



FAQ – Performance and distribution considerations

Talaria Global Equity Fund - (Managed Fund) AUS0035AU/Ticker: TLRA
Talaria Global Equity Fund - Currency Hedged (Managed Fund) WFS0547AU/Ticker: TLRH

The Talaria Global Equity Fund - Currency Hedged (TLRH) provides a passive currency overlay of the unhedged Talaria Global Equity Fund (TLRA) which can impact both the distribution and performance profile when comparing the two funds.

Distribution:

Our hedged fund (Talaria Global Equity Fund - Currency Hedged TLRH) has 2 sources of income regarding distributions:

- Distributions from the main unhedged fund (Talaria Global Equity Fund TLRA).
- Realised gains and losses on its hedged exposure.

It is this second point which explains the variability and sometimes the absence of a regular distribution paid to an investor in the hedged fund as:

- The entire portfolio is passively hedged and every three months that hedging is realised and rolled to the next three-month exposure - as is the custom for most hedged products.
- This creates hedging gains and losses which form part of distributable income.
- If the AUD is weak then this results in the underlying shares in AUD to appreciate but as the underlying shares are not often sold during a quarter, there is little or no realised gain (only unrealised or growth) yet the hedging losses are fully realised.
- By hedging we have locked in a FX rate and if that rate changes there is a resulting gain or loss. This hedging gain or loss will fully reverse if the currency reverts to where it was. For example since the beginning from 2021 to the end of November 2023, there was a significant weakening of the AUD - approx. 13% (10 cents), which created a realised hedging loss exceeding the income from the unhedged funds distributions.

It is important to note however, that over time if the start and end FX rates are similar, the total distributions across both funds will be similar.

Therefore the consistency and reliability of quarterly distributions will typically be greater with the unhedged fund.

Performance:

Firstly the unhedged fund is impacted by movements in the relevant FX rates. This is because we report performance in AUD and our investments are offshore (in various local currencies).

An appreciation of the AUD vs all or most other currencies will negatively impact reported performance of TLRA and vice versa. However the currency hedged version, TLRH, hedges against this appreciation and so will behave in the opposite way.

However, there are several other factors that add more complexity to the difference between the two funds:

- Many share prices are affected by changes in FX rates – as an example Swiss based shares often go down (all else being equal) if the Swiss franc goes up, given they are mainly exporters.
- As an active manager our exposures are diversified across multiple currencies. For example Talaria's USD exposure over recent times has been in the low to mid 30% range. If the USD goes down vs AUD but Euro, Yen, Pound, Canadian Dollar etc go up, then this may lead to a very different outcome than one might have expected when compared to many passive strategies.
- The interest rate differential between AUD and other currencies creates a hedging gain (or loss) irrespective of FX moves.

While we do not forecast currencies, in terms of basic maths, if the AUD appreciated 10% against the USD but was flat against other currencies and assuming no relative share price changes, then the impact would be in the 3-4% range - far less than a direct 1:1 ratio.

Historical Comparison:

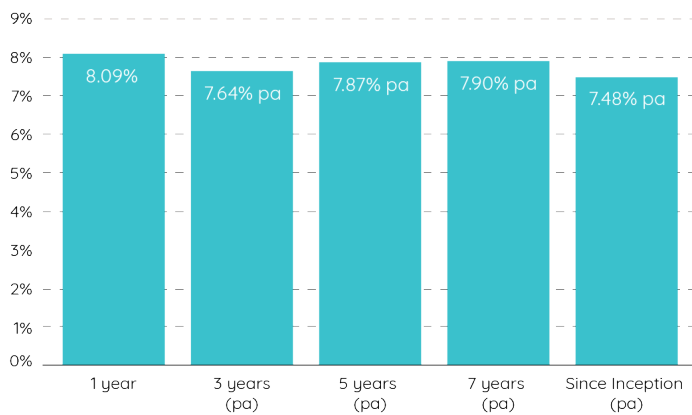
Distribution History - Unhedged

End Period	Cents per Unit	Reinvestment Price
31-Dec-23	7.600	\$4.9896
30-Sept-23	7.300	\$5.0630
30-Jun-23	14.4457	\$5.0085
31-Mar-23	7.250	\$4.9811
31-Dec-22	7.000	\$4.7685
30-Sept-22	7.000	\$4.6234
30-June-22	11.5642	\$4.6553
31-Mar-22	7.250	\$4.6553
31-Dec-21	7.000	\$4.7216
30-Sept-21	7.000	\$4.6565
30-Jun-21	10.766	\$4.5745
31-Mar-21	6.000	\$4.4270

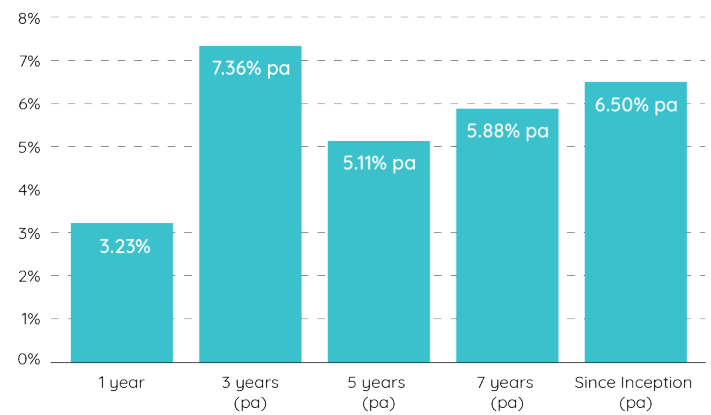
Distribution History - Hedged

End Period	Cents per Unit	Reinvestment Price
31-Dec-23	8.5700	\$5.7594
30-Sept-23	0	0
30-Jun-23	16.8078	\$5.6610
31-Mar-23	0	0
31-Dec-22	0	0
30-Sept-22	0	0
30-Jun-22	26.4445	\$5.2023
31-Mar-22	8.100	\$5.5794
31-Dec-21	0	0
30-Sept-21	0	0
30-Jun-21	33.783	\$5.206
31-Mar-21	8.500	\$5.336
31-Dec-20	7.000	\$5.0885

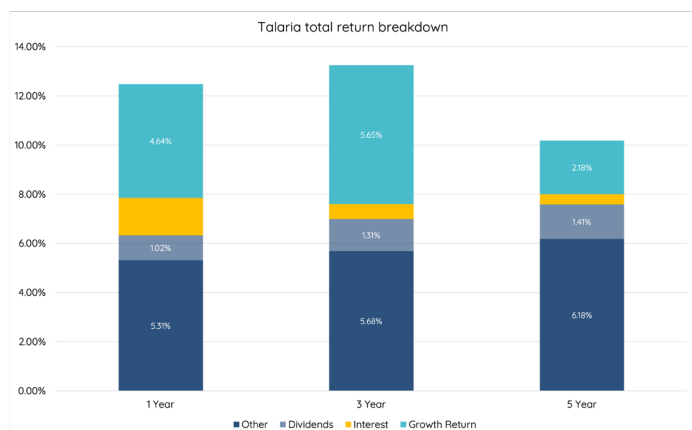
Annual Distributions - Unhedged



Annual Distributions - Hedged



Total Return - Unhedged



Total Return - Hedged

