

Performance and distribution considerations

Talaria Global Equity Fund Complex ETF - AUS0035AU/Ticker: TLRA

Talaria Global Equity Fund - Currency Hedged Complex ETF - WFS0547AU/Ticker: TLRH

- Difference in distribution profile
- Regional currency exposures - Talaria
- Underlying stocks - nuances that may impact performance
- Historical comparison

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

Distribution Profile:

Talaria's hedged fund has 2 sources of income regarding distributions:

- Distributions from the main unhedged fund.
- 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:

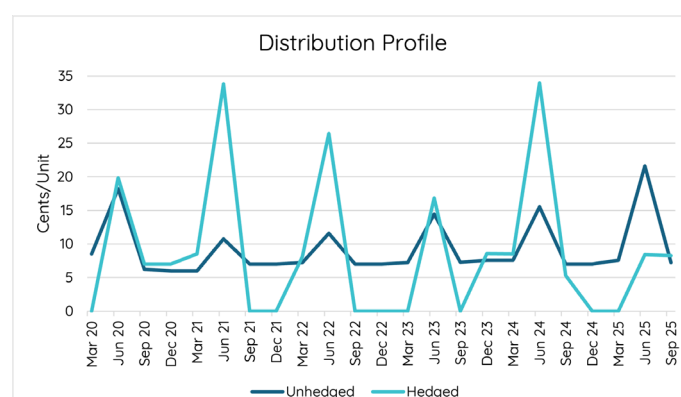
- The entire portfolio is passively hedged and every three months that hedging is realised and rolled to the next three-month exposure - as is the custom for most hedged products.
- This creates hedging gains and losses which form part of distributable income.
- If the AUD is weak then this results in 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.

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.

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

Case study

From September 2024 to June 2025 there was a significant weakening of the AUD against the Euro and Swiss franc, two major investing currencies of the equity portfolio (approximately 10%), which created a realised hedging loss exceeding the income from the unhedged funds distributions.



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 the unhedged fund and vice versa. However the currency hedged fund hedges against this appreciation and so will behave in the opposite way.

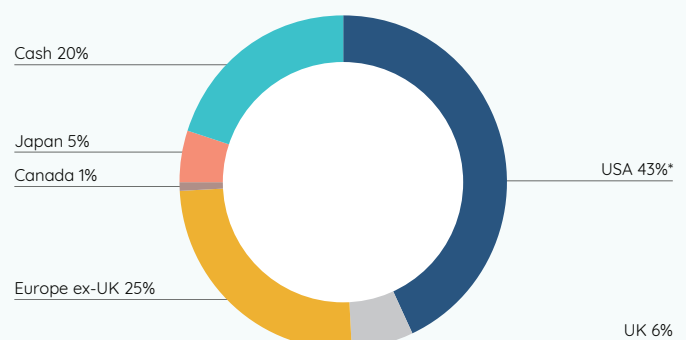
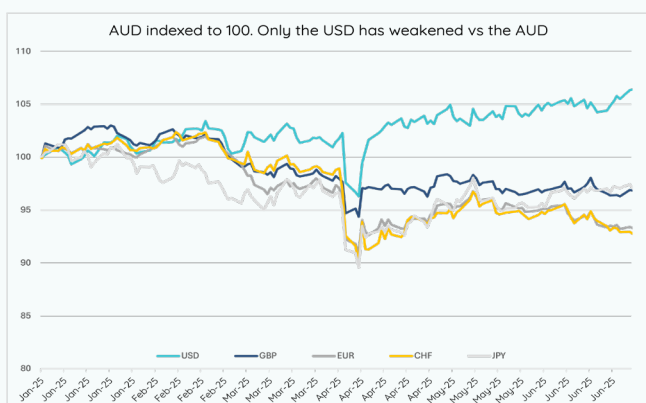
However, there are several other factors that add more complexity to the difference between the two funds:

- 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 go up, this may lead to a very different outcome than one might have expected when compared to many passive strategies which will likely have a different composition of regional exposure.
- 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.

Nuances that may impact performance

The Talaria strategy only invests in large capitalisation global companies. These large companies often have customers, operations and earnings spread across multiple countries. Some of our holdings, like Roche in Switzerland, face performance headwinds from FX movements. This is because despite reporting earnings in Swiss Franc (CHF), Roche's earnings are mostly non-CHF, so a stronger CHF can negatively impact its share price. For the Hedged Fund, this results in a lower share price without the offsetting FX gain that the unhedged fund enjoys. This dynamic can contribute to a performance gap between the two funds, rather than a direct negative impact from the hedging itself.



Historical Comparison

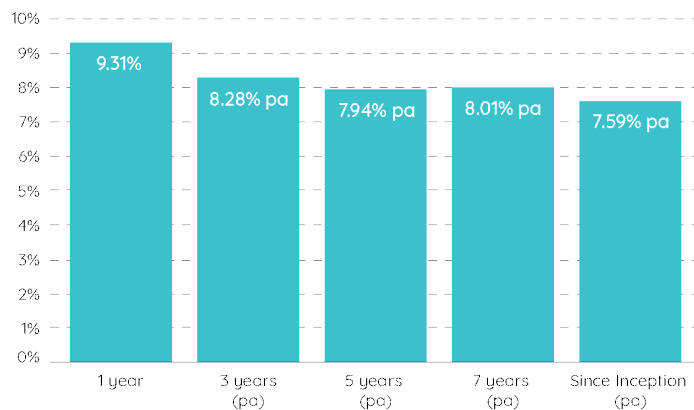
Distribution History - Unhedged

End period	Cents per unit	Reinvestment price \$
30-Sep-25	7.25	4.8616
30-Jun-25	21.6	4.8303
31-Mar-25	7.6	5.1536
31-Dec-24	7	4.955
30-Sep-24	7	4.9186
30-Jun-24	15.5	4.6948
31-Mar-24	7.6	5.0606
31-Dec-23	7.6	4.9896
30-Sep-23	7.3	5.063
30-Jun-23	14.45	5.0085
31-Mar-23	7.25	4.9811
31-Dec-22	7	4.7685
30-Sep-22	7	4.6234
30-Jun-22	11.56	4.6553

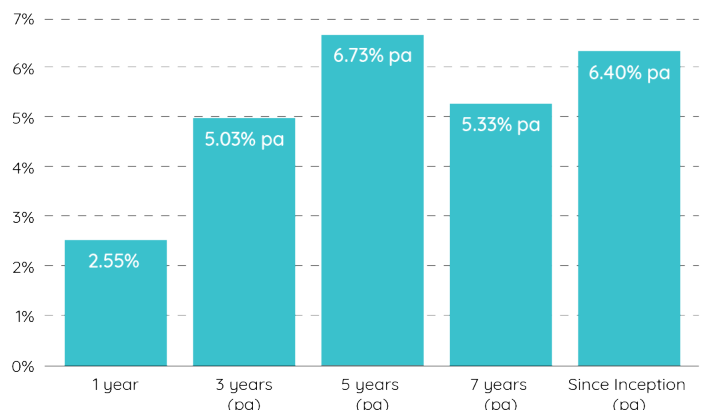
Distribution History - Hedged

End period	Cents per unit	Reinvestment price \$
30-Sep-25	8.25	5.6247
30-Jun-25	8.4	5.5147
31-Mar-25	0	0
31-Dec-24	0	0
30-Sep-24	5.3	5.6435
30-Jun-24	33.938	5.357
31-Mar-24	8.5	5.7704
31-Dec-23	8.57	5.7594
30-Sep-23	0	0
30-Jun-23	16.8078	5.661
31-Mar-23	0	0
31-Dec-22	0	0
30-Sep-22	0	0
30-Jun-22	26.445	5.2023

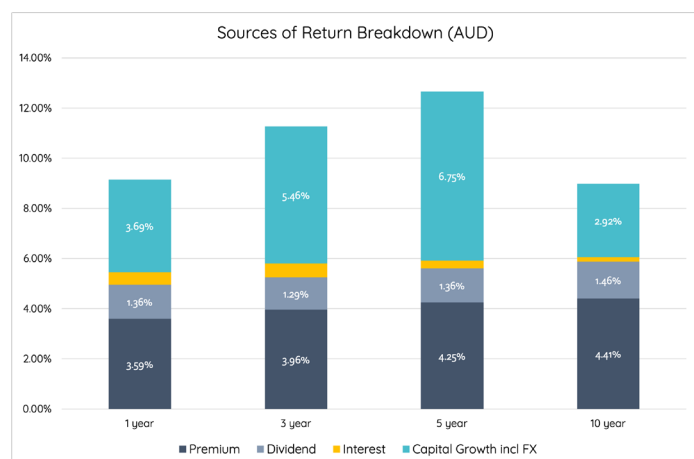
Annual Distributions - Unhedged



Annual Distributions - Hedged



Total Return - Unhedged



Total Return - Hedged

