



Talaria Global Equity Fund - Hedged Quarterly Update | Sept 2021



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Signatory of:



Investment Insights

The state of play

- The lack of alternative assets has been a key driver of the bull market in equities.
- Markets have made new highs despite low long term expected returns.
- Massive retail fund flow has magnified the strength.
- Investors are now over exposed to the US and Tech.
- History shows the dangers of owning too much of one thing.
- A lot of energy is spent on working out what might happen.
- More energy should be spent on managing risk.
- Future proofing is impossible in investment but diversification is key, investors should consider tilting towards:
 - Income away from capital growth
 - Active management away from passive
 - The Rest of the World away from the US and Australia
 - Non-Tech sectors away from Tech
 - Value away from other investment styles

There really is no alternative at all

The Bloomberg columnist John Authors has described the acronyms characterising the continuing strength of US stock markets. Buyers of equities have gone, he writes, from TINA, there is no alternative, to TRINA, there really is no alternative, to TRINAAA, there really is no alternative at all.

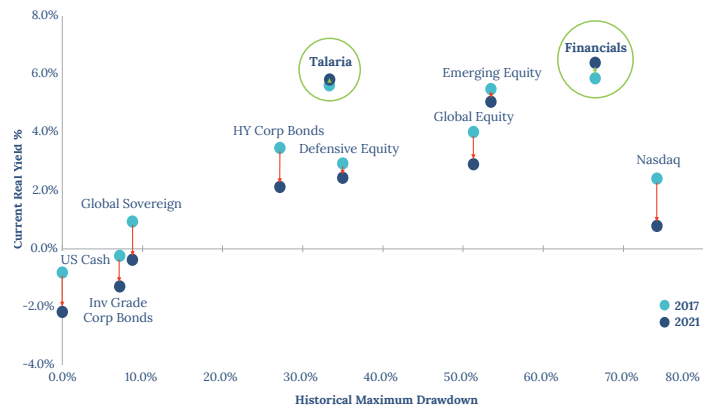
There is much in what he says and not just where the US market is concerned.

In 2017 we looked at real yields (nominal less inflation) across asset classes and good value was already hard to find.

Updating the chart (below), things look even less attractive. US cash and investment grade bonds have real yields that are more negative than they were and global sovereign has joined the less than zero real yield party Nasdaq offers not much more.

Only Talaria and financials have higher real yields than they did. Unlike all except perhaps Emerging Equity, both are also offering respectable yields in absolute terms, although Talaria does so with the benefit of much lower drawdown risk.

2017 vs 2021 Real Yields Across Traditional Asset Classes



Notes on chart: Source: Bloomberg, Talaria. Dates; 2017 = 31 July 2017, 2021 = 31 July 2021
 Asset class real yields; Fixed Income = yield to worst, Equities = Earnings Yield Worst Drawdown = Asset class maximum peak – trough outcome since 1999, capturing Tech Bubble, GFC and COVID corrections. Cash; US Cash = Fed Funds Rate, Inflation; Inflation Adjustment = US 5Y Forward Breakeven Fixed Income; Global Sovereign = Barclays Global Aggregate – Sovereign Index, Investment Grade Corp Bonds = Barclays Global Aggregate Index, HY Corp Bonds = Barclays Global High Yield Index. Equity; Nasdaq = Nasdaq Composite, Global Equity = S&P Global BMI Index, Emerging Equity = S&P Emerging BMI Index, Defensive Equity = S&P Global BMI Consumer Staples Index, Financials = S&P Global BMI Financials Index, Equity Market Insurance; Blended portfolio based on Talaria process. 65% Equity Allocation (2017 real yield = 3.7%, 2021 real yield = 4.4%), 25% Equity Market Insurance = Option Premium return of 15% nominal (2017 real yield = 13.1%, 2021 real yield = 12.7%) and 10% US Cash (2017 real yield = -0.8%, 2021 real yield = -2.2%) The information in this article is general information only and is not based on the objectives, financial situation or needs of any particular investor. In deciding whether to acquire, hold or dispose of the product you should obtain a copy of the current Product Disclosure Statement (PDS) for the Fund and consider whether the product is appropriate for you.

The chart also illustrates one reason why there is a hot debate about whether recent high inflation is a temporary or a more enduring phenomenon. The inflation rate we subtract in the chart above is the 5 Year forward rate, which is currently about 2.5%. Add one percentage point to that level, which is far from the being beyond the bounds of possibility, and yields begin to look even more desperate.

None of this will help in forecasting the direction of equity markets in the short run; few would have predicted that the S&P 500 would be up 29% over the last year. Nevertheless, one does not have to be a miserabilist to be cautious about the future. As we showed in our last quarterly (table below), the prospective real return on US large caps is now negative using reasonable assumptions.

The influence of retail investors

We are far from alone in our downbeat outlook, for example Research Affiliates is also looking for negative long term returns from US large caps. Furthermore, there are distinguished market participants prepared to make even more pessimistic calls. GMO founder Jeremy Grantham has said “we are in the biggest asset bubble in US history”; to paraphrase, the everything rally has driven the everything bubble.

TRINAAA is not the only reason for the strength, even if it is the one with the best acronym.

Another is the explosive growth in the activity of retail investors. Indeed, JP Morgan has identified them as the “dominant force” behind the relentless progress over recent months.

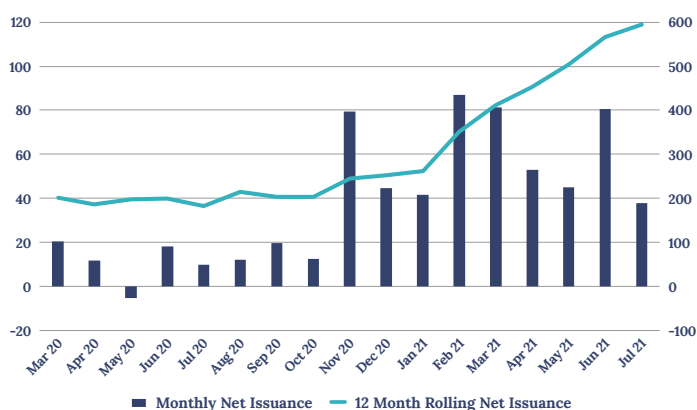
The headline events were earlier in the year:

- The meme stock phenomenon saw individual traders combine to drive up the prices of shares like GameStop and AMC,
- Zero commission brokers, most notably Robinhood, made access to equities and leverage easier and cheaper, whilst contributing to the idea that in some way trading ‘stonks’ was a political demonstration, a way to ‘stick it to the man’, and
- Unprecedented retail option activity prompted some to say that cash equities were now the derivatives and derivatives the underlying.

Beneath the headlines, the more mundane, but much more significant phenomenon has been the enormous scale of retail flows, predominately into passive instruments such as index funds and ETFs

This shows that more and more people are on one side of an increasingly expensive trade.

Net Issuance Equity ETF's



Source: Investment Company Institute (www.ici.org) 31 July 2021

Too much of one thing (The risk of Quant Quake 2.0)

Against this background, US Tech and US large cap equities more generally have continued as the biggest games in town. Their popularity shows in the performance.

The S&P 500 has outperformed MSCI World ex USA by more than 144% since the March 2009 post GFC low, and the Nasdaq Composite has outperformed the S&P 500 by more than 70% over the same period.

There are fundamental reasons for the price appreciation. US Tech in particular has seen the emergence of behemoth quasi monopolists, barely troubled by regulators, that have identified and exploited enormous growth opportunities with brilliant and ruthless execution.

More broadly, returns on capital for listed US companies tend to be much higher than for those in the rest of the world and US companies often understand how to generate shareholder returns better than their overseas counterparts.

Nevertheless, there is also the reductive but compelling argument that the fundamentals driving these share prices are sideshows. This thesis says that these investments have been the primary beneficiaries of TRINAAA and of the wall of money flowing into passive funds.

Whatever the reasons, it takes no genius to work out that investors heavily exposed to the US and Tech could be in trouble if these fell out of favour. There are plenty of events that serve as great reminders of what can happen when too many people own the same assets.

For example, in early August 2007, US quantitative funds, which invest through computer-driven algorithms, suffered catastrophic losses in a matter of days. While the first cause of the losses is uncertain, the likelihood is that a redemption forced a large hedge fund to liquidate its portfolio with undue haste.

What happened next was a catastrophic unwind that saw prices to go the wrong way for other asset managers exposed to the same positions. This in turn meant that they were forced to cut their risk, even if it was at significant cost. Suddenly everyone was heading for the exit at the same time.

The moves caught out legendary quants at storied firms such as Renaissance Technologies and AQR. Goldman Sachs, which had a big quant division, saw its share price fall more than 20% between 8 -16 August 2007, considering intraday prices.

Today this event, known as Quant Quake is largely forgotten, but it illustrates the dangers of concentrating global equities' exposure on any one segment of the market. It's also a reminder that the market can catch out even the smartest people.

Positioning for resilience in shifting market conditions

Almost by definition, market convulsions come as surprises, and it is significant that Quant Quake's catalyst is still unknown.

Part of the reason the market can ambush investors continually is because they tend to concentrate on guessing if something will happen instead of thinking about how they are fixed if it does. In economic terms, they focus on forecasting rather than positioning (who owns how much of what).

For example, one of the hottest debates in financial markets is whether inflation will be stubborn or transitory, to use the US Federal Reserve's word of the day. There are esteemed institutions and powerful individuals on both sides of the argument.

However, as Quant Quake showed, intellectual firepower is no guarantee of foresight and it's hardly the only example: Long Term Capital Management had the joint winners of the 1997 Nobel Prize for Economic Sciences on its board as it suffered one of the most dramatic collapses of any hedge fund to date.

If the great and the good cannot be relied on to forecast the future, then it is just common sense to suggest that, rather than gazing into crystal balls, investors would be better off considering how they might be placed if global market conditions were to change abruptly. Perhaps above all they should consider if they are sufficiently diversified.

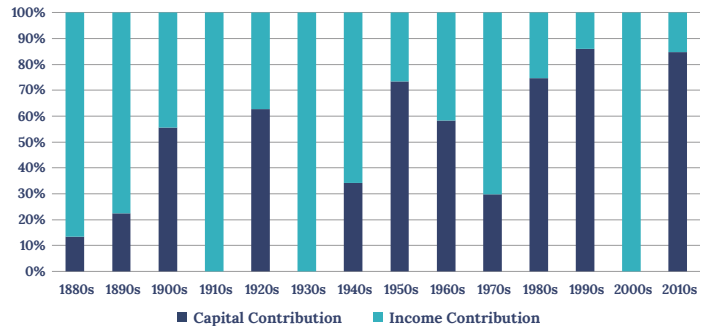
Diversification is critical to lowering risk and increasing certainty of returns

Diversification, the idea that there is a benefit in spreading investments across a range of assets, is an intuitive concept. It happens to be an intuition supported by libraries of academic literature but understanding the risks of having all your eggs in one basket does not need a brains' trust.

There is a lot we could write on this, but for the sake of brevity we use bullet points to highlight some of our recommendations. We suggest moving toward:

- Income away from capital growth
 - Total return comprises income and capital growth.
 - It is a truism that an investor should care about the level of total return and be indifferent to its composition.
 - However, this truism has, for some, become code for "I have made so much from capital growth over the last few years that I have no regard for income."
 - As the chart below shows, income has been a vital contributor to total returns for more

S&P 500 Income v Capital Growth

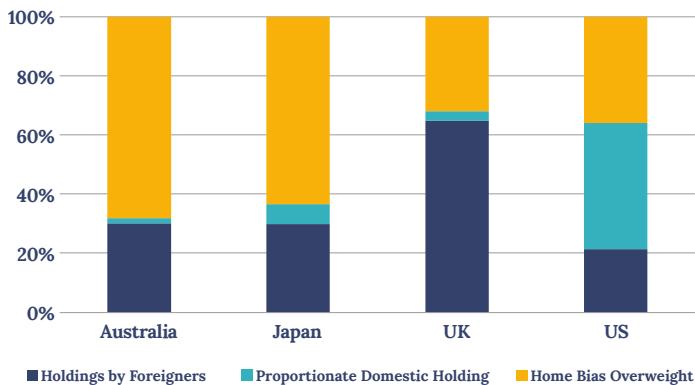


Source: Bloomberg

- Active away from passive
 - As we noted above, the tidal wave of retail money into the market has been a key performance driver.
 - The majority of that money has gone into a variety of passive funds
 - The most unsophisticated and largest passive strategy is investing in a market cap. weighted index like the S&P 500.
 - This works as markets go up, but it has unintended or at least underappreciated consequences, like owning more of something the more expensive it becomes.
 - Arguably market cap. weighted index investing has no regard for risk.
 - Active management, such as discretionary equity investment, has the benefits of a structured approach to risk management, deep research into holdings, a process that includes means of orientation in a sell-off e.g., a value investor has an intrinsic value measure that stands outside the noise that accompanies a drawdown.
- Other regions away from US large cap
 - As we have pointed out above and in other reports, the S&P 500 and Nasdaq are valued at levels that all but guarantee low or even negative long term future returns.
 - This helps not at all with where they will go in the short term, however...
 - Recent history of the S&P 500 gives a salutary lesson in what can happen when valuations reach extreme levels: an investor in the S&P500 at the start of 2000 and reinvesting the dividends had made no nominal returns over the subsequent 11 years.
 - The good news is that there is value in other regions: Emerging Markets are attractive, and Europe, especially the UK, and Japan look interesting (as we noted above, Japan is still well of its all-time high).
 - As an active investor, it is possible to find interesting opportunities anywhere in a universe of stocks, and we would note that there are some great US stocks outside of those areas to which most investors are over-exposed.

- Other regions away from Australian equities
 - Home bias is well documented as the tendency for investors to be over-exposed to their home equity market

Home Bias



- At only 2% (check this) of the MSCI World Index, it makes little sense to have Australia as ~47% of equity holdings.
- Moreover, the index is heavily biased towards banks and resources, which may be attractive at times but are highly volatile and subject to significant drawdowns.
- It is a sort of a miracle that an investor in the remotest Australian region can own shares in companies anywhere in the world, and it makes no sense not to take advantage of this opportunity.
- Value away from other factors
 - Factor investing is putting money behind various characteristics such as value, size, growth, momentum, quality etc.
 - Value investing favours those stocks that trade below their intrinsic value, which Warren Buffet has said is, “the discounted value of the cash that can be taken out of a business during its remaining life”.
 - The value factor peaked in relative valuation terms in 2010 and underperformed the subsequent 5 years due – yes – to valuation. Since 2016 it has been out of favour, leaving the factor very attractively priced today.
 - Passive investing in a market cap. weighted index is momentum/trend following and almost an anti-value process.
 - Value is a proven ingredient in generating returns over the long run and has the benefit of being intuitive: buying something for 85c that is worth \$1 makes sense; buying something for \$1 in the hope of being able to sell it to someone else for twice that much does not.

- Other sectors away from Tech
 - It is a cause for celebration that the bull market in Tech has generated extraordinary wealth, not just for the headline making billionaires but for many more humble investors.
 - It is also clear that there are some fantastic Tech companies.
 - Their success as investments means they have grown as parts of many portfolios, so that investors are now holding them at eye-watering valuations.
 - For example, the Nasdaq Composite is trading on a current year price earnings ratio of 35x, which equates to an earnings’ yield of just 2.9% before inflation.
 - There are other areas of the market that have positive characteristics that have fallen out of favour, some of these have been described by Rob Arnott of Research Affiliates as anti-bubbles.
 - There can be little doubt that some of these out of favour areas will generate excellent long-term returns in the future in the same way as they have in the past.

Conclusion

We began this Investment Insights section of our quarterly by referencing TRINAAA – there really is no alternative at all – as an explanation of the continued buying of equities despite current high valuations.

But we believe there is an alternative, not in asset class but in process and approach. While broadly we see markets as being expensive, concentrated and vulnerable, this brings both risks and a demand to consider other ways to invest in global equity markets. Talaria offers such an alternative in its Global Equity Funds; funds that will soon be available as active ETFs on Chi-X.

While we are not in the business of forecasting, we are in the business of being as prepared as possible. To be forewarned is to be forearmed, and we hope these insights help investors with exactly that.

September 2021 Quarterly Performance

The flat quarterly performance of most equity indices masked an action-packed September as a growing list of macro headwinds manifested in selling pressure during the month. Evergrande debt, slowing Chinese growth, US political gridlock, stimulus uncertainties and rising COVID-19 delta cases, all dampened the economic outlook. At the same time, supply chain disruptions and surging global energy prices raised inflation fears, driving government bond yields higher and stoking the debate around stagflation.

Another consequence of rising government bond yields was significant underperformance in rate sensitive, growth equities. This is something of a twist to the usual risk-off playbook as slowing economic prospects usually see investors bidding up for 'growth'. Given the outsized concentration of growth equities in US markets, it is therefore unsurprising that both the NASDAQ and S&P500 meaningfully underperformed in September, falling 5.3% and 4.8% respectively.

Despite the weakness in the last month, the NASDAQ and S&P500 were broadly flat for the quarter. However, performance in US small caps was weaker with the S&P600 Small Cap Index down 3.1% for the quarter. Major European bourses were also largely flat for the quarter with the FTSE100 up 0.7%, the French CAC up only 0.2% and the German DAX down 1.7%. In Asia, the Nikkei225 was the key standout for the quarter, up 2.3% and remains a stock market we see as offering good value. The Chinese Shanghai Composite was also resilient in the face of growing headwinds, down only 0.6% for the quarter.

On a sector basis, Materials was the worst performer for the quarter, down 6.2%, as industrial production cuts in China weighed on demand and prices for some hard commodities. In contrast, Financials was the best performing sector on a quarterly basis, up 1.6%, driven by higher long-term rates and a resumption of dividends by European banks. Other sectors which finished the quarter in positive territory included Info Tech, Health Care and Energy.

Tracking the weakness in iron ore during the quarter (down 30% since June), the AUD fell 3.6% against the USD. However, commodities more broadly performed quite well with the Bloomberg Commodity Index up 6.6% since June, and WTI up 9.5% in the past month alone. As noted above, 10yr Treasuries have also been rising, up 18bps through September to 1.49%, with this translating to higher equity market volatility. The VIX rose 7 points over the quarter to close at 23.

Against this backdrop, the Fund delivered a total return for the September quarter of 0.47% while the 12 month return is 22.56%. This has been achieved with substantially less market risk.

The Fund was well positioned in the best performing sector over the quarter with its holding in TotalEnergies the second biggest contributor to the portfolio. In addition to owning a collection of attractive oil and gas assets, TotalEnergies also owns a growing portfolio of renewable energy assets. While the bulk of earnings remain sensitive to oil dynamics, we think TotalEnergies is an attractive equity even in the absence of higher oil prices.

This reflects the combination of very strong yield support (~6% dividend yield) and our conviction in the sustainability of the current dividend. We also see the potential for a re-rating on the back of more ESG improvements at the firm.

Fortunately, the Fund was also well positioned in the worst performing sector over the quarter with its holding in fertilizer manufacturer, CF Industries, the biggest contributor to performance. We discuss in more detail our investment in CF Industries in the 'Stock in Focus' section below.

The Fund's financials exposure also added to performance with Intesa Sanpaolo, Sumitomo Mitsui Trust and Prudential Financial all up meaningfully during the quarter. While we are slowly exiting our position in Prudential on valuation grounds, we still see good value in Intesa and Sumitomo. For example, Intesa continues to trade below book value and offers a very attractive dividend yield. Similarly, Sumitomo commands an undemanding valuation and should be a very big beneficiary of any yield curve steepening.

There were, of course, detractors during the quarter, most notably the Fund's holding in Brazilian brewer Ambev. Rising commodity prices and Brazil's weakening currency have all added to concerns around Ambev's margins. That said, Ambev appears to be doing a good job navigating the current climate, leveraging its dominant market position and brand power to announce another round of price increases through October. Additionally, we think these headwinds are cyclical rather than structural and continue to see meaningful upside to Ambev's long term returns potential.

During the quarter, the Fund exited several positions including Toyota, Bunzl, ING, Loews, Roche, SKF and Yara on a mix of valuation and revised investment cases. The Fund also exited its position in Brookfield Property Partners following its acquisition by parent company, Brookfield Asset Management.

In terms of new exposure, the Fund took on US-based global re-insurance firm Everest Re. Everest Re has a strong track record of delivering for shareholders having grown BV/Share by ~10% per annum over the past decade. This reflects Everest's low double-digit ROE and a modest 25% payout ratio. The combination of encouraging reinsurance pricing dynamics and a solid capital position suggests to us Everest can continue growing BV/Share at very attractive rates. Hence, given these positive attributes and some decent valuation support (the stock trades at a ~10% discount to BV/Share) we think risk/reward is skewed to the upside.

Stock in focus: CF Industries

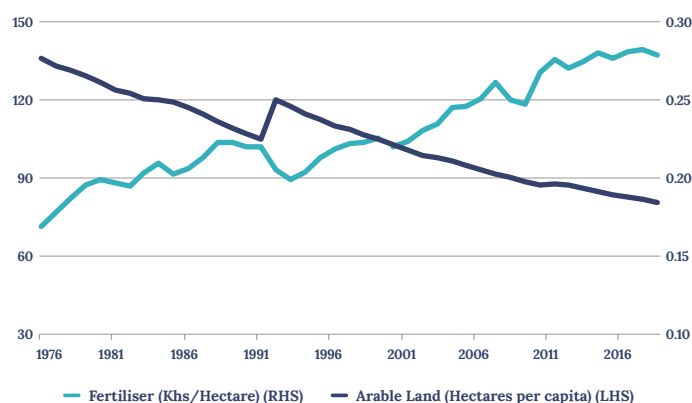
Investment summary

- There is structural global growth in demand for fertilizer
- As a world leader in fertilizer manufacturing and distribution, CF is a beneficiary of this demand
- It has a unique portfolio of strategic assets in favourable locations
- Proximity to US natural gas hubs give it an innate and material cost advantage
- This advantage could ramp up cyclically in the face of natural gas shortages outside the US
- Higher non-US gas prices have already forced competitors to cut fertilizer production
- There is plenty of headroom for CF's profit per ton to improve against this favourable backdrop
- Already strong free cash flow generation could improve from here
- Strong governance acts as a brake on any over-investment in environmental targets
- Valuation is highly attractive, with downside limited and upside to as much as US\$100

Strategic assets in a structurally growing sector

As the world's population grows, so does the strategic relevance of CF's asset base. This is because there is a growing need for fertilizer to enhance crop yields and boost food production in the face of declines in the world's arable per capita land mass. This decline is mainly a function of rising population levels and a lack of new acreage.

Global Food Production - Fertiliser Demand



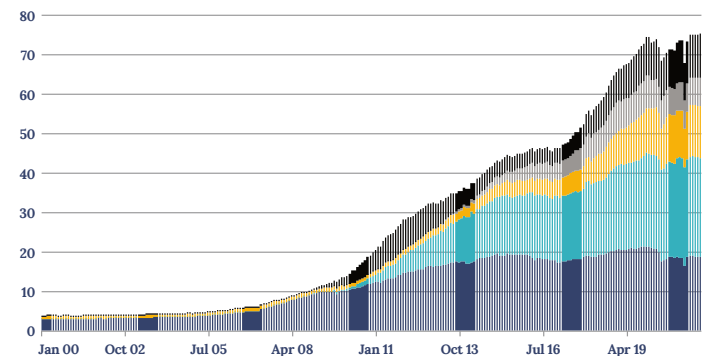
Source: World Bank

Since its 2005 IPO, and against this backdrop, CF has invested around US\$10bn to become North America's largest producer of nitrogen-based fertilizer. It now has seven nitrogen manufacturing facilities across the USA and Canada, including the world's largest plant in the sector. It also has an extensive network of terminals and transport assets across the US Midwest, and two smaller production facilities in the UK. This is a unique portfolio of resources.

Cost advantage

CF is one of the world's lowest cost producers with a significant advantage over European and Asian competitors. This edge comes from its position in relation to natural gas which is a major constituent of any fertilizer manufacturer's production costs; in CF's case, for example, it is about 30% of the total. The US natural gas price tends to be lower than prices in Europe and Asia reflecting the benefits of surging US domestic shale gas production (Europe is still a large importer of its energy needs) and a far less gas intensive power generation base relative to Europe/Asia. This gives CF a tremendous structural edge because it is close to major US gas hubs and so its facilities have access to an abundance of competitively priced natural gas.

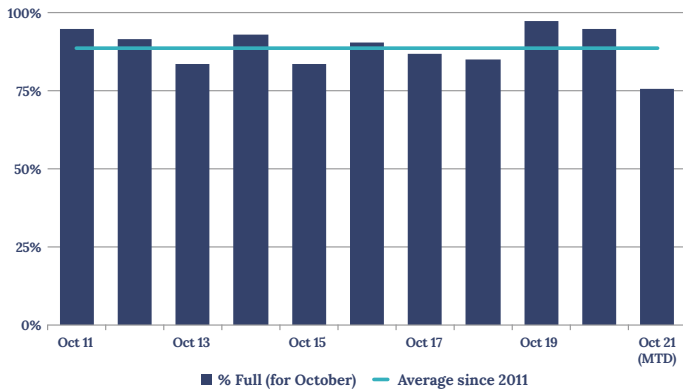
US Shale Gas - Production (billion cubic feet per day)



Source: EIA

This cost advantage is fundamental to understanding the CF investment case. Despite being a highly complex business, our analysis has found that about 85% of CF's margins and returns can be explained by the spread between North American and Asian/European natural gas prices.

While spreads have started to widen in recent months, there is a real possibility that this difference continues to grow as Europe enters its winter with low storage levels. Should the continent be exposed to a particularly cold spell, natural gas buyers may well drive up the price in an attempt to avoid a shortage.

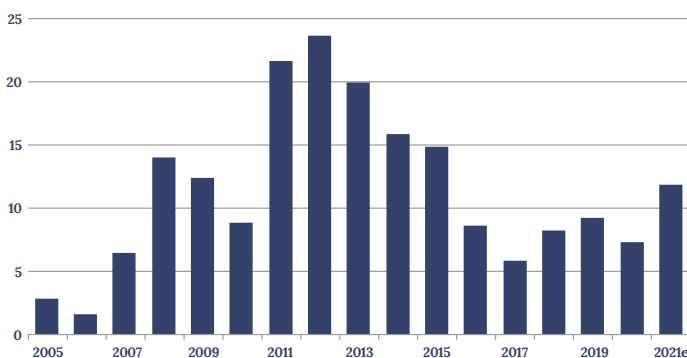
EU Gas Storage Levels - % Full


Source: AGSI

Not only would the input cost advantage work in CF's favour in these circumstances, but it also promises to be a beneficiary of cuts in fertilizer supply. Major competitor Yara recently announced a 40% reduction in its European output. In Asia, Chinese regulators have also sought to restrain fertilizer production to ease the pressure on gas prices. These cuts are occurring at a time when fertilizer demand is strong with high farmer incomes and elevated soft commodity prices incentivising the planting of greater crop sizes.

Material upside to profitability, cash generation and debt reduction

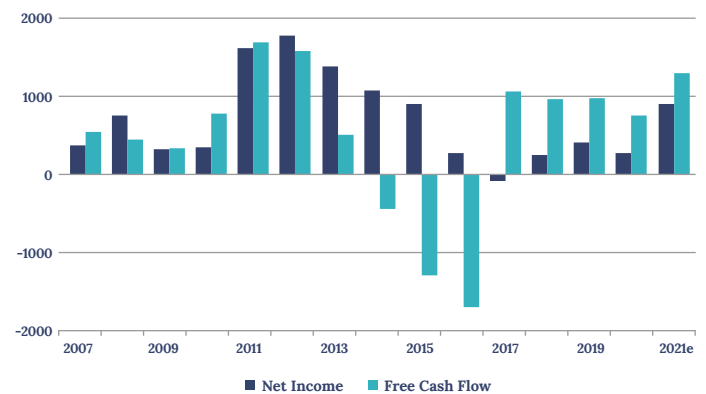
It would be all very well if CF was in a strong structural and cyclical position if its returns were already high or close to being capped. In fact, there is plenty of room for this favourable environment to manifest in higher profitability. During the last cycle, the group was generating earnings before interest, tax & depreciation (EBITDA)/ton 80% higher than today's level.

CF - EBITDA/Ton (\$US)


Source: Company Reports, Talaria

Moreover, CF's cash generating abilities are very appealing. Its free cash flow has been exceptional since it completed its debt-funded US\$5bn Donaldsonville upgrade project in 2016. The biggest driver of this improvement in cash flows has been the normalisation in annual capex back to a run-rate of around \$500m compared with peak spend of more than US\$2bn.

CF's cash flow model also benefits from employing no working capital. That is, customers and suppliers typically fund its inventory and receivables, such that almost 100% of operating earnings are converted to cash. The net of all this has meant that free cash flow has averaged some US\$1bn per annum since 2016, helping to make inroads into net debt levels from an already manageable position (Net Debt/EBITDA 1.2x).

CF - Free Cash Flow (\$USDm)


Source: Company Reports, Talaria

Environmental, social and governance

Management's remuneration is a key component of a business's governance and CF's is set up to align management's interests with shareholders. In particular, a focus on return on invested capital (ROIC) means that those running the company are incentivised to commit to spend that can generate above target returns.

This is important context for the group's stated aim to reduce its carbon output by 25% by 2030 and be net-zero by 2050. Such goals introduce some uncertainty around future cash flows given the probable requirement to invest in new 'green' (free of carbon) and 'blue' (less energy intensive) ammonia products. However, the ROIC remuneration focus means there are checks and balances.

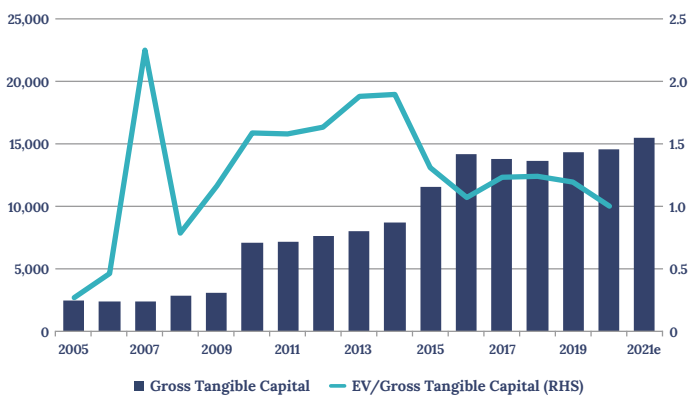
Meaningful upside and well supported to the downside

CF's valuation is a fundamental attraction, particularly as the upside is so much more than the downside.

In terms of the latter, the market currently values the share at just above 1x Gross Tangible Capital. As a rough proxy for replacement cost, it makes little sense to trade well below these levels. In fact, history suggests this is a trough valuation. There is also some decent valuation support on a cash flow basis with the stock trading on a more than 10% FCF yield. This more than compensates for the risk around any potential 'green investment' spend.

In terms of upside, we still think there is more to play out despite the stock's recent strong performance. For example, should CF manage to generate returns consistent with previous cyclical highs, shares could reach around US\$100 (~60% upside). This reflects both the potential for further re-rating, commensurate with higher returns, as well as the expected cash build up from significantly higher profits per ton. In summary, we think risk-reward continues to look attractive.

CF - EV/Gross Tangible Capital



Source: Company Reports, Talaria

Talaria Global Equity Fund - Hedged

Top 10 Holdings*

| Company name | (% weight) |
|---------------------|------------|
| Prudential | 4.7% |
| Johnson & Johnson | 4.6% |
| Sanofi | 4.5% |
| Everest Re | 4.4% |
| Sodexo | 4.4% |
| McKesson | 4.4% |
| Secom | 4.4% |
| CF Industries | 4.0% |
| Mitsubishi Electric | 3.9% |
| Asahi Group | 3.8% |

* Weightings include option positions held and cash backing put options. It assumes that put options will be exercised.

Performance at 30 September 2021

| Period | Income Return | Growth Return | Total Return | Average Market Exposure |
|----------------------|---------------|---------------|--------------|-------------------------|
| 1 month | 0.00% | 0.31% | 0.31% | 60% |
| 3 months | 0.00% | 0.47% | 0.47% | 57% |
| 6 months | 6.36% | -1.99% | 4.37% | 55% |
| 1 year | 10.81% | 11.75% | 22.56% | 54% |
| 3 years p.a. | 5.11% | 0.68% | 5.79% | 56% |
| 5 years p.a. | 6.08% | 0.92% | 6.99% | 58% |
| 7 years p.a. | 6.03% | -0.52% | 5.51% | 59% |
| Since Inception p.a. | 6.65% | 0.63% | 7.28% | 59% |

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

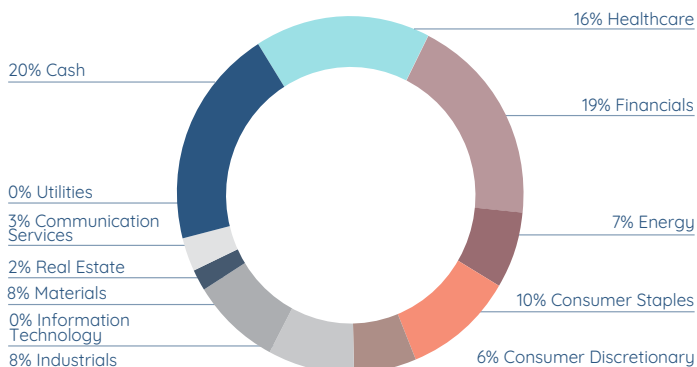
2 Inception date for performance calculations is 31 December 2012

3 Income Return includes realised capital gains

4 Past performance is not a reliable indicator of future performance

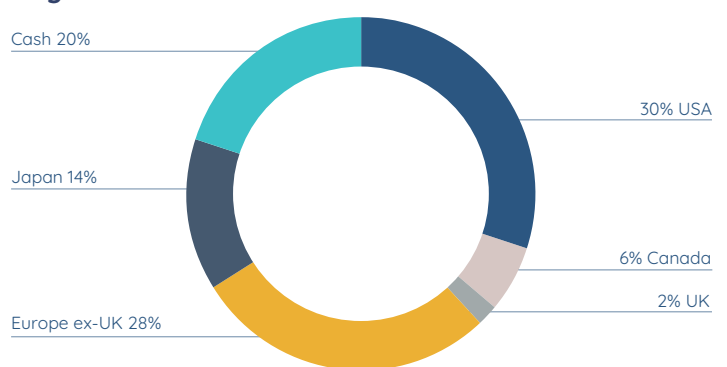
5 Average Market Exposure based on delta-adjusted exposure of underlying portfolio

Sector Allocation



* Weightings include option positions held and cash backing put options. It assumes that put options will be exercised.

Regional Allocation



Quarterly distribution

| Period | Cents per Units | Reinvestment price |
|----------------|-----------------|--------------------|
| September 2021 | 0.0000 | n/a |
| June 2021 | 6.7566 | \$1.0412 |
| March 2021 | 1.7000 | \$1.0672 |
| December 2020 | 1.4000 | \$1.0177 |
| September 2020 | 1.4000 | \$0.9359 |
| June 2020 | 3.9668 | \$0.9354 |
| March 2020 | 0.0000 | n/a |
| December 2019 | 0.0000 | n/a |
| September 2019 | 0.0000 | n/a |
| June 2019 | 0.0000 | n/a |

Asset allocation

| Asset allocation | % weight |
|-------------------------|---------------|
| Global equity | 55.4% |
| Cash - put option cover | 24.9% |
| Cash | 19.7% |
| Total | 100.0% |

Portfolio contributors#

CF Industries

Total

Prudential

Sumitomo Mitsui

Portfolio detractors#

Ambev

Wheaton Precious Metals

Bayer

Sanofi

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

Talaria Global Equity Fund - Hedged

Fund snapshot

| | | | |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------|
| APIR Code | WFS0547AU | Inception Date | 31 December 2012 |
| Management Fee | 1.20% p.a. of the net asset value of the Fund plus Recoverable Expenses | Liquidity | Daily |
| Recoverable Expenses | Estimated to be 0.12% of net asset value of the Fund each Financial Year | Exit Price | \$1.0433 (30 Sep 2021) |
| | | Buy / Sell Spread | 0.25% / 0.25% |
| Platform Availability | Asgard, Ausmaq, BT Wrap, BT Panorama, Hub24, IOOF, Linear, Macquarie, Mason Stevens, Netwealth, Powerwrap, Praemium, Grow Wrap | Distributions | Quarterly |
| | | Minimum Investment | \$5,000 |

Important Information

Hedged Units in the Talaria Global Equity Fund (the Fund) are issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFS Licence No. 234454. Talaria Asset Management Pty Ltd ABN 67 130 534 342, AFS Licence No. 333732 is the investment manager and distributor of the Fund. References to "we" means Talaria Asset Management Pty Ltd, the investment manager. The information in this document is general information only and is not based on the objectives, financial situation or needs of any particular investor. In deciding whether to acquire, hold or dispose of the product you should obtain a copy of the current Product Disclosure Statement (PDS) for the Fund and consider whether the product is appropriate for you. A copy of the PDS is available at australianunity.com.au/wealth or by calling Australian Unity Wealth Investor Services team on 13 29 39.

Investment decisions should not be made upon the basis of the Fund's past performance or distribution rate, or any ratings given by a rating agency, since each of these can vary. In addition, ratings need to be understood in the context of the full report issued by the rating agency itself. The information provided in the document is current at the time of publication.

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