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Beyond the Noise

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June 2025

Zenith HIGHLY RECOMMENDED

Recommended Lonsec Research

4 Recommended Genium

Signatory of:
PRI Principles for Responsible Investment

trace. CARBON MEASURED JAN 2024 - DEC 2024 OFFSET 100% OF EMISSIONS

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Strategy Overview

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Strategy overview

Objective:	Compound real wealth over the long term
Portfolio Composition:	• Global equities and options • 25 – 40 positions • Large cap, developed markets
Investment Outcomes*:	• Aims to provide risk-adjusted returns over the long term ○ Differentiated source of return ○ Majority of market's gains while losing less when it declines ○ Lower volatility than the broader market
Funds Under Management:	A$2.62 billion^
Inception date:	1 October 2005

*^14 July 2025. *These are investment objectives and not guaranteed outcomes. Returns and volatility may vary.*

The big picture

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"Most importantly for investors, we believe this is the end of the golden era in which nominal cash flow growth and the cost of funding diverged to drive up the prices of a broad range of assets."

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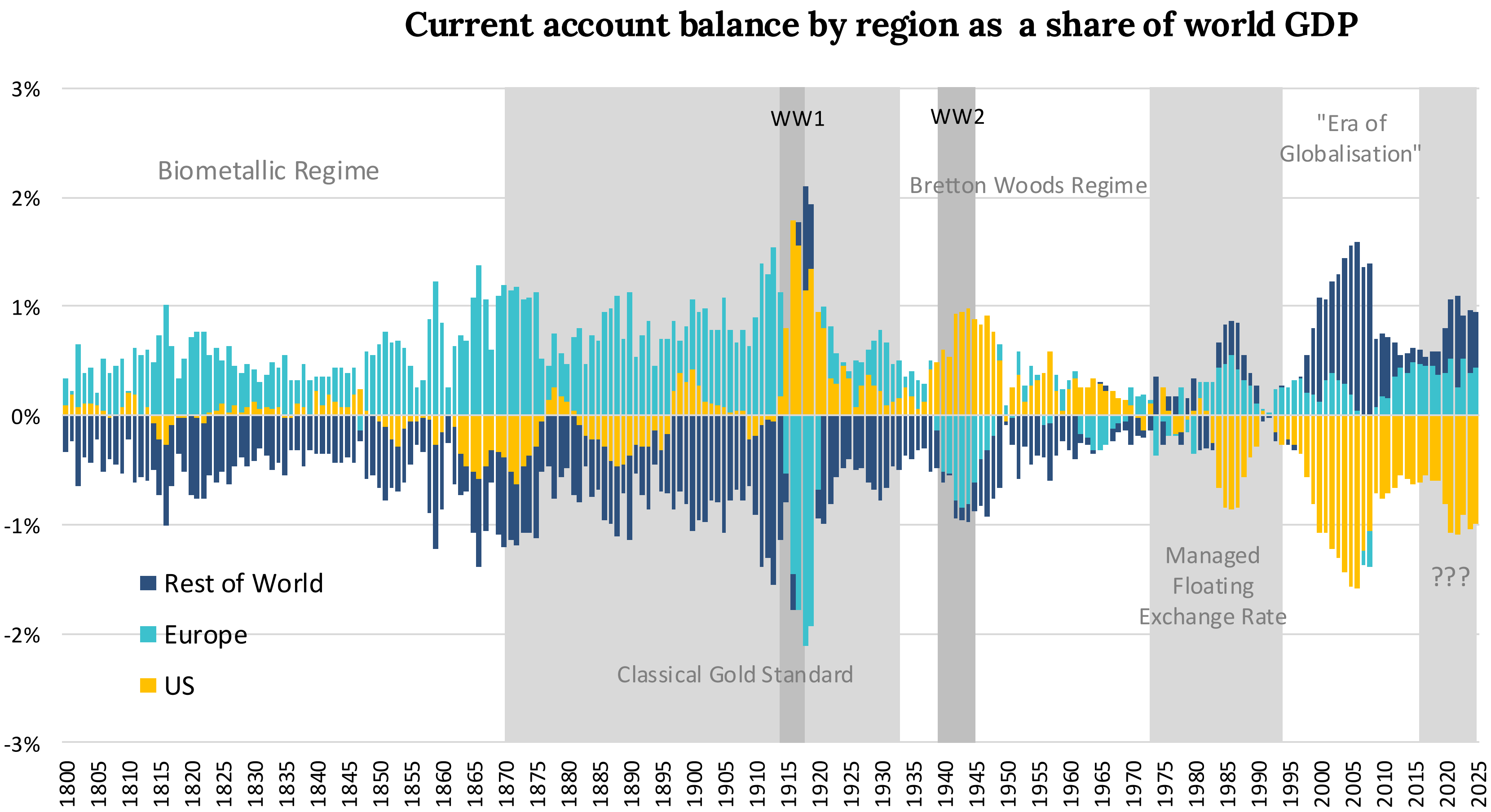
History of imbalance



Interpretation.

Between 1800 & 1914, Europe had a permanent current account surplus (close to 2% of its GDP on average, rising over time) while the rest of the world had a permanent deficit.

Since 1994, the US has been persistently reliant on being funded by the rest of the world. Shaded areas represent (mainly) global monetary regimes.

Source: Talaria, wid.world (Piketty & Nievas, " Unequal Exchange and North-South Relations: Evidence from Global Trade Flows and the World Balance of Payments 1800-2025")D

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Three components of valuation

The Required Return

How much return investors demand to hold an asset

Nominal Cash Flow Growth

How much an asset's earnings or income grow over time

The Cost of Funding

The cost of borrowing money

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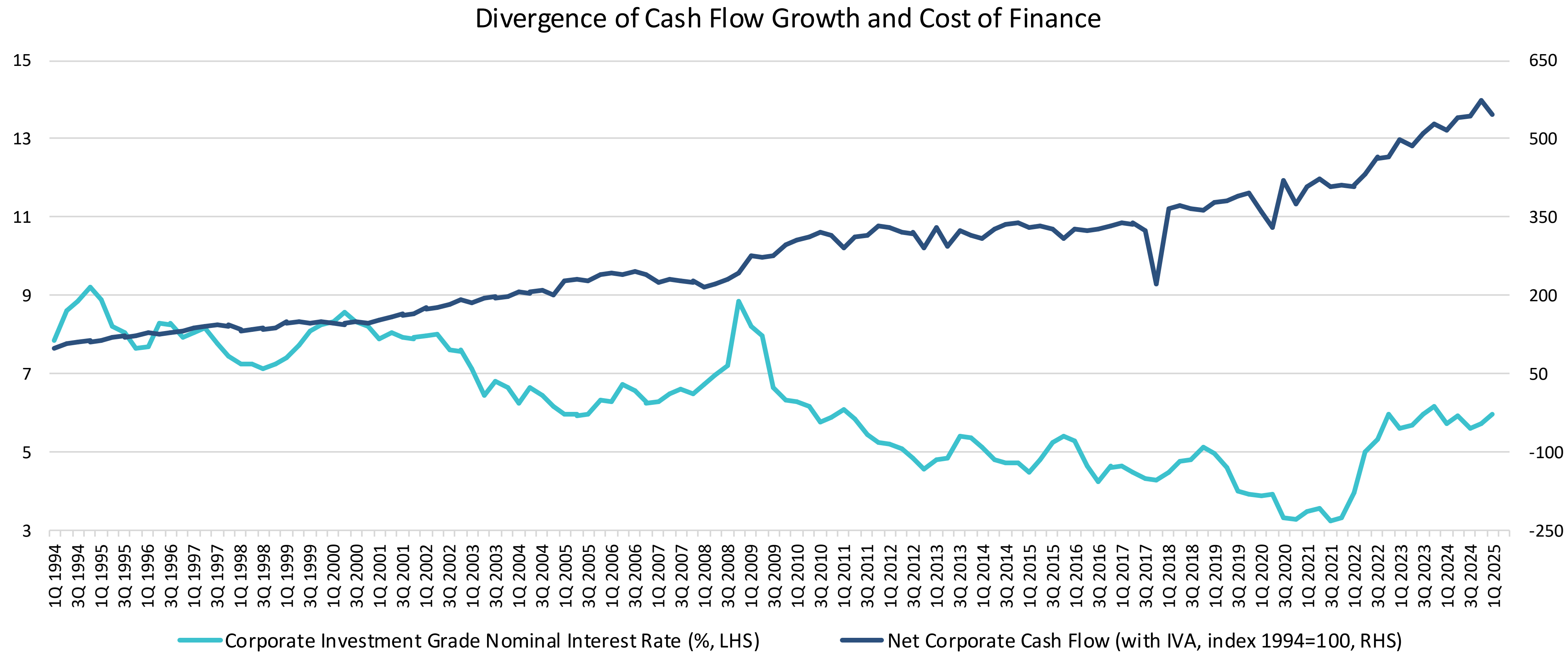
End of an era?

Companies have benefitted from an era of strong nominal cash flow growth and historically low funding costs



Note: IVA Inventory valuation adjustment. Source: Talaria, FRED

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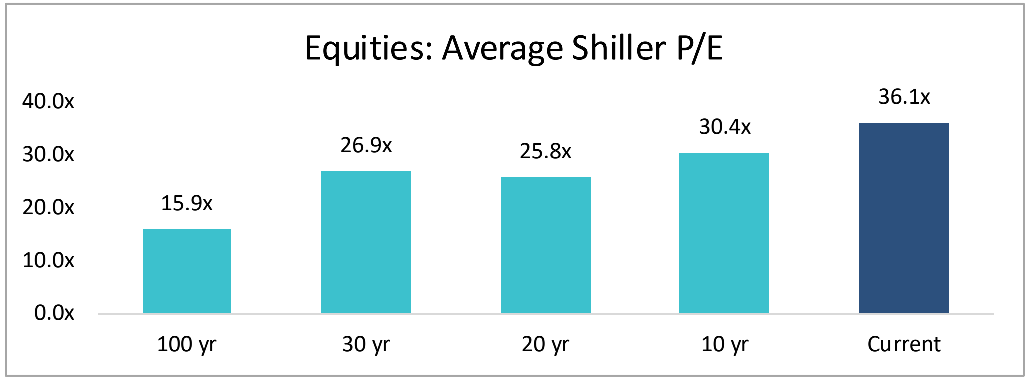
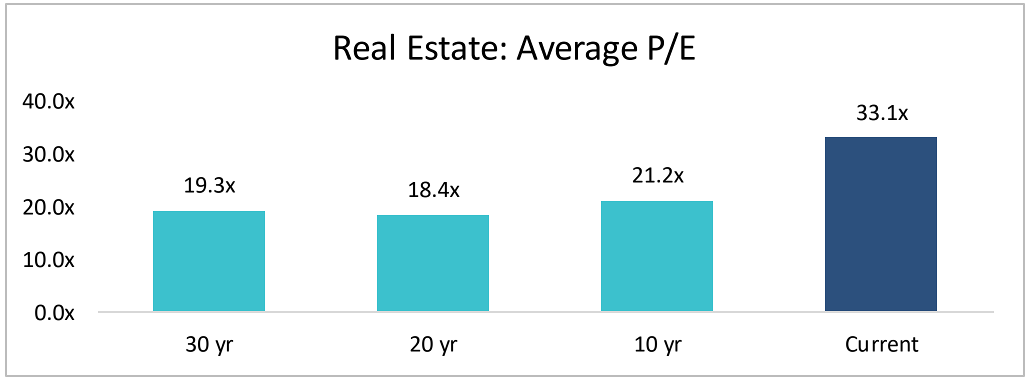
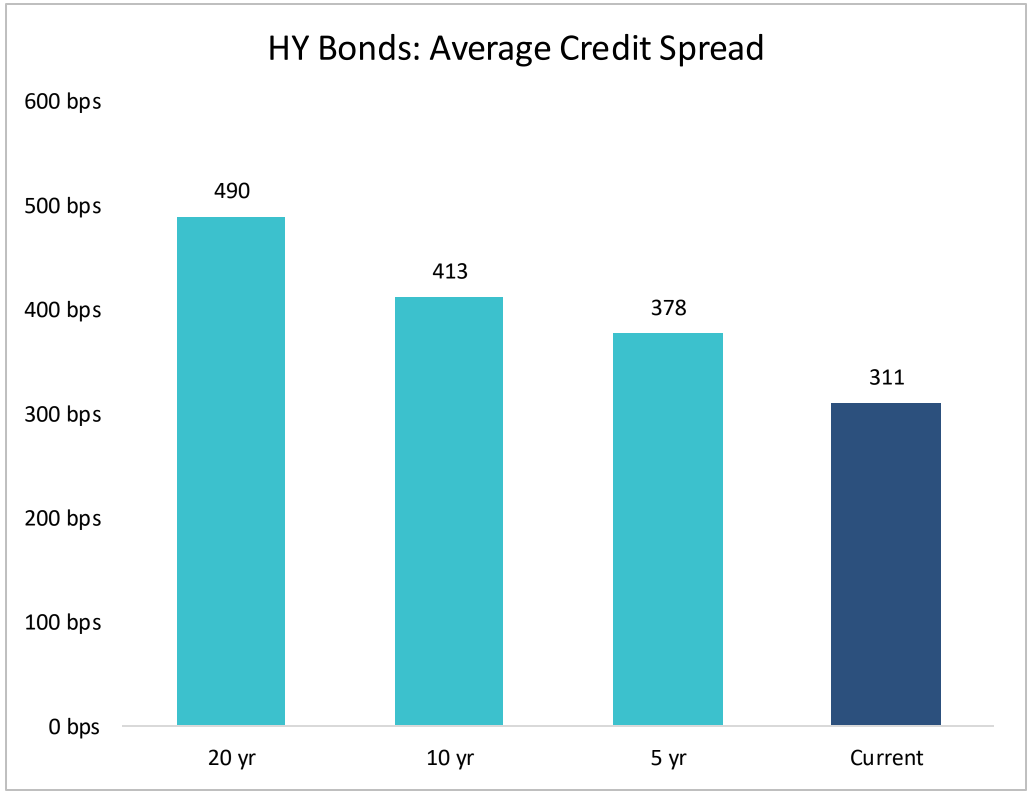
Divergence is driving valuations

Nearly 30 years of increasing divergence between cash flow growth and the cost of finance has driven higher valuations across asset classes







Source: Talaria, Bloomberg

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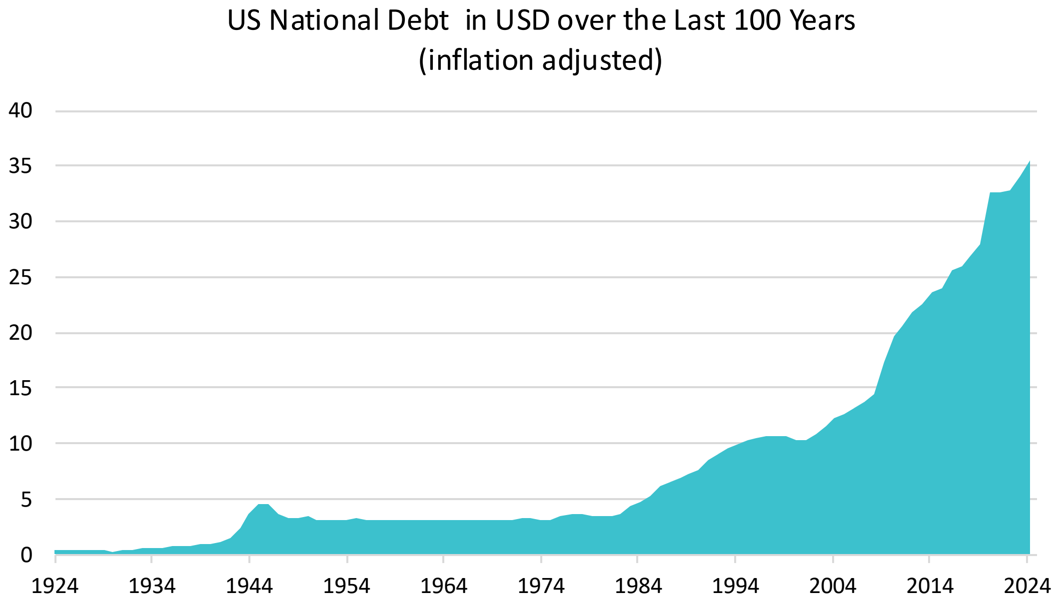
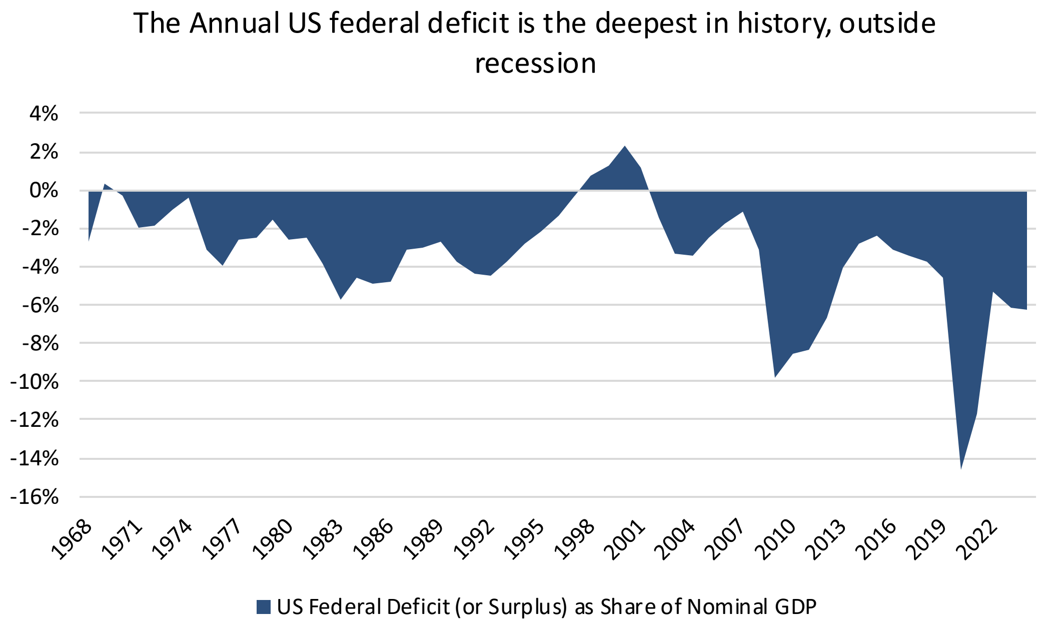
The debt burden

Is it starting to matter?





Source: Talaria, Fiscal Data – US Department of the Treasury, FRED

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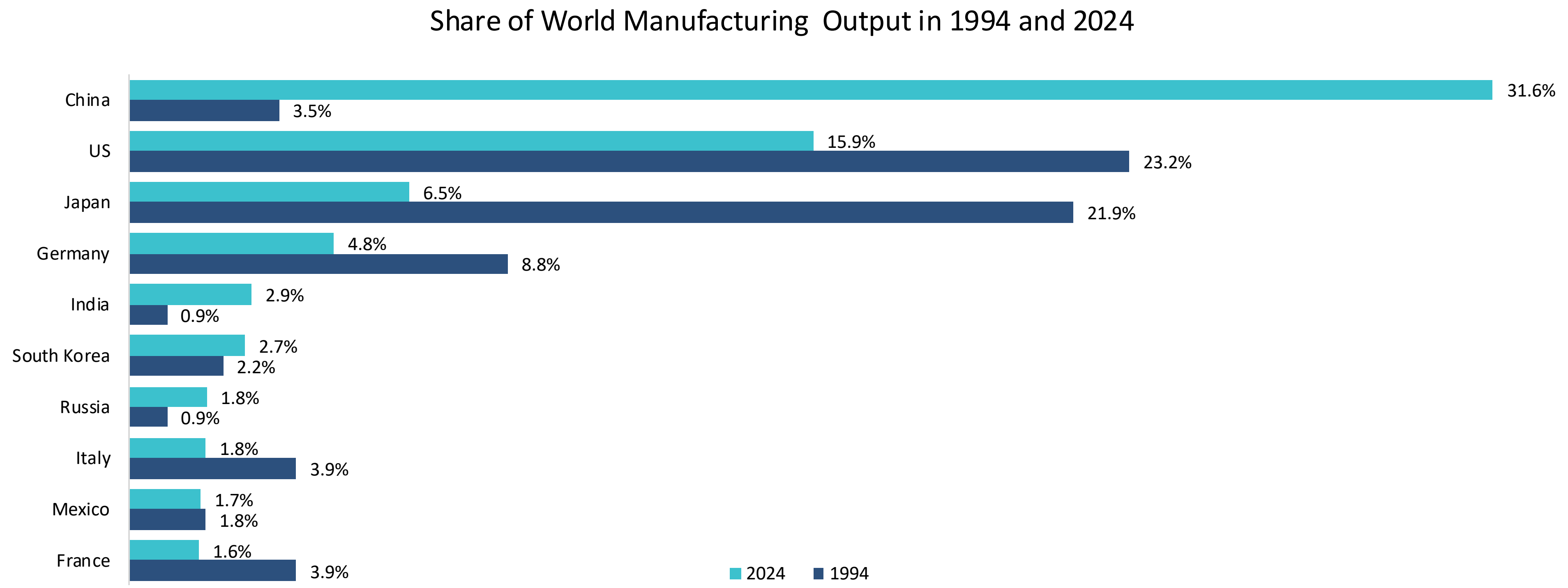
Global manufacturing

The rise of offshore production reshaped global manufacturing, but COVID-19, supply chain fragility, and shifting U.S. policy have prompted a turn inward as governments reassess the costs of globalisation



Source: Talaria, United Nations - Department of Economic and Social Affairs - Statistics Division

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Three components of valuation

The Required Return

Remains constant

Nominal Cash Flow Growth

Facing headwinds as supply chains re-shore, trade barriers rise, and labour costs climb

The Cost of Funding

Rates have *risen sharply* and may remain high

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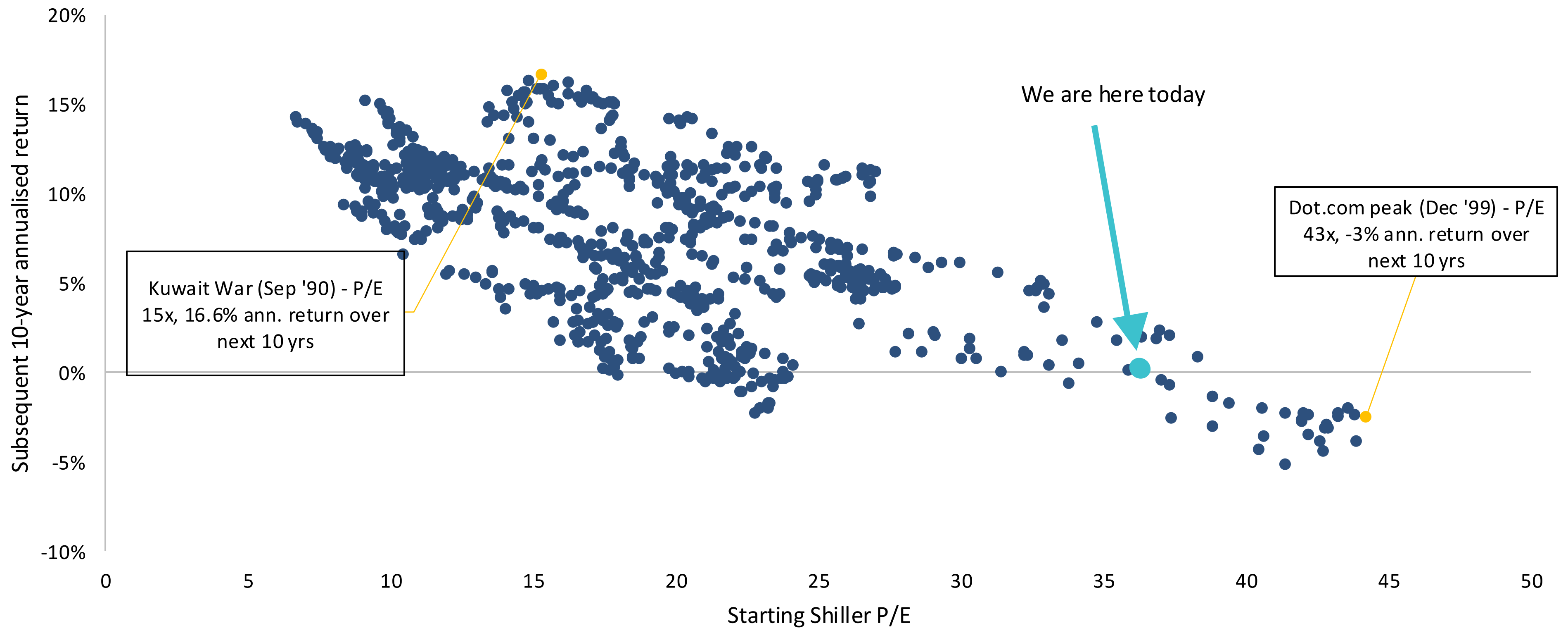
Longer term, equity markets face poor return prospects



Source: (Shiller data) Cyclically-Adjusted P/E (CAPE) or simply known as Shiller PE. It compares prices of the S&P 500 index with inflation-adjusted earnings over the previous decade—a long enough period to smooth out the economic cycle. Data as 24.6.2025

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Playbook for a new era of investing

Short Duration

Shorter duration assets are less vulnerable when rates are rising

Real Assets

Can help preserve purchasing power if inflation is persistent

Strong Balance Sheets

Companies with strong balance sheets are more flexible and are better positioned to manage volatility

Diversification

Portfolios that draw from uncorrelated sources of return are more resilient

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Current portfolio

Differentiated Portfolio

Top 10	Weight %
Roche	5.6%
Johnson & Johnson	5.3%
Sanofi	5.2%
Newmont	4.7%
everest	4.5%
Henkel	4.5%
Bunzl	3.6%
essity	3.4%
Chubb	3.0%
sodexo	3.0%

Metrics (Index 100 = Sales)	Talaria Portfolio	FTSE Developed
Income Statement Figures		
Sales	100	100
EBIT	12.2	16.3
Interest Paid	0.9	1.2 (1)
Pre-Tax	11.3	15.1
Tax Rate	24%	20% (1)
After-Tax Profit	8.6	12.1
Balance Sheet Figures		
Equity (Book Value)	57	76
Debt	32	94
Cash	14	69
Net Debt	18	25
Total Capital (Equity + Debt)	74	102
Leverage Ratios		
Debt/Equity	56%	124%
Net Debt / Equity	31%	33%
Net Debt / Total Capital	24%	25%
Efficiency/Profitability Ratios		
Sales/Total Capital	134.5%	98.5%
EBIT / Total Capital	16.4%	16.1%
ROE	15.1%	15.9%
Return on Total Capital	11.6%	11.9%
Valuation Figures		
Price	101	242
Price / Sales	1.0	2.4
Price / Book Value	1.8	3.2
Price / Earnings	11.8	20.0
Earnings Yield	8.5%	5.0%
Dividend Yield	3.8%	1.8%
Retained Earnings Yield	4.7%	3.2%
Dividend Payout Ratio	45%	37%
Enterprise Value / EBIT	9.7	16.4

Top 10 as at 30 June 2025. Source: Talaria, Weightings include option positions held and cash backing put options. It assumes that put options will be exercised.
Source: FTSE Developed Market Index as at 8 July 2025,
based on Talaria estimate of index interest expense and tax rate

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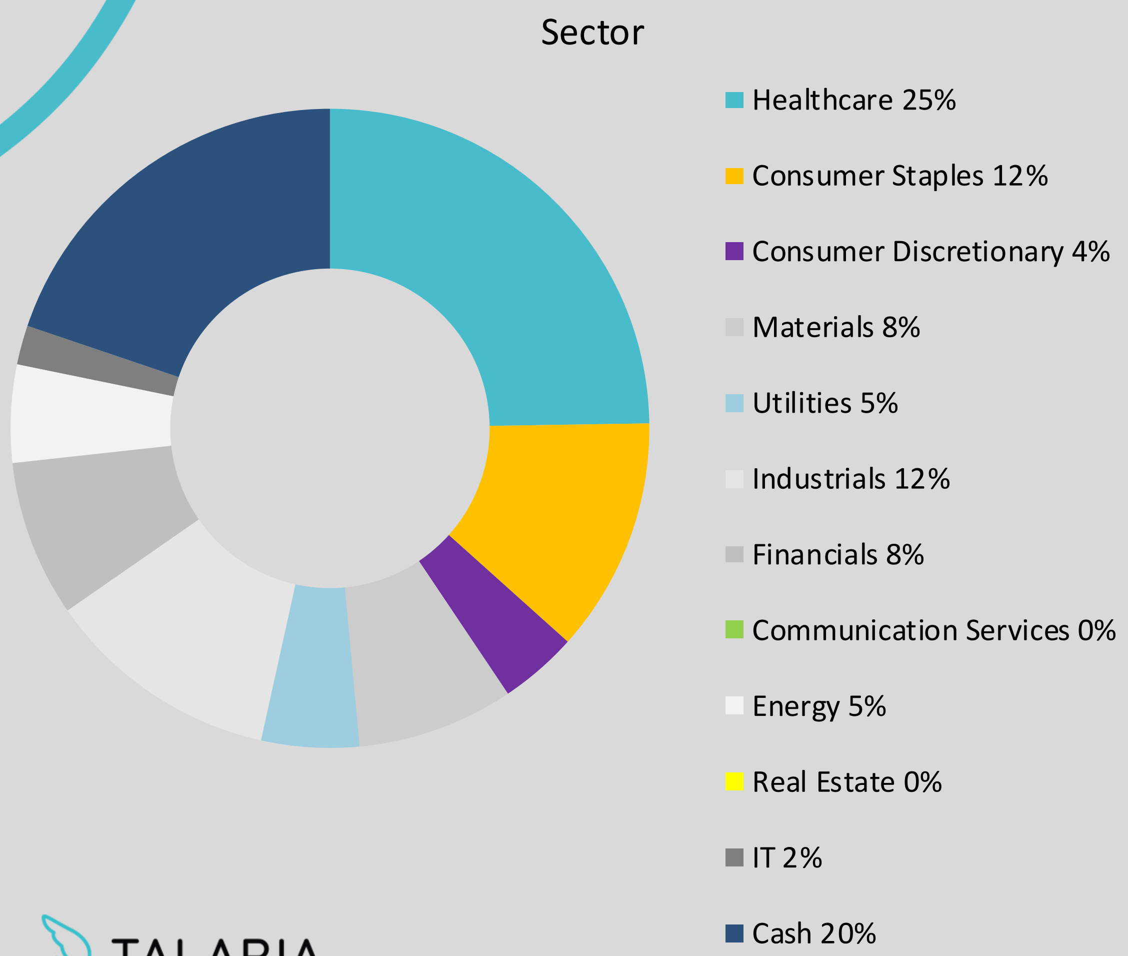
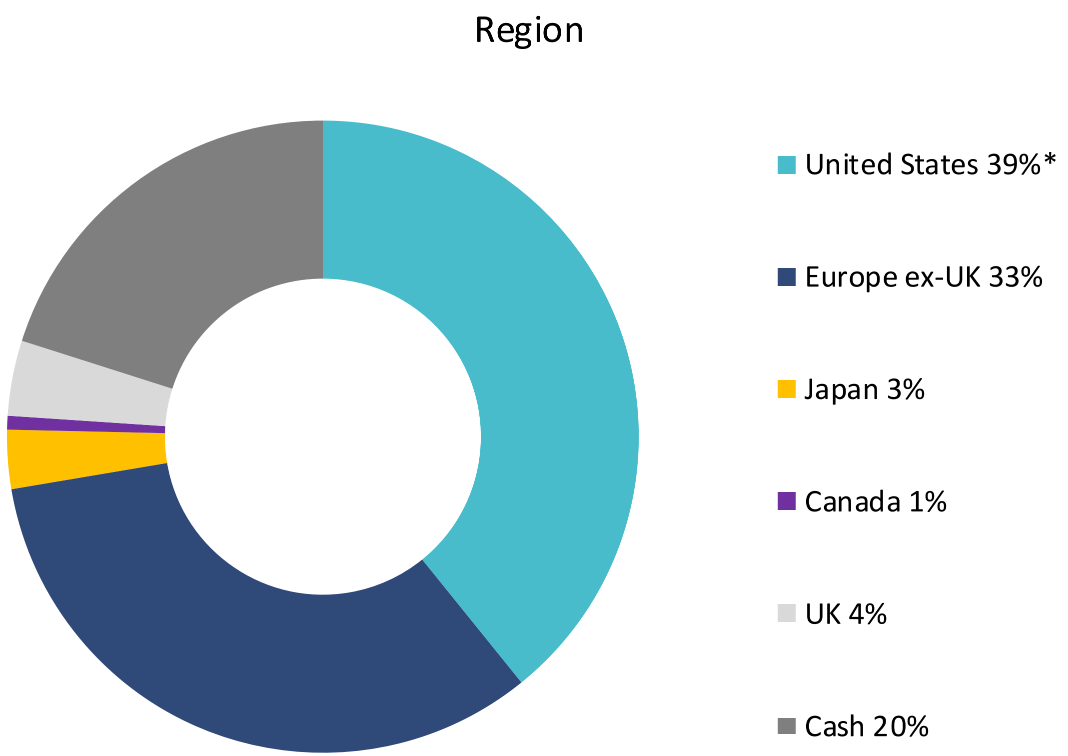
Differentiated portfolio





Data as of 30 June 2025 Source: Talaria, Bloomberg

*Weightings include option positions held and cash backing put options. It assumes that put options will be exercised. *USA includes American Depositary Receipts (ADRs) listings.*

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Delivering consistent outcomes

- Lower absolute debt
- Higher return on capital
- Trading at a 41% discount vs 10yr avg of 15%
- Comparable sales and earnings growth over 10 years

	1 year	3 year	5 year
Return %	12.2	9.5	11.0
Volatility	8.0	6.5	6.7
Beta	0.25	0.20	0.23
Downside Capture	-8.6	2.4	-4.9
Correlation*	0.32	0.34	0.38
Sharpe Ratio	1.14	1.06	1.47
Treynor	37.1	36.1	42.8
Jenson	5.5	3.6	6.5

Data as at 30 June 2025 Source: Talaria, Bloomberg, Factset
**MSCI World ex Aus*

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