

## Monthly Market Commentary

Global shares rose again in July as equity investors continued to take a benign view of the outlook. A mostly good earnings season helped. More than 80% of companies reporting had beaten consensus by month end, engendering optimism even though overall EPS forecasts for the S&P 500 in 2024 and 2025 continue to decline.

Concern over matters such as lacklustre Chinese growth, the impact of falling inflation on margins and the lagged effect of tighter monetary policies continued to be water off a duck's back as far as most stock markets were concerned.

Government bond and equity markets ended the month at either end of a barbell. Yields on the 10-year treasury closed nearly at 4% continuing the rise from the early April low. It may be that fixed income investors are increasingly concerned about fiscal balances but there may also be a general upward repricing of risk even as shares trade on ever richer valuations.

Against the risk-on equity backdrop, US small caps led performance with the S&P600 Small Cap Index up 5.4%. While US large caps lagged in a relative sense, absolute performance was solid as the NASDAQ and S&P500 both rose, 4.0% and 3.1%, respectively. European bourses also delivered reasonable performance with the UK FTSE ahead 2.2%, followed by the German DAX and French CAC, up 1.9% and 1.3% respectively. In Asia, the Chinese Shanghai Composite Index rose 2.8%, while the Japanese Nikkei 225 took a breather finishing modestly lower at -0.1% for the month.

Performance has also been broadening in terms of sectors, with all finishing higher in July as even the more defensive sectors, such as Staples, Utilities and Healthcare enjoyed gains of around 2%. Outperformers included Materials and Financials, up 4.7% and 5.2%, respectively, while strong moves in oil prices (tightening supply) saw Energy post gains of more than 6%.

Communications was the only other segment to deliver gains greater than 6% driven by well-received results from mega caps Meta (Q2 beat with Q3 guidance ahead of expectations) and Alphabet (sales strength, cost focus). That said, there are clear headwinds, with results from two of the largest advertising groups, Omnicom, and Interpublic, showcasing just how fast things are slowing in more discretionary corners. Organic sales in Omnicom's US business slowed from 5% in Q1 to just 2.4% in Q2, while Interpublic cut its FY organic sales guidance from 2-4% to 1-2%.

**Against this backdrop The Fund delivered 0.66% for the month, taking its 12-month return to 14.97%.**

The AUD rose 0.8% against the USD, while commodities performed strongly with the Bloomberg Commodity Index up 5.8% and WTI Oil up 15.8%. VIX was broadly unchanged at around 13, while yields on US 10yr Treasuries rose 12bps to finish at 3.96%.

In terms of new positions, the Fund recently gained exposure to US-based Chubb, the world's largest listed property/casualty insurer. In addition to a long track record of superior underwriting (Chubb's loss ratio has averaged ~7.5 percentage points better than peers) and industry leading Return on Equity of ~16% (vs ~7% for peers), near-term earnings are also benefiting from a strong repricing cycle.

Assuming that Chubb can maintain its strong underwriting discipline and not incur significant losses on investments, which is our view on both, then compound returns of 11-12% a year are expected from today's starting share price. For context, over the past seven years, Chubb has managed to grow its EPS and BV/Share by ~13% p.a.

Our holding in US-based fertilizer group, CF Industries, was one of the biggest contributors to performance with the combination of a supportive starting valuation (~1x estimated replacement cost) and strength in soft commodities driving its strong share price. Following this rally, we view risk/reward as more balanced, and on valuation grounds, have written calls on our entire CF position post month end.

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 2023<sup>1</sup>

	1 Month	3 Months	6 Months	1 Year	3 Years (pa)	5 Years (pa)	7 Years (pa)	10 Years (pa)	Since Inception (pa) <sup>2</sup>
<b>Total Return</b>	0.66%	1.16%	8.48%	14.97%	13.65%	8.45%	8.65%	8.36%	7.72%
<b>Avg. Market Exposure<sup>4</sup></b>	59%	58%	57%	55%	55%	56%	57%	59%	61%

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

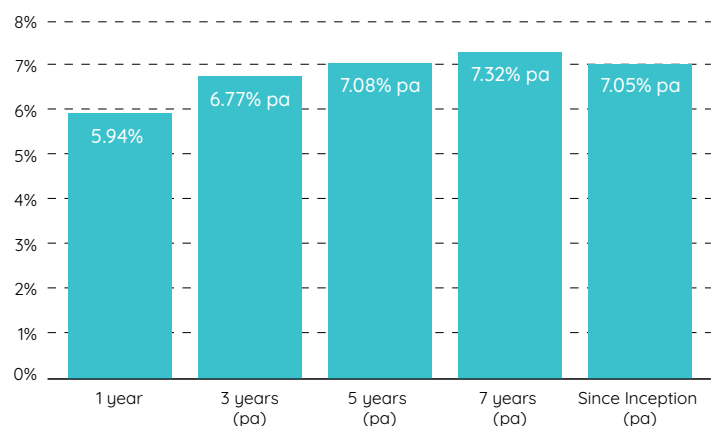
<sup>4</sup> Average Market Exposure calculated on delta-adjusted exposure of underlying portfolio. Since inception market exposure is calculated from 1 October 2005

## Growth of \$100,000 Since Inception<sup>5</sup>



<sup>5</sup> 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<sup>6</sup>



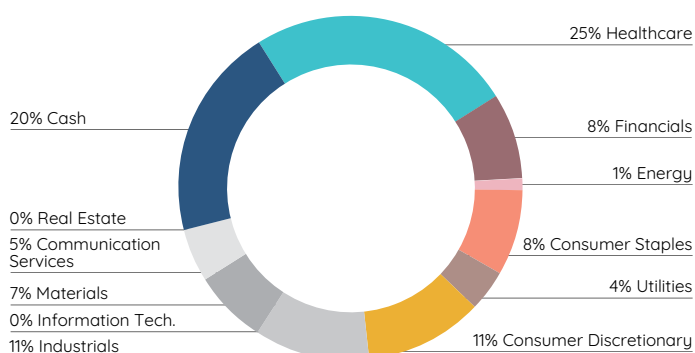
<sup>6</sup> Illustrates Distribution Returns for the Talaria Global Equity Fund - Foundation Units for the financial year ending 30 June 2023. Inception date is 1 October 2005

## Top 10 Holdings<sup>7</sup>

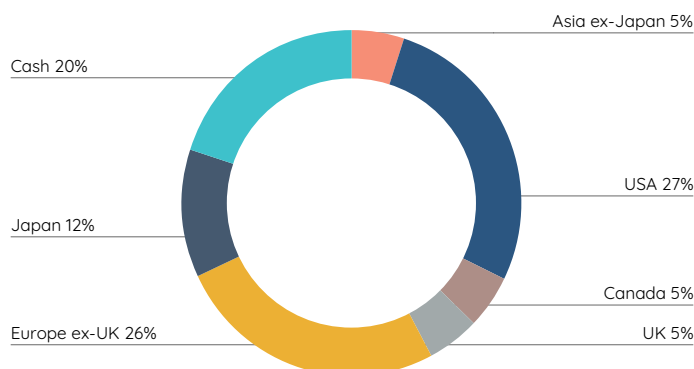
Company Name	Holding	Country	Sector	Description
Alibaba	5.1%	Hong Kong	Consumer Discretionary	One of the world's largest eCommerce and technology groups
Johnson & Johnson	5.0%	USA	Healthcare	Pharmaceutical, medical devices and consumer health products company
Sanofi	4.9%	France	Healthcare	Top 5 pharmaceutical firm with leading positions in diabetes and rare diseases
Gilead	4.9%	USA	Healthcare	Leading research based biopharmaceutical company
Roche	4.8%	Switzerland	Healthcare	A global leader in Cancer treatments
Novartis	4.7%	Switzerland	Healthcare	One of the world's largest pharmaceutical companies
Bunzl	4.7%	United Kingdom	Industrials	Multinational distribution and outsourcing business
Wheaton Precious Metals	4.3%	USA	Materials	Large precious metals streaming company
Sodexo	4.2%	France	Consumer Discretionary	A multinational food services and facilities management company
Nippon Telegraph & Telephone Corp	4.0%	Japan	Communication Services	Japan's largest telecommunications provider

<sup>7</sup> 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<sup>8</sup>



## Regional Allocation<sup>9</sup>



<sup>8,9</sup> 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.

## Fund Snapshot

<b>Management Fee</b>	Nil	<b>Inception Date</b>	1 October 2005
<b>Performance Fee</b>	20% - subject to High Watermark	<b>Liquidity</b>	Daily
<b>Distributions</b>	Quarterly	<b>Availability</b>	Wholesale Clients Only
<b>Minimum Investment</b>	\$50,000	<b>Buy / Sell Spread</b>	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.

The Zenith Fund Awards were issued on 14 October 2022 by Zenith Investment Partners (ABN 27 130 132 672, AFSL 226872) and are determined using proprietary methodologies. The Fund Awards are solely statements of opinion and do not represent recommendations to purchase, hold or sell any securities or make any other investment decisions. To the extent that the Fund Awards constitutes advice, it is General Advice for Wholesale clients only without taking into consideration the objectives, financial situation or needs of any specific person, including target markets where applicable. Investors should seek their own independent financial advice before making any investment decision and should consider the appropriateness of any advice. Investors should obtain a copy of and consider any relevant PDS or offer document before making any investment decisions. Past performance is not an indication of future performance. Fund Awards are current for 12 months from the date awarded and are subject to change at any time. Fund Awards for previous years are referenced for historical purposes only.

Signatory of:  
 Principles for Responsible Investment