



Talaria Global Equity Fund Foundation Units

Quarterly Update March 2026

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Signatory of:



Investment Insights

“The real voyage of discovery lies not in seeking new landscapes, but in having new eyes.”

– Marcel Proust, “In Search of Lost Time”

Summary

Pictures of damaged oil refineries and downed fighter jets have become defining images of the unfolding war in the Gulf. Yet while the tragic loss of lives, missiles and airstrikes dominate the headlines, another, more subtle form of reconfiguration is underway.

It involves not the obvious targets of battle but the economic order that has governed the world for the past three decades. And its impact on financial markets may prove even more consequential.

At the heart of this reconfiguration lies a transition in the global monetary regime. Thirty years of globalisation are giving way to political and economic fragmentation. Large fiscal and capital imbalances that have accumulated since the early 1990s will require policy action to unwind. Thinking in terms of odds and probabilities, governments are most likely to pursue financial repression as their preferred mechanism.

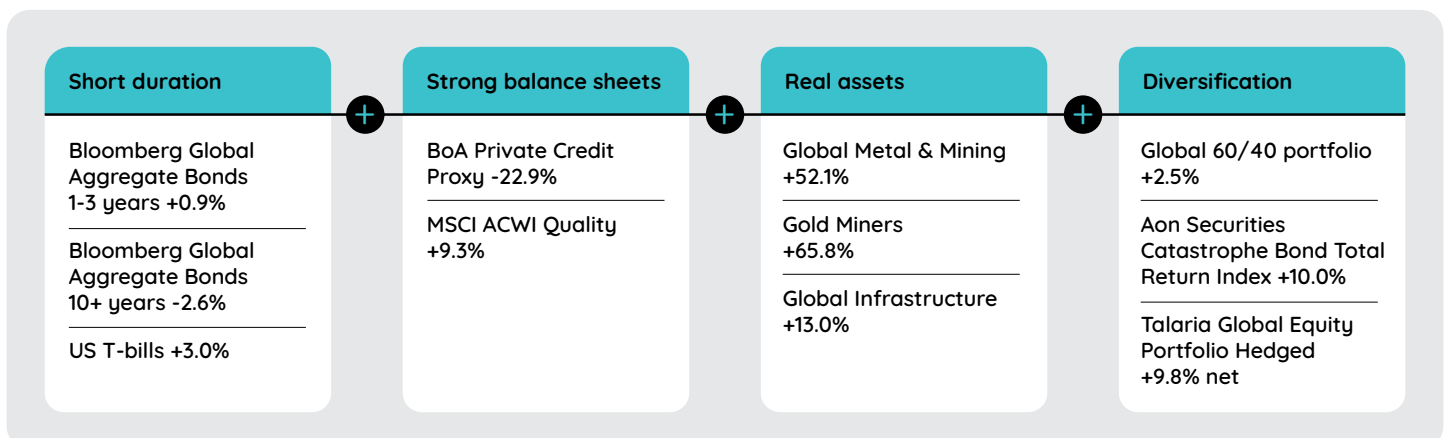
A defining feature of this transition will be a growing competition for capital. It is a truism that the future is uncertain, but likely outcomes are higher funding costs, lower corporate margins and lower equity valuations.

Our playbook, first set out in June 2025, remains unchanged. We like short duration and real assets, strong balance sheets, and diversification (see our [June 2025 report](#) for a more detailed explanation).

This is a framework for the long run, but it is interesting that over the past nine months, real assets have performed strongly: gold, metals & mining and infrastructure are up 65.8%, 52.1% and 13.0%, respectively. Short-duration bonds have outperformed long-duration bonds by 3.5%, while short-duration equities across most sectors and regions have also outperformed. By contrast, leverage has been a drag on returns. The Bank of America Private Credit Proxy Index is down 22.9%.

Two developments would challenge our view on the playbook. Firstly, if there is a genuine productivity revolution, then real GDP growth will accelerate and reduce fiscal deficits without triggering a financial repression. Secondly, if there is a political détente, there might be a reversal in the course of de-globalisation. At present, we see no signs of either condition materialising.

Playbook and performance examples



Notes: All performance figures are reported in USD and measured from 30 June 2025 to 25 March 2026 except Talaria Global Equity Portfolio Hedged in AUD.

Source: Talaria, Bloomberg

Short duration

In this monetary regime change, the timing of when cash flows are delivered takes on greater importance.

“With competition for capital, markets ought to exhibit a preference for earnings that are delivered sooner rather than later. They are less sensitive to changes in rates and ought to align better with a world of increased uncertainty.”

Looking at global equities, the most striking development since last July, when we set out our playbook, is that duration dispersion has narrowed, generally speaking, so that valuations of cheaper stocks have risen and those of expensive stocks have fallen. Extremes across regions, sectors and within major indices have moderated. As a result, the opportunity set is narrower than it was nine months ago.

Pockets of value remain, most interestingly among stable companies with low duration. However, the narrowing of dispersion creates a difficult backdrop for equity indices as a whole.

In such an environment, alternative sources of return based on spreads rather than beta and valuation become even more desirable. An example of such a spread is the volatility risk premium, which remains central to our process.

A new monetary regime

Overview

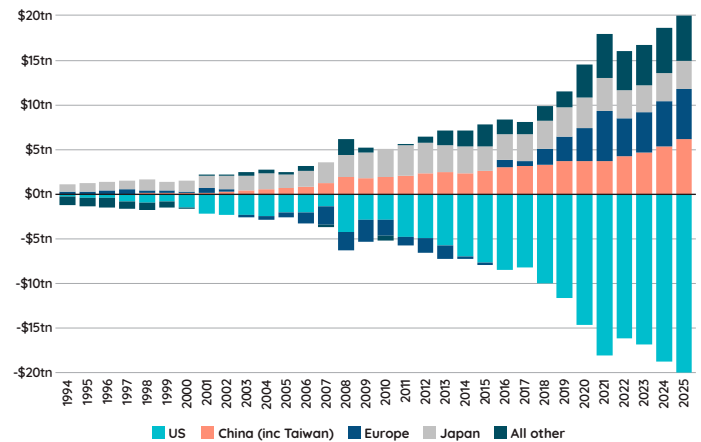
Before looking in more detail at short duration and where this overlaps with stability, we want to revisit what we consider the defining structural theme for financial markets, namely monetary regime change. The world is exiting a thirty-year period of deep global integration and entering a period that is unwinding the dynamics that went before (see our [June 2025 report](#)).

Global integration brought many positives including lifting people out of poverty, lowering the price of goods, particularly manufactured goods, and enabling supply chains of great efficiency.

Over time, however, globalisation created imbalances.

First, trade imbalances widened. The United States ran a growing trade deficit, funded by surplus economies like China, Japan and Germany recycling savings into US assets. The US net international investment position is now deeply negative, with net foreign ownership of US financial assets of over \$20tn (~70% of US GDP). What began as efficient capital recycling evolved into structural dependence on external funding.

Net foreign wealth (USD tn)



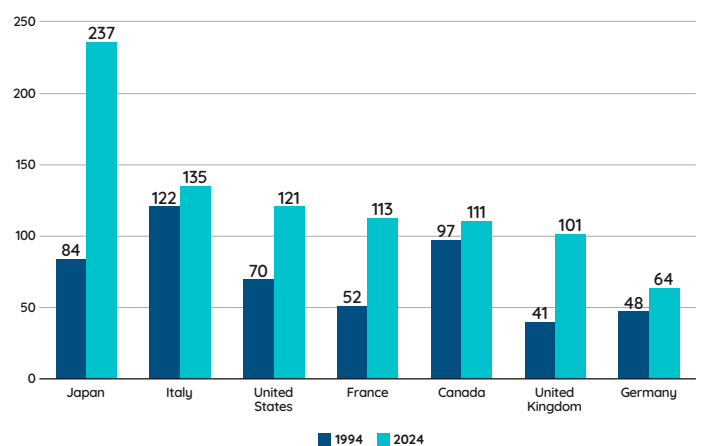
Source: wid.world (Piketty & Nieves), Talaria

Second, fiscal imbalances accumulated. Supported by falling interest rates, public debt to GDP rose steadily across developed economies. Deficits became structural rather than cyclical.

“In the United States, mandatory spending and interest costs now absorb more than three quarters of the budget, reducing fiscal flexibility.”

The conditions are even worse in other large economies.

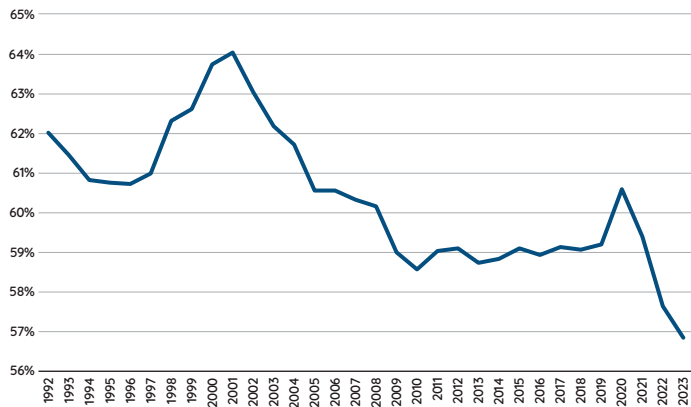
G7 Countries: General Government Debt to GDP (%)



Source: Talaria, IMF

Third, the distribution of income shifted from labour to capital. Manufacturing jobs moved from the West to China and South-East Asia. Returns to shareholders and asset owners outpaced wage growth across much of the developed world, which was particularly the case in the United States (see chart). The result was a marked rise in inequality.

US: Share of labour compensation as % GDP



Source: FRED

Powerful forces are now in place to correct these imbalances.

Populism seeks to rebalance the distribution of income between capital and labour. In parallel, governments place greater weight on economic self-reliance. Supply chains once organised primarily for efficiency are increasingly evaluated in terms of resilience and strategic security.

These developments point towards a retreat from deep economic integration.

Fiscal constraints reinforce this shift. With public debt already high, the scope for further borrowing is limited. At the same time, there is not the political will for austerity and there are meaningful growth headwinds not least in the form of demographics and lack of productivity gains.

In this environment, our view is that financial repression becomes the most likely policy path. Under financial repression, interest rates are kept below the rate of inflation, which gradually reduces the real value of outstanding debt. In effect, wealth is transferred from savers to borrowers, with governments the principal beneficiaries.

Constrained Capital

Most importantly for investors, the implication is a more constrained supply of capital. Restrictions on the movement of capital make it easier to maintain the interest rate and inflation settings required for financial repression. As governments increasingly steer domestic savings towards national priorities such as security and economic independence, capital moves less freely across borders. The result is higher funding costs, pressure on corporate margins and, ultimately, lower equity valuations.

Short duration

As we have said when capital is scarce investors ought to place a higher value on getting paid back their investment faster.

The central question we try to address here is whether the opportunity set within short duration equities remains as attractive as it appeared last year.

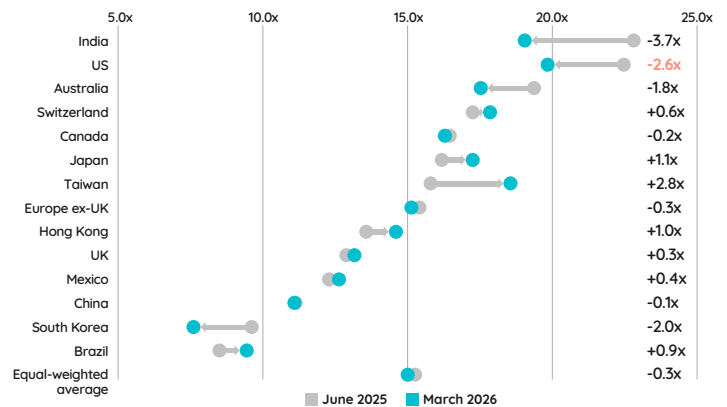
In equity markets, the P/E ratio can be used as a proxy for duration: all else equal lower multiples imply shorter payback periods.

Convergence of Equity Duration

Since July 2025, the most notable development is the reduction in duration dispersion across both regions and sectors. Extremes have moderated and valuations are now more tightly clustered around the mean.

By region, the durations of the previously most expensive equity markets, India, the United States and Australia, have shortened. In most other markets they have lengthened. South Korea is the main exception in the short duration basket, where despite the market having almost doubled since July, its P/E ratio has declined. The explanation lies in earnings growth, which has exceeded price growth.

Regional Duration (P/E)

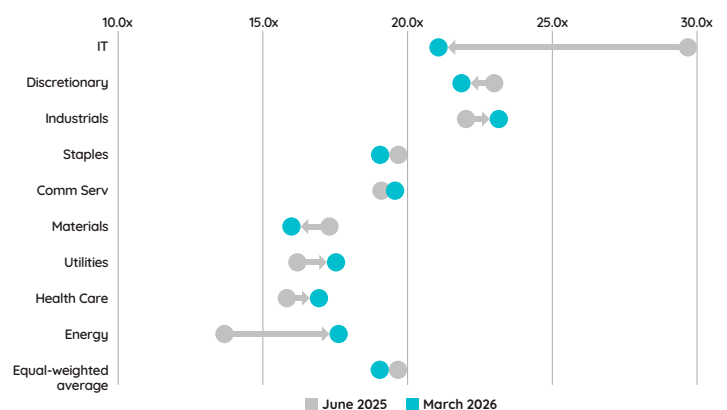


Source: Talaria, Bloomberg

A similar convergence is visible across sectors. IT, which was the most expensive sector last June, has seen its duration shorten. By contrast, durations have lengthened in the previously cheapest sectors. Energy has re-rated by 3.7 turns, most of the move occurring before the conflict in the Middle East began.

Health Care has also experienced a broad-based re-rating despite little change in underlying fundamentals. Johnson & Johnson, a global pharmaceutical company that Talaria held for many years and recently exited, saw its P/E expand from 15x nine months ago to almost 21x in early March without a meaningful change in earnings expectations.

Sector Duration (P/E)



*Financial companies are excluded from this analysis, as their P/E ratios are heavily influenced by the leverage embedded in their business models and therefore provide a poor indication of duration. Source: Talaria, Bloomberg

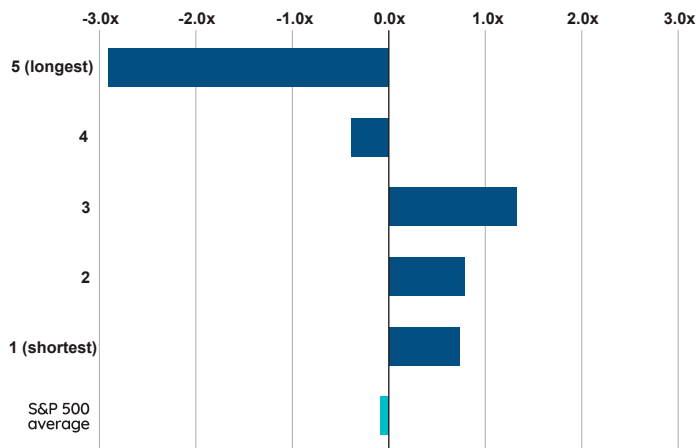
Within the S&P 500 a similar convergence in equity duration is evident. The highest-duration quintile has seen a significant compression in valuations. The median P/E multiple declined by almost three turns, although it remains elevated at around 39x.

Some of the most extreme valuations have adjusted sharply. Microsoft traded on a P/E of around 33x nine months ago. The multiple has since fallen to roughly 22x, with the share price down about 20%.

By contrast, the lower parts of the distribution moved in the opposite direction. The bottom three quintiles saw their multiples rise by roughly one turn on average.

The overall average multiple is largely unchanged. The convergence therefore reflects a narrowing in the spread between expensive and inexpensive equities, consistent with the regional and sector patterns discussed earlier.

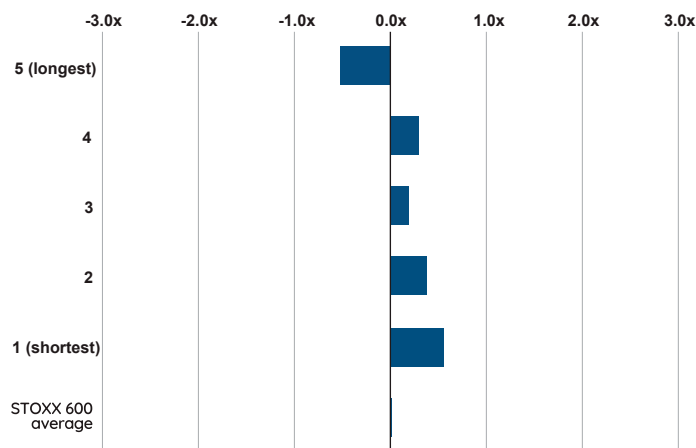
Change in Duration by S&P500 Duration Quintile



Source: Talaria, FactSet

In the Stoxx 600 the shift across quintiles is less pronounced. The direction, however, is similar to that observed elsewhere. Valuations show a modest move towards the centre of the distribution.

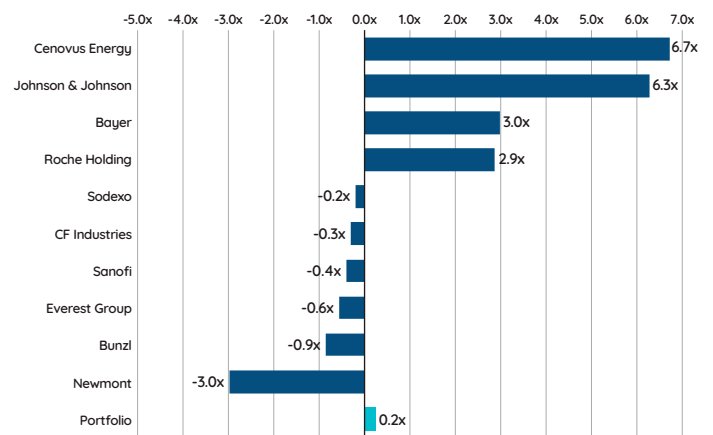
Change in Duration by STOXX 600 Duration Quintile



Source: Talaria, FactSet

As short-duration equities re-rated across sectors and regions, the Talaria portfolio would naturally have drifted to a higher multiple. Valuation discipline has countered this drift. Cenovus and Johnson & Johnson, holdings that experienced the strongest re-ratings were exited over this period, while Roche was reduced. The portfolio today trades on roughly 11x earnings, representing a discount of close to 41% to the broader market which is unusually wide.

Change in Duration for Top 10 Talaria equity positions (June 2025 to March 2026)

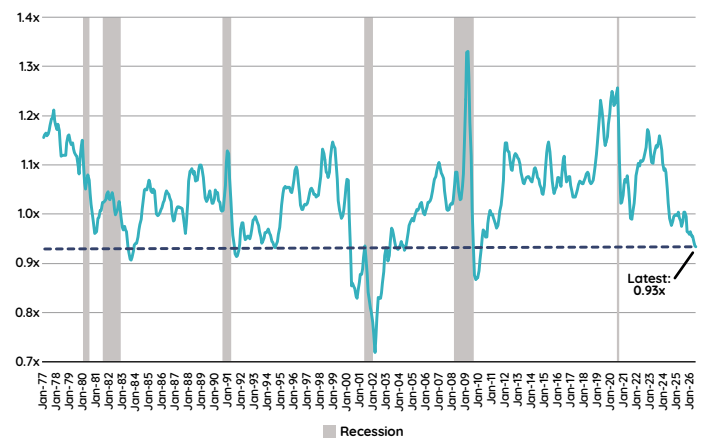


Source: Talaria, FactSet

The Role of Fundamental Stability

In September 2025 we noted a striking feature within the S&P 500. Companies with the highest levels of fundamental stability unusually traded at a discount to the market. The chart below updates that analysis. The past six months, perhaps surprisingly, has not altered the picture.

Large-Capitalisation Stocks Top Quintile of Fundamental Stability Relative Forward-P/E Ratio¹ (1977 to late Feb 2026)



¹Equally-weighted data, smoothed on a three-month basis.

Source: Talaria, Empirical Research

To extend the earlier work, we examine how fundamental stability interacts with equity duration across sectors.

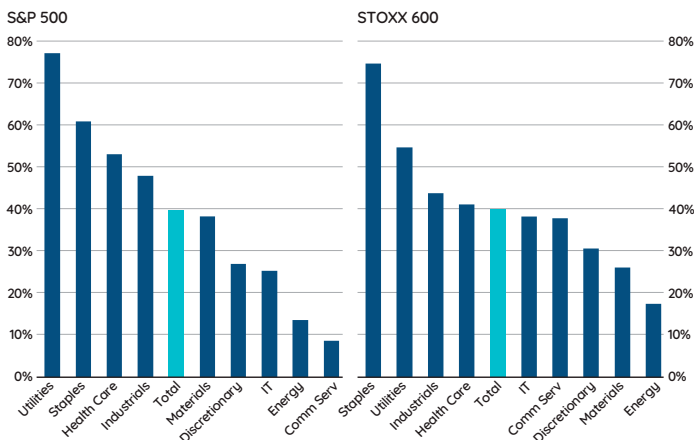
We define stability as low beta, modest leverage and consistent earnings.

One example is Essity, a Swedish personal care manufacturer held in the Talaria portfolio. The company has a trailing equity beta of just 0.06 and modest leverage, with net debt to EBITDA of 0.9x. Returns on invested capital are moderate at around 10%, but notably stable over time, with limited volatility in both profitability and earnings growth.

As a starting point, the following two charts show the share of companies in each sector that rank highly on this stability measure. We classify the top two quintiles (best 40%) of the stability distribution as stable. This share is then compared with the total number of companies in each sector.

The pattern is broadly intuitive. Consumer staples, utilities and health care are overrepresented, reflecting the stability of their cash flows. At the other end of the spectrum sits the energy sector, whose cashflow profile is strongly cyclical. For reference, the "Total" category represents a random draw of two quintiles and therefore equals 40%. It serves as the benchmark against which sector concentrations can be assessed.

Share of companies with high fundamental stability factor within sector (top 2 quintiles)



Source: Talaria, FactSet

Intersection of Stability and Duration

In this section our primary interest lies in companies that combine low duration with high fundamental stability. To identify them, we select the bottom two quintiles of duration and the top two quintiles of fundamental stability.

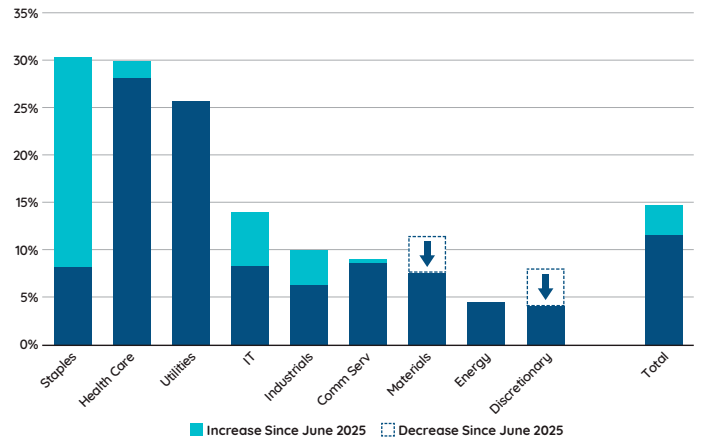
The resulting shares are similar across regions. Companies meeting both criteria account for 14% of the STOXX 600 and 15% of the S&P 500.

In the United States the overall share has increased modestly over the past nine months across most sectors. More companies now combine fundamental stability with low duration.

Consumer staples account for much of this change. The share of such companies has risen sharply, from 8% in June to 31% today. Information technology is the second notable contributor, driven largely by the market questioning software companies' stability thus significantly reducing their duration.

The largest declines have occurred in materials and in consumer discretionary.

S&P500: % Companies within Sector that are both Stable and Short Duration

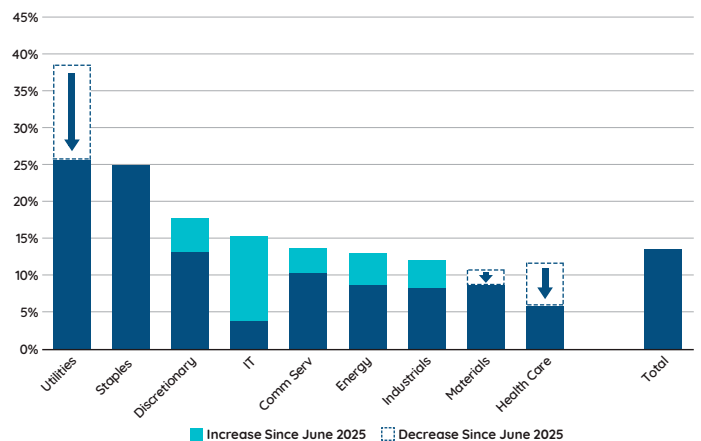


Source: Talaria, FactSet

In Europe the most notable change is the moderation of earlier extremes. Sectors that were previously overrepresented have seen a meaningful decline in the share of companies that are both stable and short duration. The utilities sector is the clearest example. Nine months ago, 39% of European utilities met both conditions. Today the figure has fallen to 26%.

At the same time, several previously underrepresented sectors have moved closer to the centre of the distribution. Information technology stands out. The share of companies meeting both criteria has risen from 4% in June to 16% today. Despite these sector shifts, the overall share for Europe remains unchanged at 14%.

STOXX 600: % Companies within Sector that are both Stable and Short Duration



Source: Talaria, FactSet

The analysis above reinforces three observations.

First, there is still opportunity within short-duration equities, but it has become less distinct. Valuation dispersion has narrowed across regions and sectors and within major indices. In other words, the market has begun to recognise the risks associated with longer-duration equities and the attractions of shorter-duration shares. This creates a more difficult environment for exposure to broad indices which are, in some cases, dominated by precisely the sort of expensive shares most vulnerable to repricing.

Second, the intersection between stability and short duration, although niche, remains a fertile hunting ground for new ideas. Companies with resilient earnings, modest leverage and reasonable valuations continue to offer attractive characteristics in a world of changing monetary regimes.

Third, given that opportunities within equity markets are fewer, the value of de-correlated sources of return has increased.

Conclusion

The change in monetary regime is not cyclical but structural. A world of abundant capital is giving way to one shaped by competition for capital. The implications are clear: higher funding costs and lower corporate margins. In this environment, the timing of cash flows matters more. Investors should prioritise shorter payback periods.

As we have explored this quarter, opportunities remain where short duration meets fundamental stability. This is more relevant as valuation dispersion has compressed and the opportunity set has narrowed.

As Proust's quotation at the start of this piece suggests, the task for investors is less about discovering new worlds and more about revising how existing ones are seen. What worked over the past thirty years is unlikely to serve as the playbook for what comes next.

March 2026 Quarterly Performance

Global equity markets delivered mixed returns in the first quarter of 2026. The period was defined by a sharp market shift. A supportive backdrop in January and February, characterised by falling yields and improving leading indicators, gave way to a more uncertain environment as geopolitical tensions escalated with the onset of war in Iran.

The market narrative flipped quickly. Early in the quarter, easing financial conditions and improving growth data supported a rotation away from the most crowded areas of the market, with signs of cyclical broadening. The AI complex began to face greater scrutiny, weighing on large cap technology stocks. This dynamic shifted in March as oil prices surged, at one point nearly doubling year to date, and appeared to dictate market direction. Equities traded increasingly with a negative correlation with crude, while inflation concerns resurfaced and expectations for monetary easing gave way to a more uncertain policy outlook.

By region, the US lagged in both relative and absolute terms, with the S&P 500 down 2.4% and the NASDAQ falling 4.7%, reflecting weakness in large-cap technology and software as the AI trade came under scrutiny. In Asia, Japan outperformed, rising 13.6%, while China was largely unchanged, with the Shanghai Composite up just 0.2%. Europe gained 4.5% overall despite a sharp drawdown in March. Within the region, the UK was the standout, with the FTSE 100 up 8.8%, while Germany lagged. The DAX fell 5%, as its more energy intensive industrial base proved particularly exposed to the rise in oil prices.

Against this backdrop the Fund delivered a return of +0.55% for the quarter.

Distributions: The Fund paid a March 2026 quarterly distribution of 9.17 cents per unit taking its 12-month income return to +9.57%.

Within sectors, leadership reversed. The best performers of the past three years lagged, while prior laggards outperformed. Energy was the clear standout, rising 37.6% as the blockage of the Strait of Hormuz tightened supply and lifted oil prices. Materials followed, up 12.8%, supported by strength in gold and silver. By contrast, Consumer Discretionary and Technology were the weakest sectors, down 10.4% and 8.0% respectively. Software stocks in particular came under pressure as concerns grew around AI disruption to existing business models, alongside broader scrutiny of the sector.

The price of oil surged 76%, closing the quarter at over \$100 a barrel for the first time since 2022 on the back of the conflict in the Middle East. The Bloomberg Commodity basket was also up strongly at +23.3% for the quarter. Fears of an inflation shock pushed bond yields higher, the US 10 year closed the quarter at 4.32%, up 15 bps since the start of January and up as much as 40bps from the lows in late February. The VIX was up by over 10 points, closing the quarter at 25.3, the highest since April of last year.

Looking at the portfolio, the biggest contributor to performance was EOG, an oil and gas producer in the US that benefits from rising oil prices. We have used this strength to sell call options on a portion of the position. CF Industries, a US based maker of fertiliser, was another strong contributor to performance. Gas supply disruption from the Middle East directly impacts its main competitors in Europe and Asia. We have exited the shares after they exceeded our assessment of fair value.

The main detractors from portfolio performance were Essity and HP. Essity underperformed in AUD terms both because of a weak Swedish Kroner and because of negative implications for profit margins from the spike in energy costs. HP's underperformance was driven by a big increase in the price of memory chips, a key input for their computer business. We continue to hold both shares.

During the quarter, the Fund initiated new positions in Exor (see Stock in Focus) and a very modest position in Adobe. Exor, a holding company for the Agnelli family, currently trades at over a 50% discount to Net Asset Value (NAV), despite per share compounding at ~18% per annum since 2009.

The Fund exited Johnson & Johnson, CF Industries and Canadian Utilities on valuation grounds following strong prior performance for all three.

Stock in focus: Exor

Exor is a holding company trading at a wide discount to its underlying asset value. The gap has expanded in recent years and now sits above its historical range. The investment case rests on two linked drivers: the earnings power of the underlying assets and the potential for a partial closing of the discount. Either can drive returns independently, but together they create a more favourable skew.

Business Overview

Exor is a Dutch-listed holding company controlled by the Agnelli family (~55% economic interest, ~85% voting control). It allocates capital across a diverse portfolio spanning automotive, luxury, health care, and media.

Ferrari is the dominant asset, representing more than one third of net asset value. The remainder is anchored by listed holdings including Stellantis, CNH Industrial and Philips, alongside a smaller set of private investments.

Asset	% of NAV (approx.)	Commentary
Ferrari	~35-40%	High-quality luxury business; core value driver
Philips	~16%	Turnaround with health care tilt
CNH Industrial	~11%	Agricultural and industrial exposure
Stellantis	~6%	Cash-generative, cyclical
Other listed / private	~30%+	Economist, Louboutin, health care, venture investments

Source: Talaria, company accounts

Exor has a strong balance sheet and operates with limited financial leverage at the holding company level. This provides flexibility to redeploy capital when opportunities arise.

Investment Case

The investment case rests on two core drivers: the earnings potential of the underlying assets and the discount, with capital allocation shaping outcomes over time.

Underlying assets

Ferrari is the largest single asset. It is a globally recognised luxury brand with significant pricing power evident in gross margins of ~50% and good earnings visibility. Growth is driven by deliberate supply discipline. Production is constrained to preserve exclusivity, resulting in sustained excess demand and multi-year order backlogs.

Stellantis is a very different proposition. It is a cyclical automotive business (~4 million cars per year, one of the largest globally), with a portfolio that includes well-known marques such as Jeep and Peugeot. The group is currently in a trough. Earnings have deteriorated sharply, with margins turning negative and free cash flow under pressure. The investment case rests on recovery rather than growth, with management guiding to a gradual improvement from 2026.

CNH Industrial provides exposure to agricultural and construction equipment through brands well known in its field such as Case IH and New Holland. Earnings are cyclical but supported by replacement demand and a relatively consolidated industry structure.

Philips is a restructuring story with a previously highly diversified group now focused on health care technology such as diagnostic imaging and patient monitoring. The group has improving but still unproven earnings quality, and earnings power is currently depressed by operational issues. The investment case relies more on stabilisation rather than on growth.

Taken together, the portfolio blends a high-quality, structurally advantaged business with a set of cyclically depressed assets. At current levels, investors are effectively buying the portfolio at around half of its current underlying value.

Capital allocation

Exor has delivered strong long-term returns, with NAV per share compounding at ~18% per annum since 2009. This reflects disciplined capital allocation and a willingness to recycle capital across the portfolio.

The current discount is wide relative to history. A stabilisation in the earnings of the cyclical assets or management actions to narrow the NAV discount would suggest 25%-40% upside, outside of underlying NAV growth.

Summary

With Ferrari as its key holding, Exor is a collection of assets of differing quality and cyclicity. The earnings profile of the portfolio is uneven, but there is meaningful potential for improvement as cyclical exposures recover and restructuring assets stabilise. On its own, this creates a pathway to good returns for investors.

What strengthens the investment case is valuation. The combination of earnings recovery and even modest discount compression could be powerful.

Talaria Global Equity Fund – Foundation Units

Top 10 Holdings*

Table title	% weight
Roche	5.2%
Newmont	4.6%
GSK	4.6%
Exor	4.5%
Everest Group	4.5%
Bunzl	4.2%
Bayer	4.2%
EOG Resources	4.0%
Henkel	3.9%
A.O Smith	3.8%

* 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.

Performance at 31 March 2026¹

Period	Total Return	Average Market Exposure ⁴
1 month	1.43%	55%
3 months	0.55%	54%
6 months	2.62%	56%
1 year	3.12%	58%
3 years p.a.	6.74%	60%
5 years p.a.	8.82%	58%
7 years p.a.	8.09%	58%
10 years p.a.	8.32%	59%
Since Inception p.a. ²	7.51%	61%

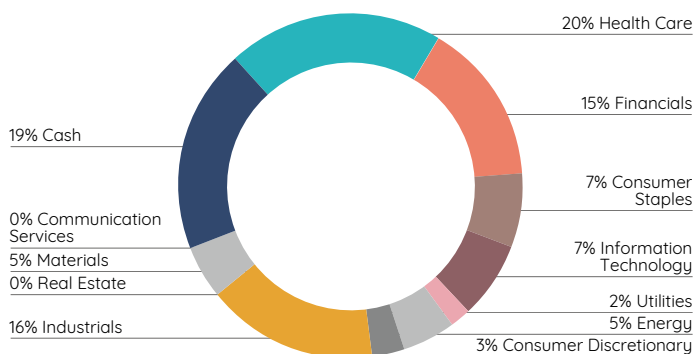
¹ Fund Returns are calculated after fees and expenses and assume the reinvestment of distributions.

² Inception date for performance calculation is 1 October 2005.

³ Past performance is not a reliable indicator of future performance.

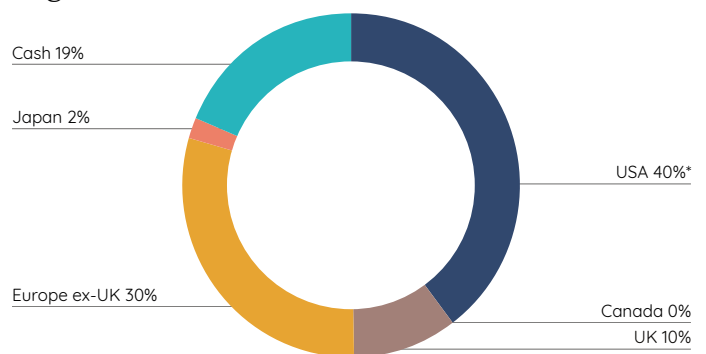
⁴ Average Market Exposure calculated on delta-adjusted exposure of underlying portfolio.

Sector Allocation⁵



⁵ 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 Allocation⁵



* USA includes American Depository Receipts (ADRs) listings.

Quarterly distribution

Period	Cents per Units	Reinvestment price
March 2026	9.173	\$5.1941
December 2025	7.426	\$5.2570
September 2025	8.510	\$5.2238
June 2025	26.400	\$5.1902
March 2025	1.7888	\$5.5518
December 2024	8.5585	\$5.3207
September 2024	5.3809	\$5.2890
June 2024	17.3304	\$5.0482
March 2024	7.1577	\$5.4311

Asset allocation

Asset allocation	% weight
Global equity	53.9%
Cash – put option cover	27.3%
Cash	18.9%
Total	100.0%

Portfolio contributors

EOG Resources

CF Industries

Total Energies

Pfizer

Portfolio detractors

Essity

HP Inc

Everest Group

Pluxee

Portfolio contributors and detractors are based on absolute quarterly contributions to return, including option positions.

Talaria Global Equity Fund – Foundation Units

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%

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