

## Monthly Market Commentary

Global equity markets enjoyed a broad relief rally in May, driven by easing trade tensions and a decline in near-term recession fears. Whether this improved sentiment proves durable remains to be seen.

Other asset classes were less sanguine. The US dollar failed to bounce (DXY down 14bps), and Treasury yields continued to rise. As noted in last month's commentary, this combination of currency softness alongside higher bond yields, has a feel of emerging markets. At its core, the concern is that high public debt becomes unsustainable when interest rates exceed economic growth.

Earnings season was broadly well received, with 77% of S&P 500 companies beating estimates. Microsoft was a standout, with strong Q3 results driven by 35% Azure growth and disciplined cost control. Meta also impressed, announcing further AI investment and cost reductions to offset macroeconomic pressures. Yet performance was indiscriminate, big tech names that disappointed still performed well, with correlations amongst this cohort approaching record levels.

US large caps led equity gains, with the NASDAQ and S&P 500 up 9.6% and 6.15%, respectively. Small caps also fared well with the S&P 600 Small Cap Index up 5.1%. In Europe, Germany's DAX rose 6.7%, buoyed by easing trade tensions and higher expected fiscal spending, particularly on defence. The UK FTSE and French CAC 40 lagged in relative terms but still gained 3.3% and 2.1%, respectively. Asia also participated: Japan's Nikkei 225 rose 5.3%, and China's Shanghai Composite gained 2.1%.

Sector performance reflected the tech-led rally, with Information Technology, Communications, and Consumer Discretionary all rising more than 7%. Healthcare was the weakest sector, down 3.8%, dragged lower by scrutiny over drug pricing and a very poor month for UnitedHealth. Within a week, the company suspended FY25 guidance, its CEO resigned, and allegations of Medicare fraud emerged. All other sectors posted gains.

Against this backdrop the Fund returned 1.19% for the month, taking its 12-month return to 11.04%.

The Australian dollar rose 0.5% against the USD. Commodities were generally weaker, with the Bloomberg Commodity Index down 0.9%, despite a 4.4% rise in WTI oil prices. The VIX declined 6.1 points to close at 18.57. Meanwhile, 10-year US Treasury yields climbed to ~4.6% mid-month, before ending the month at 4.4%, up 23bps.

Top contributors to the Fund's performance included US-based fertiliser producer CF Industries, French catering company Sodexo, and Canadian energy firm Cenovus. Detractors included French pharmaceutical company Sanofi and US reinsurer, Everest Group.

The Fund initiated a position in Canadian Utilities (CU), a Calgary-based provider of gas and electricity services, with around 91% of earnings derived from Alberta. Like many peers, CU's earnings are tied to its Regulated Asset Base (RAB), which is expected to grow by roughly 5% over coming years as it expands its gas transmission network. With a solid balance sheet (~60% debt to equity) and a ~5% dividend yield, CU offers a combination of modest growth and dependable income that we find attractive at current levels.

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 May 2025<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>	1.19%	-0.60%	5.62%	11.04%	9.01%	10.22%	8.59%	6.93%	7.63%
<b>Avg. Market Exposure<sup>4</sup></b>	58%	62%	65%	65%	59%	57%	59%	60%	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

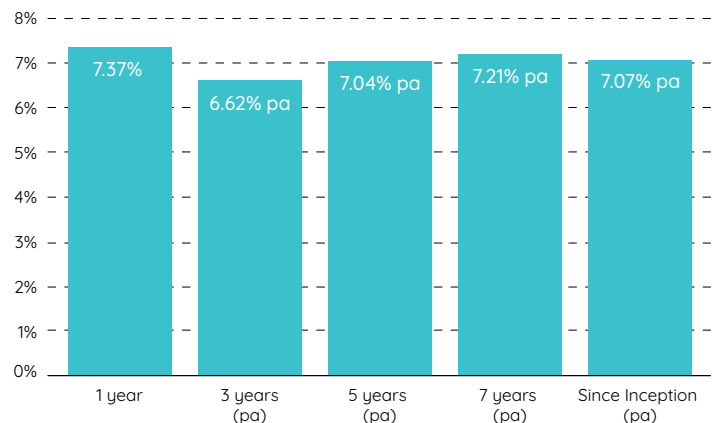
<sup>4</sup> Average Market Exposure calculated on delta-adjusted exposure of underlying portfolio.  
 Since inception market exposure is calculated from 1 October 2005

## 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>



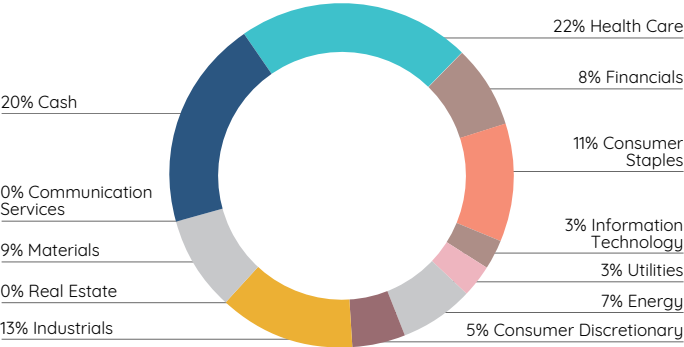
<sup>6</sup> Illustrates Distribution Returns for the Talaria Global Equity Fund - Foundation Units for the financial year ending 30 June 2024. Inception date is 1 October 2005

Top 10 Holdings<sup>7</sup>

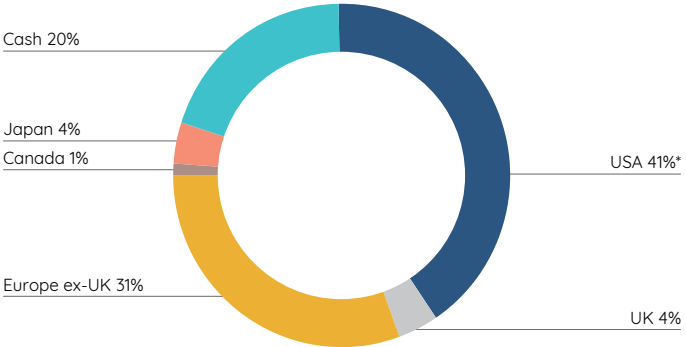
Company Name	Holding	Country	Sector	Description
Roche	5.6%	Switzerland	Health Care	A global leader in cancer treatments
Newmont	4.9%	USA	Materials	One of the top 3 gold producers in the world
Henkel	4.8%	Germany	Consumer Staples	A multinational household products and adhesives company
Sanofi	4.4%	France	Health Care	Top 5 pharmaceutical firm with leading positions in diabetes and rare diseases
Johnson & Johnson	4.3%	USA	Health Care	Pharmaceutical, medical devices and consumer health products company
Everest Re	4.2%	USA	Financials	Leading global provider of reinsurance and insurance services
CF Industries	3.7%	USA	Materials	North America's largest manufacturer of nitrogen-based fertiliser
Bunzl	3.7%	United Kingdom	Industrials	Multinational distribution and outsourcing business
EOG Resources	3.7%	USA	Energy	One of North America's largest independent oil and gas producers
Essity	3.6%	Sweden	Consumer Staples	A global health and hygiene company based in Sweden

<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. \* USA includes American Depositary Receipts (ADRs) listings.

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

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