Monthly Market Commentary

October saw a sharp rotation in global equity markets, with value stocks, small-caps and equal-weighted indices meaningfully outperforming as investors moved out of growth and AI-exposed sectors.

A series of high-profile IPO delays, intensifying competition and concerns over capacity constraints all prompted a notable reassessment of the AI investment cycle during the month with investors increasingly looking through solid AI-fuelled earnings growth. Instead, focus has shifted to the risks around AI spending commitments (both on and off-Balance Sheet), financing needs and the timing of cash flows.

This dynamic weighed heavily on the Magnificent-7, with investors penalising stocks that failed to deliver on free cash flow (FCF) expectations. Most notably, Google-parent Alphabet fell 12.3% following a disappointing Q3 result in which advertising growth slowed and FCF turned deeply negative, against expectations for break-even. Social media giant Meta also fell 7% after Q3 FCF turned negative, alongside an increase to the lower end of its FY capex guidance and the creation of non-voting shares to facilitate future equity raisings.

In US markets, the NASDAQ bore the brunt of the selling, down 5.3% for the month, while the S&P500 fell 0.93%. Beneath the surface, however, breadth was notably strong, with the S&P500 Equal Weighted Index rising 4.9%, its largest monthly outperformance of its cap-weighted counterpart since April 2009. US small caps also outperformed, with the S&P600 Small Cap Index up 3.1%.

Selling in AI and technology stocks also weighed on Asian markets, with Japan's Nikkei 225 and China's Shanghai Composite falling 5.2% and 6.3% respectively. By contrast, European bourses delivered solid relative performance in local currency terms. Germany's DAX led the way, up 2.5%, benefitting from limited exposure to AI themes and strength in local ERP-software giant SAP. The UK's FTSE rose 1.2% on the back of its outsized exposure to Energy and Health Care. France's CAC40 finished broadly flat, as political uncertainty over the 2027 budget and concerns around stretched public finances weighed on sentiment with 10-year French government bond yields reaching their highest level since 2002.

At a sector level, Communication Services and Information Technology were the two worst performers, down 13.5% and 7.0% respectively, on broad-based AI weakness. Energy was the best performer, up 12.8% on higher oil prices, while defensive sectors Consumer Staples, Health Care and Utilities were also notably stronger, rising 10.5%, 9.8% and 7.8% respectively.

Against this backdrop the Fund delivered a return of +2.79% for the month.

The AUD rose 1.2% against the USD. The Bloomberg Commodity Index fell 0.4%, with a 15.2% rise in WTI largely offset by weakness in precious metals, as gold and silver fell 6.8% and 18.7% respectively. The VIX rose 3 points to close at 19.42, while yields on the US 10-year Treasury finished the month 36bps lower at 4.93%, having reached a high of 5.36% earlier in the month.

US-based reinsurer, Everest Group, water heater manufacturer, A.O. Smith and UK-based distributor, Bunzl were among the top contributors to Fund performance in October, with shares benefitting from the rotation alongside generally good results. There were no notable detractors during the month.

During the month, the Fund initiated a new position in US-based tax preparation specialist H&R Block. While we acknowledge the debate around the potential existential risk AI poses to the business, we believe the shares were acquired at a very compelling valuation (Free Cash Flow yield ~14%). The business also carries no financial risk, benefits from a highly variable cost base and generates strong FCF, almost all of which is returned to shareholders via dividends and buybacks.

Talaria Asset Management
330 Collins Street
Melbourne, VIC, Australia 3000
info@talariacapital.com.au
talariacapital.com.au

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TALARIA

Talaria Global Equity Fund – Foundation Units
Monthly Update | October 2026

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



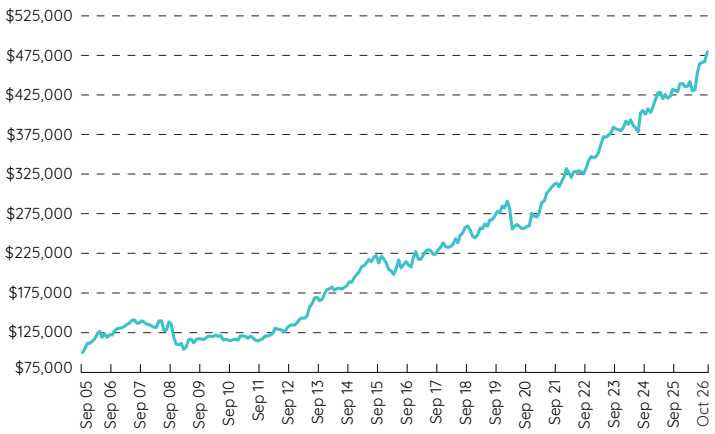
The investment process behind the Talaria Global Equity Fund takes a high conviction, value biased approach to construct a portfolio of high quality, large cap companies from around the globe. Our unique investment methodology harnesses the benefits of consistent income generation and capital appreciation to grow investors' real wealth.

Performance as at 31 October 2026[1]

	1 Month	3 Months	6 Months	1 Year	3 Years (pa)	5 Years (pa)	7 Years (pa)	10 Years (pa)	Since Inception (pa)[2]
Total Return	2.79%	3.23%	11.46%	11.70%	7.91%	9.18%	8.16%	8.71%	7.71%
Avg. Market Exposure[4]	52%	52%	55%	55%	59%	58%	57%	58%	60%

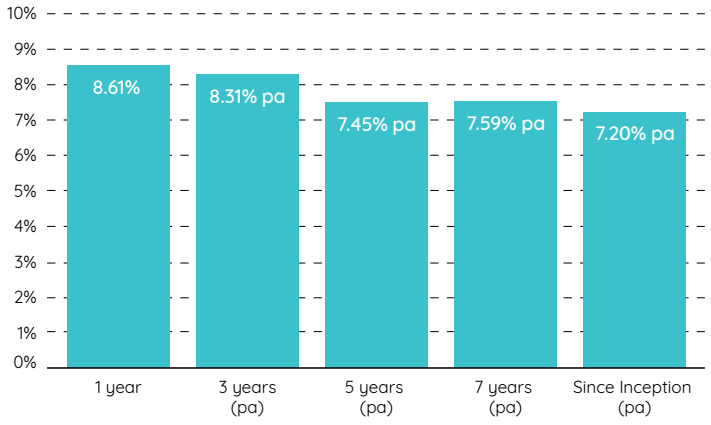
1 Fund Returns are calculated after fees and expenses and assume the reinvestment of distributions.
2 Inception date for performance calculation is 1 October 2005.
3 Past performance is not a reliable indicator of future performance.
4 Average Market Exposure calculated on delta-adjusted exposure of underlying portfolio. Since inception market exposure is calculated from 1 October 2005.

Growth of $100,000 Since Inception[5]



5 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.

Distributions[6]



6 Illustrates Distribution Returns for the Talaria Global Equity Fund – Foundation Units as at 30 September 2026. Inception date is 1 October 2005.

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talariacapital.com.au

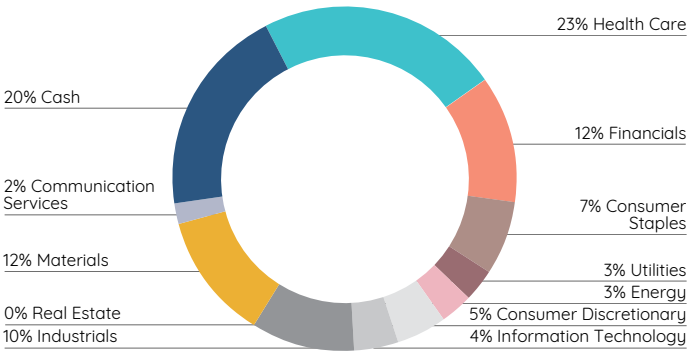
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Recommended Lonsec Research
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Top 10 Holdings[7]

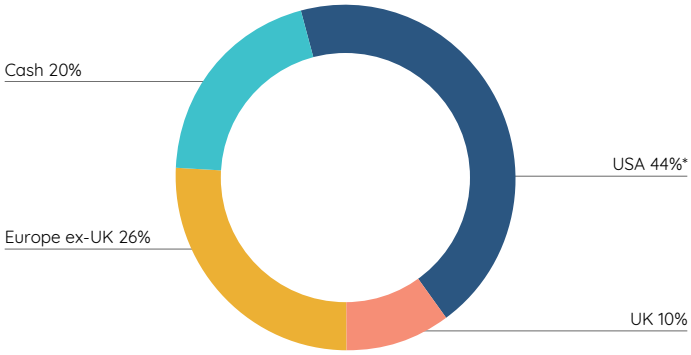
Company Name	Holding	Country	Sector	Description
Everest Group	5.2%	USA	Financials	Leading global provider of reinsurance and insurance services
Bayer	4.8%	Germany	Health Care	Multinational pharmaceutical and life sciences company
Bunzl	4.7%	United Kingdom	Industrials	Multinational distribution and outsourcing business
Roche	4.5%	Switzerland	Health Care	A global leader in cancer treatments
GSK	4.4%	United Kingdom	Health Care	One of the world's largest pharmaceutical companies
A.O. Smith	4.2%	USA	Industrials	A leading manufacturer of water heaters in North America
Henkel	4.2%	Germany	Consumer Staples	A multinational household products and adhesives company
Newmont	4.1%	USA	Materials	One of the top 3 gold producers in the world
CF Industries	3.9%	USA	Materials	North America's largest manufacturer of nitrogen-based fertiliser
Exor	3.8%	Netherlands	Financials	A diversified holding company

7 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[8]



Regional Allocation[9]



8,9 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

Signatory of: PRI Principles for Responsible Investment

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