

## Monthly Market Commentary

Global equity markets performed very well in the first quarter with strength broadening throughout the period. Many developed world indices reached fresh all-time highs as a combination of, amongst others, AI enthusiasm and rising hopes of a US soft landing contributed to the positive sentiment.

Japan's Nikkei225 was the standout performer, finishing up 20.6%, and finally eclipsing its previous 1989 record high. Fuelling this strength had been signs that after years of moribund pricing in the general economy, inflation was finally taking hold. Also influential was greater interest from overseas investors following broader recognition of a series of structural reforms spearheaded by the Tokyo Stock Exchange aimed at improving corporate governance across listed Japan Inc.

US large caps delivered an impressive quarter's performance with the S&P500 and NASDAQ up 10.2% and 9.1% respectively. Both indices set new record highs in March, as did the S&P500 Equal Weight Index demonstrating the degree of breadth improving. For now, investors seem happy to focus on decent economic data, dismissing several stronger-than-expected inflation prints which scaled back investors' expectations of Fed easing. US small caps struggled in a relative sense but made up some lost ground in March to close the quarter up 2%.

European bourses were mixed. Germany's DAX led performance (+10.4%) with, amongst other factors, ECB rate cut expectations helping propel the index to new highs. France's CAC40 also did well, up 8.8% also setting new highs. In contrast, the UK FTSE100 meaningfully underperformed, finishing up just 2.8% for the quarter, weighed down by the softer economic backdrop.

China's Shanghai Composite Index also struggled to deliver much in the way of performance. While it finished up 2.2% over the quarter, performance was very volatile on a monthly basis as ongoing debt issues, a sluggish economy, and geopolitical tensions weighed on sentiment towards Chinese equities.

Performance on a sector basis broadly reflected the above themes with Information Technology and Communications both up more than 12% thanks to the AI/Magnificent-7 exposure. Energy, Finance, and Industrials were also up around 9%, indicative of investors' receding concerns over a US recession. This also helps to explain the weakness in defensive sectors. For example, Staples and Utilities were up 2.9% and 0.6%, respectively.

Against this backdrop, the Fund delivered a return of 2.95% for the quarter, taking its 12-month return to 9.27%. While markets will focus on different things at different points of the cycle, nothing has changed in terms of how we manage the Fund. We continue to focus on identifying undervalued securities based on bottom-up, fundamental analysis, starting with the financial statements of each prospective investment.

**Distributions: The Fund paid a March 2024 quarterly distribution of 7.6 cents per unit taking its 12-month income return to 7.67%**

The AUD fell 4.3% against the USD over the quarter. Commodities were broadly weaker with the Bloomberg Commodity Index up 0.9% helped by a stellar 16% rise in WTI crude oil prices. VIX rose 0.56 points to close at 13 which remains low in an historical context. Yields on 10yr US Treasuries rose 32bps to close at 4.20%.

The Fund initiated new positions in Bayer (a German agri/healthcare group), Newmont (a gold miner), and Nestle (a global beverages and foods business) which is this quarter's 'Stock in Focus'. Additionally, the Fund received shares in rewards company Pluxee after it was spun-out from Sodexo.

Japanese carmaker, Subaru was also added to the portfolio during the quarter. As a leader in the fast-growing US SUV category, with ~9% market share, Subaru is one of the best quality automakers. This is evident in its high operating margins, low inventory and lack of incentives needed to drive sales. While Subaru is still relatively early on its EV transition journey, something that will ultimately consume substantial resources, it is starting with significant net cash on hand (>¥1trillion vs ~¥2.5 trillion market cap) and partnering up with bigger players to share the burden. With the stock trading on an EV/EBIT of less than 4x, we also think a lot of this risk is reflected in the valuation. Given strong fundamentals and a solid balance sheet, we think Subaru makes for a compelling investment proposition.

The Fund sold a large part of its holding in Japanese telco, KDDI, and wrote calls on its holding in H&R Block (tax advisor), Henry Schein (dental distributor), Secom (security firm) and Wheaton (metals streaming) on a combination of valuation grounds and, in KDDI's case, a change to the investment thesis.

Brazilian brewer, Ambev, was a major detractor to fund performance over the quarter. Its shares sold off following a disappointing FY23 result mainly driven by Argentinian currency devaluation and its impact on revenues and operating income. Forward cost guidance was also somewhat disappointing relative to expectations. However, the stock is now very cheap on a range of metrics with current prices capitalising decade low margins/returns into perpetuity. We think this is overly pessimistic, and at some point, margins and returns should normalise. Furthermore, we think significant downside from here is capped thanks to a solid balance sheet which also affords management time to assess a new capital structure in light of changing tax law in Brazil.

On the flip side, Japanese trust banking group, Sumitomo Mitsui was the biggest contributor to performance with shares fully participating in the Japanese equities' rally. Driving this is the fact that Sumitomo Mitsui remains very well positioned to benefit from higher rates' outlook in Japan. The stock has also enjoyed some earnings upgrades over the quarter on the back of a more favourable operating environment.

Spanish utilities business Redeia, was also a meaningful contributor to performance with shares performing well after announcing larger than expected capex plans in coming years. As a regulated utility, its earnings are largely a function of its regulated asset base (RAB) times a regulated return, something we think has scope to move up in coming years.

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 (Managed 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.

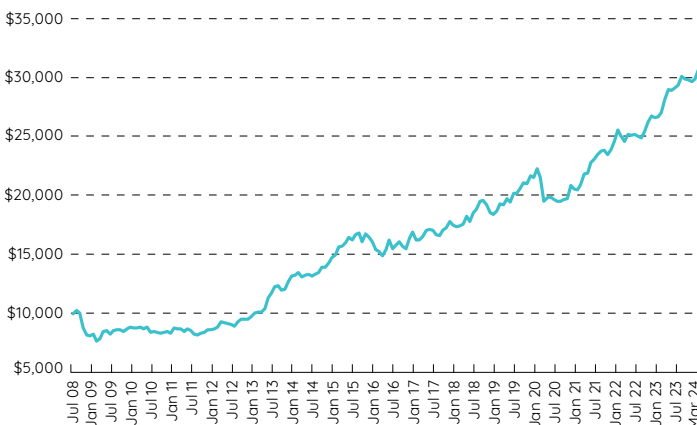
## Performance as at 31 March 2024<sup>1</sup>

	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>	1.47%	2.95%	3.00%	9.27%	12.12%	9.85%	9.26%	8.91%	7.48%
<b>Avg. Market Exposure<sup>4</sup></b>	57%	57%	57%	57%	56%	56%	58%	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 18 August 2008  
<sup>3</sup> Past performance is not a reliable indicator of future performance

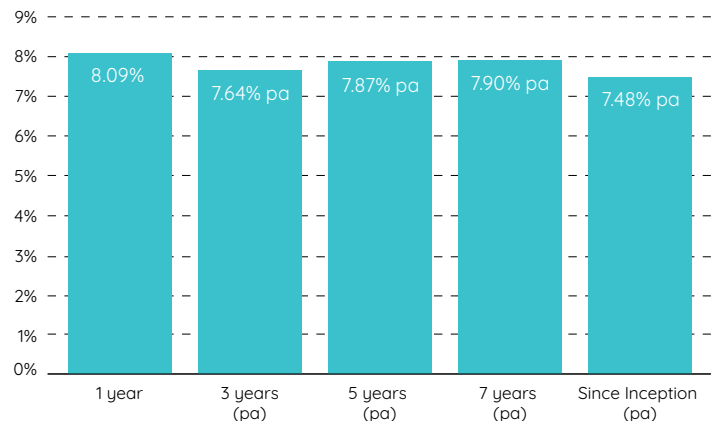
<sup>4</sup> Average Market Exposure calculated on delta-adjusted exposure of underlying portfolio. Since inception market exposure is calculated from September 2008

## Growth of \$10,000 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 (Managed Fund) Units for the financial year ending 30 June 2023. Inception date is 18 August 2008.

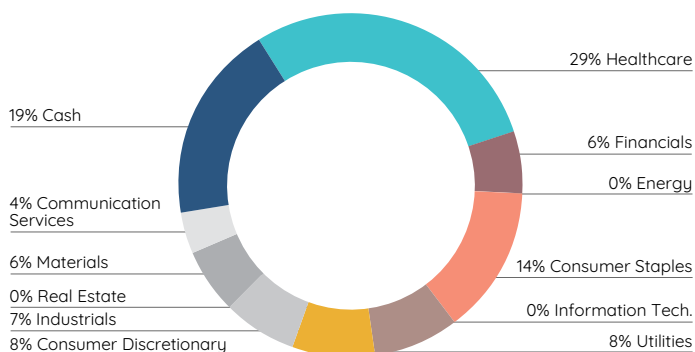


## Top 10 Holdings<sup>7</sup>

Company Name	Holding	Country	Sector	Description
Sanofi	5.3%	France	Healthcare	Top 5 pharmaceutical firm with leading positions in diabetes and rare diseases
Johnson & Johnson	5.1%	USA	Healthcare	Pharmaceutical, medical devices and consumer health products company
Roche	5.0%	Switzerland	Healthcare	A global leader in Cancer treatments
Gilead	4.9%	USA	Healthcare	Leading research based biopharmaceutical company
WEC Energy	4.3%	USA	Utilities	A US regulated electricity and gas utility company
FEMSA	4.1%	Mexico	Consumer Staples	Operates largest Mexican convenience store chain, and part owner of Coca-Cola bottling and Heineken
Nestle	3.9%	Switzerland	Consumer Staples	The world's largest food company measured by revenues
Bunzl	3.6%	United Kingdom	Industrials	Multinational distribution and outsourcing business
Ambev	3.5%	Brazil	Consumer Staples	Largest Latin American brewing companies
Medtronic	3.3%	USA	Healthcare	A leading medical devices company

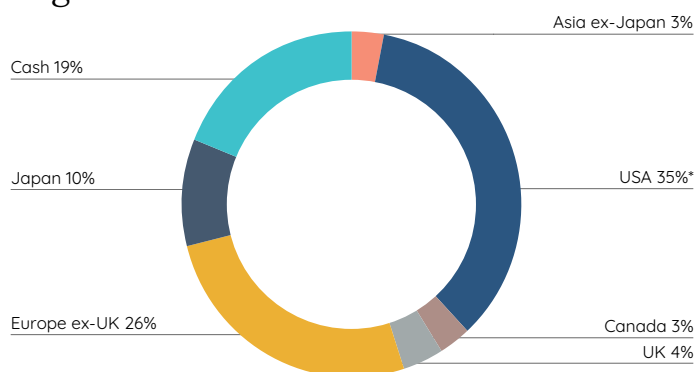
<sup>7</sup> Weightings include option positions held and cash backing put options. It assumes that put options will be exercised. Should the put option not be exercised the cash will revert to the unencumbered cash portfolio or may be used to cover further put options.

## Sector Allocation<sup>8</sup>



<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.

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



\* USA includes American Depository Receipts (ADRs) listings.

## Fund Snapshot

<b>APIR Code</b>	AUS0035AU	<b>Inception Date</b>	18 August 2008
<b>Management Fee</b>	1.16% p.a. of the net asset value of the Fund plus Recoverable Expenses	<b>Liquidity</b>	Daily
<b>Recoverable Expenses</b>	Estimated to be 0.12% of net asset value of the Fund each Financial Year	<b>Exit Price</b>	\$5.12630 (31 Mar 2024)
<b>Major Platform Availability</b>	AMP North, Asgard, Ausmaq, BT Wrap, BT Panorama, CFS FirstWrap, CFS FirstChoice, Hub24, IOOF Pursuit, Linear, Macquarie, Mason Stevens, MLC Wrap, MLC Navigator, MyNorth, Netwealth, Powerwrap, Praemium, Xplore Wealth	<b>Buy / Sell Spread</b>	0.20% / 0.20%
		<b>Distributions</b>	Quarterly
		<b>Minimum Investment</b>	\$5,000

## Important Information

Units in the Talaria Global Equity Fund (Managed 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) and the target market determination for the Fund and consider whether the product is appropriate for you. A copy of the PDS and the target market determination is available at [australianunity.com.au/wealth](http://australianunity.com.au/wealth) or by calling Australian Unity Wealth Investor Services team on 1300 997 774. 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