10.3%	81.6%

We continue to actively manage the positions within the strategy: at the end of June 2018 we had 40% of the capital deployed in the US but by 30 June 2019 we'd reduced this by 1/3 down to 27%.

Nearly 36% of the market's total return came from just 20 stocks, dominated by technology and related companies we didn't have exposure to. Coming into the beginning of FY19 the fund was exposed to 50% of the remaining 12 of the Top 20 performers ... **finding companies offering 20% upside remains challenging, however stock selection persists as the key positive driver of our performance.**

...and Technology companies

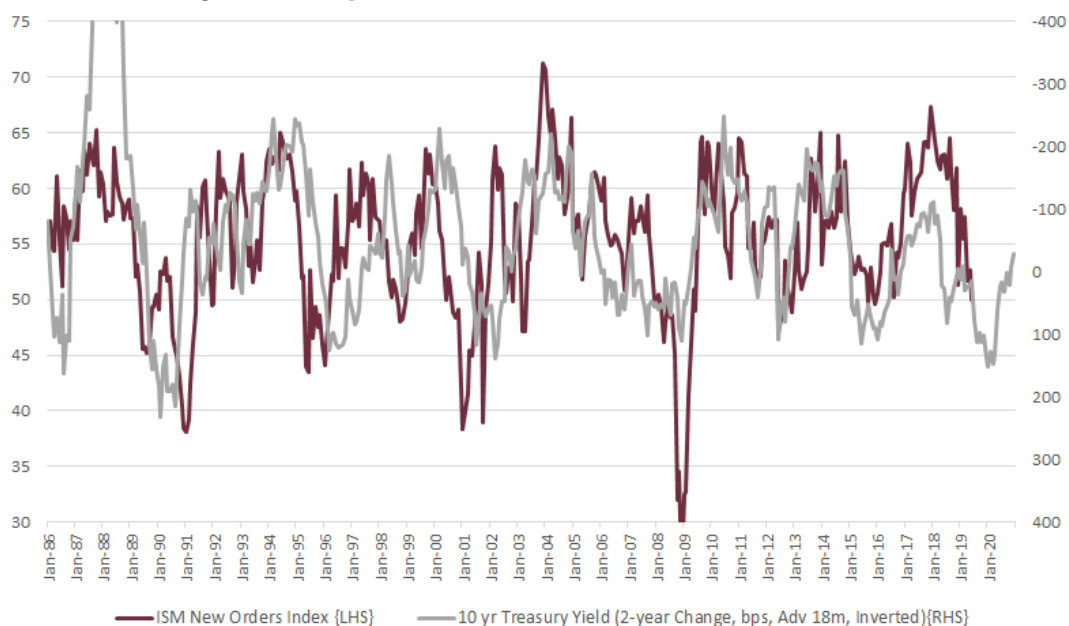
	Total Return	Technology	Contribution
Global Equities ¹	12.62%	3.46%	27%

1) 12 month Benchmark returns to 30 June 2019, Source: Talaria, Bloomberg

FY 2020 & beyond: Where to next?

Most of the world is in a PMI contraction. In early July 2019 **ISM New Orders fell to 50** and we expect this to continue declining all year. **Earnings season will reflect this, buckle up...**

Strong relationship between ISM and US Government Bond Yields



Source: Talaria, Bloomberg

PMIs matter as they're a strong indicator of future company profitability.

How we're positioned

From a bottom up perspective there's a smaller than normal pool of securities offering 20%+ upside to our calculation of fair value for the assets and cashflows these can produce. We look forward to this changing and are in a good position to take advantage.

Notable portfolio YoY changes driven by our bottom-up investment process

Talaria Exposure ²	June 2018	June 2019	Change
Market Risk Exposure	66.1%	56.7%	-9.4%
Direct Equities	61.3%	51.7%	-9.6%
US Stocks	40%	27%	-13%
French Stocks	5%	12%	+7%
Japanese Stocks	2%	8%	+6%
Utilities	16%	6%	-10%
Consumer Staples	10%	5%	-5%
Talaria Portfolio Median P/E	12.7x	11.2x	-1.5x
Global Equity Market Median P/E*	16.5x	16.4x	-0.1x

2) Data as at 30 June 2019, Source: Talaria, Bloomberg. Benchmark as at 30 June 2019.

May FY20 be kind to your families, clients and teams.**Contact**

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