Talaria Global Equity Fund – Foundation Units
Quarterly Update | March 2022

FUND MANAGER OF THE YEAR 2018
MONEY MANAGEMENT | Lonsec
WINNER
Retirement and Income Focused

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PRI Principles for Responsible Investment

Market Insight

It's numbers not narrative that drive us at Talaria and in what follows we:

- Quantify the expected future returns from the dominant US equity market (spoiler alert 1: they're very low).
- Analyse the level at which bonds are pricing inflation expectations.
- Detail what a bad outcome for equity investors might look like if rates are tightened into a slowdown (spoiler alert 2: not good).
- Look at how to diversify, particularly when mega cap Tech is highly priced, widely held, and vulnerable to the law of large numbers, legislation, and reversals in passive and speculative activity.
- Offer solutions revolving around: sector (highlighting Health Care); region (with a focus on opportunities outside the US) and return type leaning into income where the numbers do the talking,

Unusually however, we want to make some general remarks before getting further into the numbers.

The war in Ukraine is a humanitarian disaster, deeply upsetting and has serious political and economic implications, some of which are playing out already. We don't intend to lay these out here. Suffice it to say that what was already a complicated world for investors prior to Russia's invasion has become even more challenging.

Ukraine aside, we are at an historic juncture for financial markets. For decades monetary authorities, which have made themselves the key players in those markets, have not had to cope with inflation. Indeed, if they have had an inflation challenge it's been about falling rather than rising prices.

However, through factors including extreme monetary and fiscal stimulus, supply chain disruptions, low unemployment and fossil fuel disinvestment, major western economies are now facing high inflation. Following EM central banks, which were already raising rates last year, US and European central banks have signalled their intention to withdraw QE and raise rates. Indeed, as we write, both the Fed and the Bank of England have recently hiked.

At the same time, lead economic indicators are heading downward, with the added wrinkle that they are likely to fall further given that inflation itself has a strong negative correlation with future economic growth. This relationship is intuitive given that inflation acts as a wealth tax on, say, the consumer, by reducing disposable income. Headlines in the UK "Heat or Eat?" capture the dilemma of high energy prices in winter.

This potential combination of rising interest rates and falling growth is unusual and dangerous. Central banks want to work to support economies as they did during the GFC and the pandemic, but the risk of inflation expectations running out of control is so material they are likely to prioritise subduing prices over buttressing economic growth.

As we detail later, the consequences of this set-up in the past have been significant drawdowns for equities.

We have written repeatedly that investors need to spend less time on predicting the future and more on thinking about how they are placed if certain things come to pass.

We don't know if there is an easy escape route from these problems but acknowledge there may be one. What concerns us is that so many investors are positioned for this potential escape to happen, with too few facing up to the challenges. We have already seen what that might mean, with intimations of trouble last September and material drawdowns this quarter.

We can only repeat what we have said in previous publications. It is essential that equity investors protect themselves by diversifying. They should look for regions other than the US, sectors other than tech, styles other than momentum, active rather than passive strategies and, perhaps most important of all, prioritise income over capital appreciation as a component of total return.

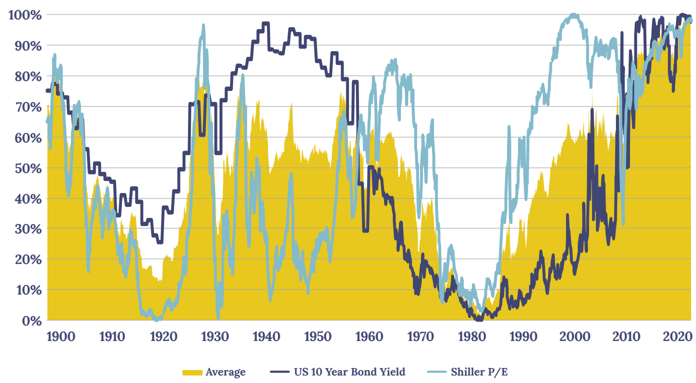
Starting point and US equities' lost decade

There's an old joke about one person asking another how to get somewhere. The answer: "First off, I wouldn't start from here."

That punchline works for an investor looking for a decent return from the highly priced S&P 500 because you really wouldn't want to start at this level. Valuation drives long-run equity returns. With the expected return going down as the valuation goes up, an investor should aim to buy when cashflows are under rather than over-valued. This may be obvious, but it's an obvious point that many have forgotten.

Robert Shiller, a Nobel Laureate economist at Yale, provides data and graphics for his Cyclically Adjusted Price Earnings (CAPE) which is the S&P's current price divided by the 10-year inflation adjusted moving average earnings. At the end of February, the CAPE was in the 98th percentile of history, which, apart from the tech bubble, is about as high as it's been since 1880 (chart below).

Shiller Cyclically Adjusted Price Earnings and Bond Valuation (Percentile)



Robert Shiller/Yale University

At today's level the 10-year expected return from the S&P500 - assuming margins stay at today's record levels, the index holds its lofty valuation and the average sales growth of the last 20 years - is achieved is less than 4% nominal which is a small number in anyone's book.

In December 1999, a popular explanation for the all-time high CAPE was that you couldn't put a price on Tech shares that were changing the world.

> *This was another unhelpful rationale: an investor who bought the S&P500 at the start of 2000 had lost more than 4% ten years later. There's a reason that they refer to the noughties as the lost decade.*

However it's not all bad news. There are still attractively valued individual shares in the US if you look for them, other regions are less expensive, and income can help. However, it's important to understand the starting point - and for investors in US shares today it's not a good one.

US bonds price in low average inflation for the next decade (Is the market blind to the numbers?)

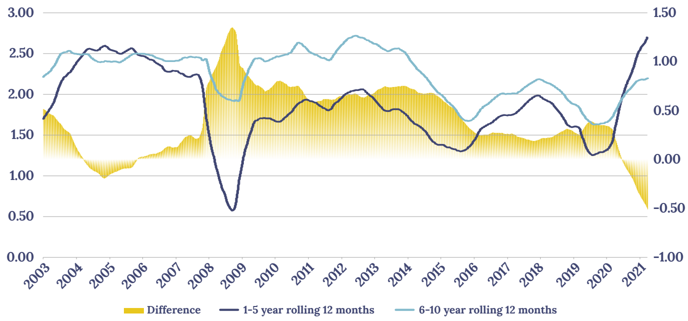
Let us repeat one more time - market participants spend too much time on forecasting and too little on positioning (who owns how much of what).

Positioning in US Government Bonds is particularly important because they provide the risk-free benchmarks that investors use in pricing other assets, driving the narrative that low long-term rates justify high equity valuations. That this narrative has been accepted can be seen in the fact that – like equities - bonds stand at their 98th percentile valuation since 1881 (chart above). 60/40 has never offered such low prospective returns nor risk.

Despite inflation reaching levels not seen since the 1980s, investors in Treasuries remain unmoved by the idea that this material pick-up will be anything other than short-lived. For example, twenty years of data which predict average expected inflation over the next decade derived from US bond prices (chart below) show:

- Average inflation priced into US bonds for years 1-5 is 3.5% and years 6-10 is 2.2 %.
- Although 3.5% is the highest over the period, the 6-10 year is well within the range.
- It's unusual for near-term to be priced higher than long-term inflation and the difference between the two has not been wider over the period.
- This suggests that the market is confident of the Fed correcting what it sees as a modest short-term policy error.

US Treasury Market average inflation expectation for years 1-5, 6-10 and the difference



Source: St. Louis Federal Reserve, Talaria

Whether these expectations are reasonable is far less important than the fact that they exist, because they are the foundation upon which investors have built a tolerance for the lofty US equity market valuation we described above. When investing in an expensive US equity, it's important to understand the risk being taken on. A share, ETF, or Index fund may have a wonderful story attached to it but most of its price action may be explained by the direction of the bond market.

Moreover, even if current fixed income positioning proves prescient, a good outcome would still only be that the S&P 500 delivers a decade of poor average returns - because the maths says it must.

This then begs the question: "Well if that's a good outcome, what would a bad one look like?."

A bad outcome

We have seen bad outcomes in circumstances that resemble those of today. However like imagining a world without internet, they occurred before the majority of current investors started investing and so they are not well known.

The Fed has turned hawkish just as leading indicators say the economy is about to slow. Since November last year it has moved from prioritising full employment to prioritising inflation management through the planned removal of QE and the raising of short-term interest rates.

This combination of growth slowing with interest rates rising is uncommon, but Strategist Francois Trahan has identified four times in the last fifty years when the Fed has raised rates in the face of a weakening economy (table below). Each time there was a material drawdown in the S&P 500, once simultaneously and in other all cases shortly thereafter.

Long-term yields up amidst lower PMIs

ISM Peak	FFR Peak	10yr Change	Subsequent S&P Performance
January 1973	May 1974	1.0%	**-43%**
July 1978	February 1980	4.2%	**-24%**
March 1988	February 1989	0.8%	**-13%**
May 2004	June 2006	0.5%	**-52%**

Source: Trahan Macro Research

Such pro-cyclical tightening (i.e. exacerbating any downturn) would fly in the face of the idea of the "Fed put", the notion that US monetary authorities will ride to the rescue if equities weaken materially, and the hope that Fed's safety net has become even more equity market friendly now that it takes financial conditions into account.

However, equity investors should not kid themselves that shoring up their holdings is as high a priority as stamping out inflation. As Robert Samuelson said of the 1970s, "The lesson of the Great Inflation is that inflation ought to be nipped in the bud: The longer we wait, the harder it becomes." (The Great Inflation and its Aftermath).

The Fed cannot afford to let inflation expectations run out of control as it did with dire consequences in the 1970s, but keeping those expectations in check will challenge both economic growth and financial markets.

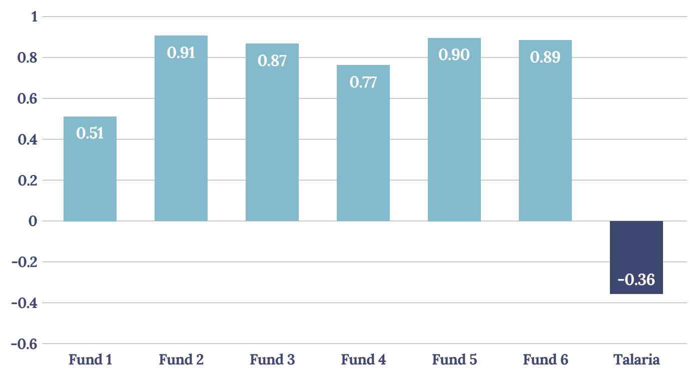
The growth equities' challenge

The usual rule in equity investing is that when growth is scarce buy growth, when growth is abundant buy value.

If the Fed gets on top of inflation at the expense of growth, then it is reasonable to assume that investors will follow this rule. The problem is that Tech is by far the heaviest weighting in growth indices and yet has a number of challenges:

- Valuations are already very high. Again, this means returns are likely to be low and shares are vulnerable to disappointment (think Meta and Netflix by way of example).
- The law of large numbers means growth is becoming harder to achieve. For example, if Amazon delivers its consensus forecast sales growth over the next three years its sales will go from USD 470bn in 2021 to USD 730bn in 2024. The incremental USD 260bn is like adding more than Microsoft to its top line.
- As the Tech sector growth has been so strong, it has masked and cyclical elements, but activities including the manufacture and sale of big-ticket consumer goods (iphones), advertising and supply of discretionary entertainment (streaming services) can't be invulnerable to the cycle.
- If the almost unimaginable amount of capital pouring into Tech doesn't have a negative impact on profitability for some of them it would fly in the face of economic wisdom. If the counter argument is one of winner takes all, the answer is that not everyone can be a winner. Who will win in content for example?
- Although legislation moves at a glacial pace, it increasingly looks as if the US will begin to crack down on what it sees as anti-competitive and/or unethical practices.
- Investors are already over-weight Tech. Looking at the biggest asset gatherers among global equity funds in Australia last year, all were highly correlated with the Nasdaq

1 year correlation of returns to NASDAQ



Source: Talaria, Morningstar to 31 January 2022

- Given its large weighting in indices, Tech is highly exposed to passive investors. When markets are rising, passive can be a cost effective way to be in equities. However, passive investing's performance chasing and buy high, sell low approach is a problem in a poor return world.
- Tech shares are vulnerable to speculative activity. By way of example, the TQQQ ETF which amplifies any move in the Nasdaq by a multiple of 3 via the use of leverage has seen positive inflows in 11 of the last 12 months to the end of February.

What diversification looks like in this challenging environment

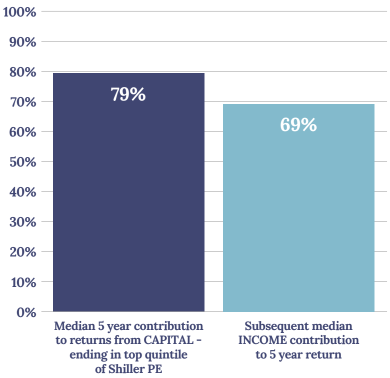
1/ Income or "I like those odds"

At the risk of stating the obvious, total return from equities comprises two elements: capital growth and income. We find it hard to over-emphasise the importance of income at this juncture. Investors focused on the stellar capital component of returns may find income easy to dismiss. However, the data are clear.

Looking at the US equity market, long-term contributions to total return have been neck-and-neck, 49% income to 51% growth. It is true that over the shorter term, the mix ebbs and flows but the lesson is that the income component contributes considerably more when the starting valuation of equities is relatively high, as is the case today.

The chart below shows the capital contribution on a 5-year basis when the market ends at a Shiller P/e in the most expensive quintile. Unsurprisingly when multiples end in the most expensive quintile – more of the return than average is due to capital growth, but income then dominates returns over the next 5 years. Indeed, the median contribution from income over the next 5 years is 69%. More sobering is the fact that 45% of the time more than 100% of the return to equity investors comes from income.

The Crucial Role of Income



Income Contribution	Hit Rate
Income > 80%	40%
Income > 90%	46%
Income > 100%	45%
From End 2021 Shiller	
Income > 100%	90%

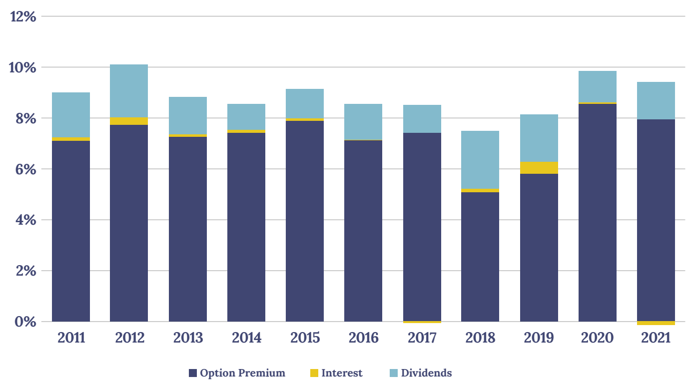
Source: Robert Shiller/Yale University

To the end of 2021 capital had contributed 90% of total returns in the prior 5 years, a level only exceeded 2% of the time going back to 1876.

> *From this starting point the prognosis for income as a component of total return is startling – in the subsequent 5 years more than 100% of returns has come from income 90% of the time.*

Given the above – investors should lean into income and away from capital growth. This does not just mean gaining exposure to dividends. It also means using all sources of income available including option premium – which is exactly what we at Talaria have done successfully since inception. Not only does our process generate materially higher income, but, unlike dividend funds, suffers less in market drawdowns, is not subjected to sector concentration risks, and doesn't suffer from the fact that equity dividends are at management and the Board of Director's discretion.

Talaria Income Generation 2011-2021



Source: Talaria Bloomberg

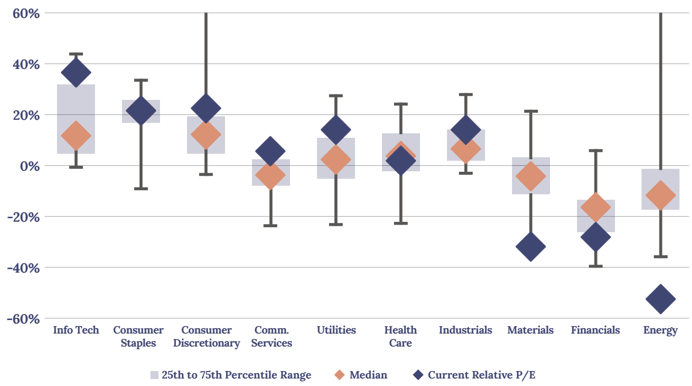
2/ Style and Sector

Although we are bottom-up investors and sector agnostic, an understanding of sentiment, positioning and valuation informs our investment process.

The PE relative chart below shows what areas are in or out of favour versus the market and the past. A number of the sectors that have high correlation with fixed income, the so-called bond proxies, look expensive: Tech, Consumer Discretionary, Communication Services and Utilities. Given the move in Treasuries and the concerns over inflation, this is somewhat surprising.

At the other end of the scale, Materials, Financials and Energy offer good value and diversification.

Current Sector Forward P/E Premium (Discount) Since 2005



Source: Bloomberg, S&P Dow Jones Indices

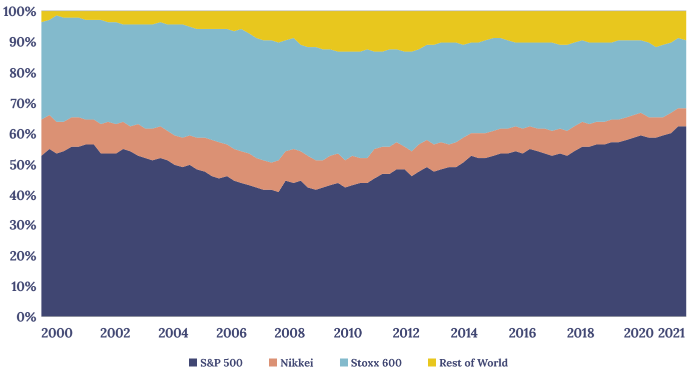
One of the outstanding opportunities is in Health Care, which is a non-cyclical sector actually trading cheap versus the past. This is not its only attraction.

StateStreet Advisors provides information on client holdings and, according to its data, Health Care is the second most underweight sector after Real Estate. Not only is Health Care under-owned but it also has defensive characteristics. For example, it has not experienced a down year of earnings' forecasts going back as far as 1996. Looking at a company level, we have found shares of pharmaceutical majors and drug distributors that offer excellent value. Johnson & Johnson, Sanofi, Novartis, and Roche are currently in our top 10 holdings as part of our 29% healthcare exposure.

3/ Region

On a regional basis, the only equities' game in town since the GFC has been US stocks. This may be to exaggerate for effect, but it's clearly not a million miles from the truth, as the chart below illustrates.

US Dominates Globally



Source: Bloomberg

In terms of valuation, the US now trades at a material premium to global indices. There may be good reasons for this, but they don't change the maths underlying prospective returns. On a PER of 19.8, the S&P offers an earnings' yield of just under 5.0% compared to just under 6.0% for Europe and 6.5% for Japan. These may seem marginal differences but over time a 14% discount to the US for Europe and a 24% discount for Japan are meaningful.

Conclusion

At what is a difficult time in the world and in financial markets, our key message remains that investors are positioned for a resumption of the status quo: a return to a world of low inflation, low interest rates and moderate growth.

Even if these expectations prove to be correct, high equity valuations in the US and Tech mean that the outlook is poor for long-run returns in the two areas that have dominated performance and portfolios since the GFC. Furthermore, on the way to this posited benign future, markets are having to negotiate a rare and dangerous combination of Fed tightening into a weakening economy. This is a serious challenge.

The necessary and best solution is to diversify. This means embracing income as a component of return, value as a factor, regions other than the US and sectors other than Tech. Doing this will by definition reduce the concentration risk to which so many investors are exposed. It will also increase alignment to areas of the market that promise meaningful upside.

March 2022 Quarterly Performance

Equity markets came under significant selling pressure during the quarter as Russia's invasion of Ukraine, elevated inflation and increasingly hawkish central banks all weighed on sentiment. Despite seeing some reprieve in March, the medium-term outlook for equities remains challenging given high starting valuations and the paradox of inflation-induced rate rises into a rapidly decelerating economic environment.

While most equity indices fell over the quarter, the severity and indeed cause of weakness, varied across regions. Rate rise concerns weighed disproportionally on US markets given their higher multiples with the NASDAQ and S&P500 down 9.1% and 4.9%, respectively. Geographic proximity to hostilities alongside economic exposure to Russia/Ukraine appeared to be the only determinant of performance in Europe. With that, the German DAX was the worst performer, down 9.3%, followed by the CAC40, down 6.9%, while the UK FTSE actually finished up 1.8%. In Asia, US de-listing friction, ongoing economic softness, and geopolitical tensions saw the Shanghai Composite fall 11% while Japan's Nikkei225 was lower by 3.4%.

Quarterly performance also varied significantly on a sector basis. The absolute standout was Energy, up 30% as supply risks and more robust demand saw oil prices rally 40%. Broader commodity price inflation also helped Materials, up 1.5%, while Utilities benefitted from risk-off positioning to finish up 0.8%. In contrast, Consumer Discretionary, Telco and IT all finished down more than 10%. There were plenty of drivers with waning consumer confidence and margin pressure weighing on Consumer stocks, while rate rises, and a few disappointing results impacted the Telco and IT sectors.

The AUD finished up 3% against the USD courtesy of commodity price strength with the Bloomberg Commodity Index up 25%. VIX finished the quarter largely unchanged at 19, having reached a high of 30 in early March following Russian's invasion of Ukraine. Yields on 10-yr US Treasuries closed at 2.39%, up 88bps since the beginning of the year.

Against this backdrop the fund delivered a return of -0.38% impacted by the strength of the Australian dollar, while the 12-month return was 10.69%. This has been achieved with substantially less market risk.

Distributions: The Fund paid a March 2022 quarterly distribution of 5.52 cents per unit taking its 12-month income return to 5.54%.

Our holding in German-based agricultural/pharmaceutical group, Bayer was the biggest contributor to performance during the quarter. This followed a strong set of Q4 numbers where the long-troubled Crop Science segment delivered better than expected results. The past couple of results have also gone some way at allaying concerns around Bayer's drug pipeline and the earnings outlook for its Pharma division. The net of all this has seen earnings estimates increase materially over the past few months, translating into strong share price performance.

Canadian-based oil producer, CNQ, was also a big contributor to performance during the quarter. As a direct beneficiary of higher oil prices, the company has enjoyed a significant uplift in earning allowing it to increase dividends, buyback more shares and reducing leverage. However, following recent share price strength, we no longer feel the shares offer compelling value. Hence, while CNQ has been a long term and very profitable investment for the Fund, we are now looking to exit this position on valuation grounds.

As always, there were also detractors with our holding in French-based food services and facilities management company, Sodexo being the biggest for the period. Shares sold off sharply after the company announced that Chairwoman and founding family member, Sophie Bellon, will become the group's new CEO. This followed a lengthy external recruitment process.

A poor HY result immediately post month-end (disappointing organic/margins outlook) has also seen Sodexo's shares re-test their intra-quarter lows in the mid-60s. However, a lot of these headwinds are cyclical in nature, and we believe Sodexo's longer-term prospects remain well intact. For example, management have re-affirmed medium term EBIT margin targets of 6% (~100bps above current levels). Given undemanding multiples and limited balance sheet risk, we think the shares offer compelling value around current levels.

During the quarter, the Fund exited its positions in French super/hypermarket operator Carrefour, US-based fertilizer CF Industries, and Swiss-based insurer Swiss Re. In terms of new holdings, the Fund initiated positions in Henkel, Roche, and Alibaba. The Fund also gained exposure to Japanese telecommunications company, NTT which we discuss below.

NTT occupies a dominant position in one of the most profitable telco markets globally (>40% share), led by a strong management team who have demonstrated good cost discipline. For example, despite NTT's Mobile ARPU falling ~20% since 2012, Mobile EBIT is up! We were also impressed by NTT's cash generation abilities and capital allocation strategy which has contributed to EPS growing by ~170% since 2012. Encouragingly, this momentum is set to continue with NTT targeting FY23 EPS of ¥370 (~20% above current levels) thanks to more cost-cutting and buybacks. Trading on a prospective P/E of 10x (based on FY23 EPS targets), the share is good value.

Stock in focus: Alibaba Group (HK: 9988)

Process

Alibaba is not just an interesting investment in its own right but also a good example of how our investment process works. One of the questions often posed to fund managers is "what's your ideal share", and many have a single template with which to provide an answer.

At Talaria, the process provides the template and the template changes as the market moves through different regimes. Importantly, it's neutral towards sector and geography. As long as a share is not in those limited areas of the market in which we do not invest because of ESG, then we will look at it if it meets our screen's criteria. This approach means that we mitigate the risk of the well-known behavioural biases that challenge all asset managers.

Whilst the Fund's exposure to the Technology sector has been low, this has been a function of the process. We do not have a negative view on Tech per se; dominant market positions, asset light business models, high returns, and exceptional cash conversion are attractive characteristics that many of these companies share. At one point or another, the investment team has conducted extensive analysis on Facebook (now Meta Platforms), Apple, Logitech, Cisco, Oracle, Intel, and Check Point, to name just a few.

Nevertheless, although we are sector and geography neutral, we care very much about valuation. As part of our valuation methodology, we spend considerable time trying to determine a business' normalised earnings. This is our measure of what we believe are a business' true economic profits, adjusting for numerous economic costs not immediately obvious in company accounts. In the short run the market is often prepared to ignore accounting policies that may disguise many true economic costs such as restructuring charges, pension liabilities, stock-based compensation, and depreciation versus capex.

In the long run however, these costs tend to be recognised and incorporated into the share price, thus crystallising the gap between a stock's apparent and true valuation. It is in this context that we model normalised earnings, allowing for these adjustments today that the market should come to recognise over time.

Alibaba first came onto our screen in Sept-21 when the Hong Kong listed shares closed the month at some HKD$140 down from over HKD$300 in October 2020. As a Chinese Tech share it's the sort of stock that might be easy to ignore as too difficult, but our process determines what we look at it, and having looked at it closely we think it's a sensible investment.

Investment case

With its price having collapsed in the face of the pulled Ant IPO, a regulatory crackdown and a clash between management and government, Chinese Tech giant Alibaba's share offered great value as we were gaining exposure to it this quarter.

High implied volatility which is indicative of the market's fears, meant that we were able to sell puts at an average strike price of HK$91 despite the share trading at an average price of some HK$110 over the period. At this level, we calculate that the stock offers a free cashflow yield of about 11%. Furthermore, without owning the stock we were able to generate equity like returns of 27% annualised on the cash backing the commitment to buy the shares through the options.

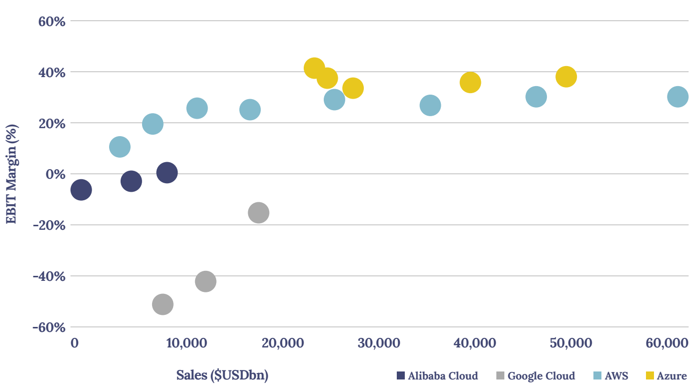
Whilst there are downside risks, the attractive valuation, a strong balance sheet, and leading market positions in Cloud and Logistics mean the investment proposition is highly attractive. At some HKD$177/share, or 60% above levels at the time of writing, we think Alibaba would still only be trading at fair value.

Growth opportunities

Despite its core marketplace business facing significant cyclical and structural headwinds, Alibaba remains one of the dominant eCommerce platforms globally with 1.28bn customers across the world. It also has excellent and perhaps underappreciated growth opportunities in Cloud and Logistics.

With a 30% market share, Alibaba Cloud is the largest operator in a rapidly growing market (Q3 cloud sales +19%), and looking at the comps, the division should make operating margins as high as 40% once it reaches scale.

Global Cloud - Sales vs EBIT Margins



Source: Talaria, Company Reports

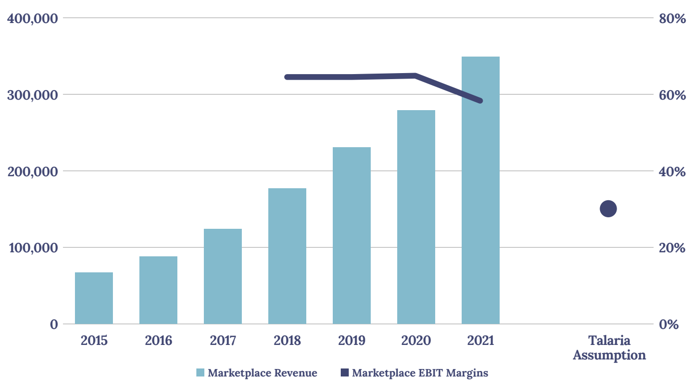
The group is also developing an extensive logistics network across China's interior and select overseas markets to improve fulfilment execution. While this is consuming material amounts of cash up front, at completion it will be a strategic and valuable portfolio of transport and distribution assets across one of the fastest growing consumer markets globally.

Valuation highlights

There are always complexities in arriving at a valuation and Alibaba is no exception. We have taken a conservative approach and highlight three areas to give a flavour of our cautiousness:

- The key challenge surrounds the profitability of the online marketplace business. With EBIT margins of over 55% the division is overearning, but regulatory intervention and increased competition are rapidly having an effect. We use an EBIT margin of 30% in our model, which is less than half the level it achieved as recently as 2020 and is more consistent with the comps.

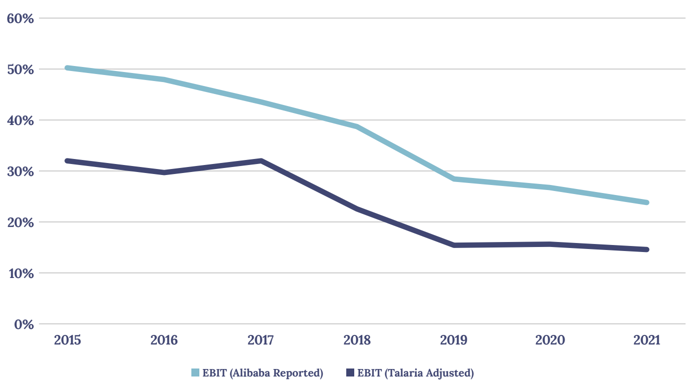
Alibaba - Marketplace Business



Source: Talaria, Company Reports

- As discussed above, we consider items such as restructuring, impairments, and pension charges. These are true economic costs, not usually included in headline company earnings, but essential to an understanding of a share's true worth. We make a significant adjustment in adding back annual impairment charges which have totalled RMB78bn since 2014. We also add back share-based compensation payments (SBP), which in FY21 totalled ~RMB50bn or 28% of pre-SBP EBIT.

Alibaba - Group EBIT Margins



Source: Talaria, Company Reports

- In terms of the capital structure, we include half of Alibaba's negative working capital balance as 'debt' and give it the benefit of only 50% of Ant Group's carrying value in Alibaba's accounts.

Conclusion

The brouhaha both in terms of the company itself and some of its high-profile shareholders, has seen Alibaba sold down to levels well below our estimate of fair value. Our process is by design brouhaha unaware – designed to focus our collective resources on individual shares which potentially have been sold by investors for reasons other than the value they offer. Coming through our screen, subject to our standard analysis and with high implied volatility working in our favour, Alibaba is a good example of how our process works in practise. Of course, that doesn't mean Alibaba is risk free, but at this level the upside/downside for our clients money is highly attractive.

Talaria Global Equity Fund - Foundation Units

Top 10 Holdings*

Company name	(% weight)
Novartis	7.8%
Sanofi	6.6%
Johnson & Johnson	4.8%
Sodexo	4.8%
Alibaba	4.5%
Roche	4.2%
Secom	3.7%
Henkel	3.7%
Wheaton Precious Metals	3.7%
Mitsubishi Electric	3.6%

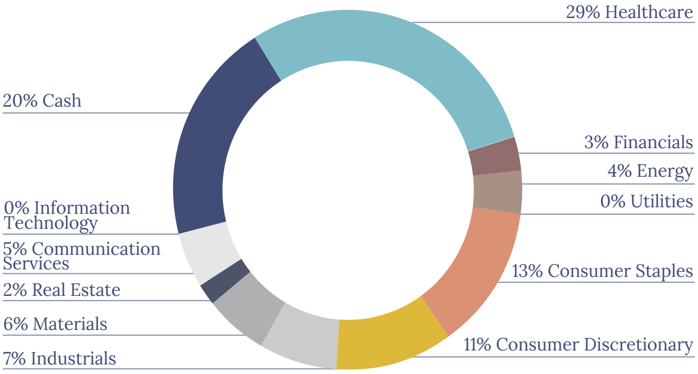
* Weightings include option positions held and cash backing put options. It assumes that put options will be exercised.

Performance at 31 March 2022

Period	Income Return	Growth Return	Total Return	Average Market Exposure
1 month	1.07%	-2.89%	-1.82%	56%
3 months	1.09%	-1.46%	-0.38%	56%
6 months	2.16%	0.07%	2.23%	59%
1 year	5.54%	5.15%	10.69%	57%
3 years p.a.	7.43%	0.30%	7.72%	55%
5 years p.a.	7.66%	-0.09%	7.57%	58%
7 years p.a.	7.57%	-1.33%	6.24%	59%
Since Inception p.a.	7.04%	0.27%	7.31%	61%

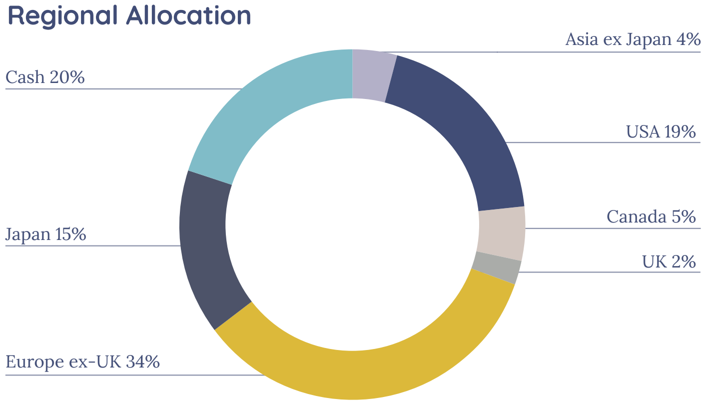
1 Fund Returns are calculated after fees and expenses and assume the reinvestment of distributions
2 Inception date for performance calculations is 18 August 2008
3 Income Return includes realised capital gains
4 Past performance is not a reliable indicator of future performance
5 Average Market Exposure 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



Quarterly distribution

Period	Cents per Units	Reinvestment price
March 2022	5.5215	$5.0036
December 2021	5.2967	$5.0779
September 2021	1.2249	$1.0000
June 2021	1.7752	$0.9836
March 2021	1.5906	$0.9517
December 2020	1.5916	$0.9096
September 2020	1.6421	$0.8813
June 2020	4.2809	$0.8962
March 2020	1.5373	$0.9288
December 2019	1.0177	$1.0431

Asset allocation	% weight
Global equity	50.3%
Cash – put option cover	29.9%
Cash	19.8%
Total	**100%**

Portfolio contributors#	Portfolio detractors#
Mckesson	Sodexo
Bayer	Mitsubishi Electric
Newmont	Henkel
Canadian Natural Resources	Asahi

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

Talaria Global Equity Fund - Foundation Units

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 (the Fund) are issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFS Licence No. 234454. 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 objectives, financial 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 Product Disclosure Statement (PDS) for the Fund and consider whether the product is appropriate for you. A copy of the PDS is available at australianunity.com.au/wealth or by calling Australian Unity Wealth Investor Services team on 13 29 39.

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.