

Talaria Global Equity Fund

ARSN 132 393 705

Interim report for the half-year ended 31 December 2021

Talaria Global Equity Fund

ARSN 132 393 705

Interim report for the half-year ended 31 December 2021

Contents	Page
Directors' report	2
Auditor's independence declaration	5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in net assets attributable to unitholders - liability	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	15
Independent auditor's report to the unitholders of Talaria Global Equity Fund	16

Directors' report

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the Responsible Entity of Talaria Global Equity Fund ("the Scheme"), present their report together with the financial statements of the Scheme for the half-year ended 31 December 2021.

Directors

The following persons were directors of the Responsible Entity during the whole of the half-year and up to the date of this report (unless otherwise stated):

Rohan Mead, Chairman and Group Managing Director
Esther Kerr-Smith, Chief Executive Officer, Wealth & Capital Markets
Darren Mann, Group Executive Finance & Strategy and Chief Financial Officer

Principal activities

The Scheme aims to generate returns comprising capital growth, option premiums, dividends and interest earned on cash. The Scheme is a high conviction, actively managed international equity portfolio that typically has between 15 and 45 holdings (comprising stocks and options) and can invest up to 100% of its assets in international equities, including direct holdings in shares and option positions over equities. The option positions are fully backed by cash. The Scheme's implementation process sells exchange traded options to generate option premiums which add to the Scheme's return. The receipt of option premium may allow the Scheme to achieve a positive return even when markets are flat.

The Scheme's assets are managed by Talaria Asset Management Pty Ltd.

Review and results of operations

For the half-year ended 31 December 2021, the Scheme's:

- Foundation units posted a total return of 5.60% (split between a distribution return of 2.35% and a growth return of 3.25%.)*
- Wholesale units posted a total return 6.32% (split between a distribution return of 3.11% and a growth return of 3.21%.)*

Unit prices (ex distribution) as at 31 December 2021 (30 June 2021) are as follows:

Foundation units \$5.0779 (\$0.9836)*

Wholesale units \$4.7216 (\$0.9149)*

Cboe Reported - Wholesale units \$4.7200 (N/A)

On 18 October 2021, the number of units in the Scheme was consolidated in the ratio of 5:1 and any fractional balance was removed. The consolidation means that the number of units held by investors has decreased by a factor of five, but the unit price has increased proportionally so that the value of the investor's unit holding remains unchanged as a result of the consolidation.

* The reported performance numbers and reported unit prices (which are not audited) have been derived based on the declared unit prices calculated in accordance with the Responsible Entity's unit pricing policy and are not based on the net assets of these IFRS compliant financial statements. Return calculations assume reinvestment of distributions.

The performance of the Scheme, as represented by the results of its operations, was as follows:

	Half-year	
	2021	2020
	\$'000	\$'000
Profit before finance costs attributable to unitholders	29,206	16,743
<i>Distributions</i>		
Distributions paid and payable	14,882	11,038

The COVID-19 pandemic was declared a worldwide pandemic by the World Health Organisation in March 2020. The pandemic, and the measures to slow the spread of the virus, has significantly impacted the global and local economies. Despite this, the outlook for 2022 is favourable with the unemployment rate expected to continue to decline, stronger consumer spending and the re-opening of economies.

The Responsible Entity and Investment Manager will continue to actively manage the financial risks to which the Scheme is exposed. The directors will continue to monitor the situation as appropriate.

Directors' report (continued)

Significant changes in the state of affairs

On 11 November 2021, the Scheme launched as an active Exchange Traded Fund ("ETF") by quoting on Cboe Australia Pty Ltd ("Cboe Australia"). Investors are now able to apply and redeem units either on-market with Cboe Australia, or off-market by applying to the Responsible Entity directly. This is known as the dual access method.

Under Cboe Australia's Operating rules, the Responsible Entity has certain obligations in respect of the Scheme, including to facilitate an orderly and liquid market. The Responsible Entity has appointed a market maker to maintain a continuous liquidity in the market by acting as a buyer and seller to the secondary market ("Market Maker"). A Market Maker will apply for and redeem units from the Scheme as required to hold an inventory of units enabling it to provide buy and sell prices to the secondary market, while also potentially hedging their underlying positions.

In the opinion of the directors, there were no other significant changes in the state of the affairs of the Scheme that occurred during the half-year, except those mentioned elsewhere in the report.

Events occurring after end of the half-year

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the operations of the Scheme, the results of operations, or the state of the Scheme's affairs in future reporting periods, except those mentioned elsewhere in the report.

Likely developments and expected results of operations

The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

Further information on likely developments in the operations of the Scheme and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Australian Unity Funds Management Limited or the auditors of the Scheme. So long as the officers of Australian Unity Funds Management Limited act in accordance with the Scheme's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

Environmental regulation

The Scheme operations are not subject to environmental regulations under Australian law.

Rounding of amounts to the nearest thousand dollars

The Scheme is an entity of the kind referred to in ASIC Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest thousand dollars, where indicated.

Directors' report (continued)

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Signed in accordance with a resolution of the directors of Australian Unity Funds Management Limited.



Rohan Mead
Director



Esther Kerr-Smith
Director

7 March 2022



Auditor's Independence Declaration

As lead auditor for the review of Talaria Global Equity Fund for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink that reads 'Britt Hawkins'.

Britt Hawkins
Partner
PricewaterhouseCoopers

Melbourne
7 March 2022

Statement of comprehensive income

		Half-year	
	Notes	2021 \$'000	2020 \$'000
Investment income			
Interest income from financial assets at amortised cost		8	-
Dividend income		4,016	1,920
Distribution income		197	438
Net foreign exchange gain/(loss)		2,012	(14,539)
Net gains on financial instruments at fair value through profit or loss		<u>27,492</u>	<u>32,087</u>
Total investment income		<u>33,725</u>	<u>19,906</u>
Expenses			
Responsible Entity's fees		2,951	2,245
Performance management fees		405	-
Interest expense		352	382
Transaction costs		<u>811</u>	<u>536</u>
Total expenses		<u>4,519</u>	<u>3,163</u>
Profit before finance costs attributable to unitholders		<u>29,206</u>	<u>16,743</u>
Finance costs attributable to unitholders			
Distributions to unitholders	4	(14,882)	(11,038)
Increase in net assets attributable to unitholders	3	<u>(14,324)</u>	<u>(5,705)</u>
Total comprehensive income attributable to unitholders		<u>-</u>	<u>-</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

		31 December 2021 \$'000	30 June 2021 \$'000
	Notes		
Assets			
Cash and cash equivalents		205,177	238,816
Receivables		5,813	2,146
Financial assets at fair value through profit or loss	5	<u>327,802</u>	<u>221,415</u>
Total assets		<u>538,792</u>	<u>462,377</u>
Liabilities			
Distributions payable	4	7,653	10,330
Payables		807	1,193
Financial liabilities at fair value through profit or loss	6	<u>6,042</u>	<u>4,550</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>14,502</u>	<u>16,073</u>
Net assets attributable to unitholders - liability	3	<u>524,290</u>	<u>446,304</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Talaria Global Equity Fund
Statement of changes in net assets attributable to unitholders - liability
For the half-year ended 31 December 2021

Statement of changes in net assets attributable to unitholders - liability

	Half-year	
	2021	2020
	\$'000	\$'000
Balance at the beginning of the half-year	446,304	364,661
Profit before finance costs attributable to unitholders	29,206	16,743
Distributions to unitholders	(14,882)	(11,038)
Applications	84,757	56,690
Redemptions	(26,811)	(61,053)
Units issued upon re-investment of distributions	5,716	9,416
Balance at the end of the half-year	524,290	375,419

The above statement of changes in net assets attributable to unitholders - liability should be read in conjunction with the accompanying notes.

Statement of cash flows

	2021	Half-year
	\$'000	2020
		\$'000
<i>Cash flows from operating activities</i>		
Proceeds from sale of financial instruments at fair value through profit or loss	99,632	32,878
Payments for purchase of financial instruments at fair value through profit or loss	(180,546)	(46,286)
Interest received from financial assets at amortised cost	55	-
Dividends received	3,668	1,488
Distributions received	202	458
Interest expense paid	(352)	(382)
GST received	195	130
Responsible Entity's fees paid	(3,076)	(2,364)
Performance management fees paid	(327)	-
Transaction costs paid	(809)	(536)
Net cash outflow from operating activities	<u>(81,358)</u>	<u>(14,614)</u>
<i>Cash flows from financing activities</i>		
Proceeds from applications by unitholders	84,905	56,667
Payments for redemptions by unitholders	(27,355)	(61,894)
Distributions paid to unitholders	(11,843)	(12,274)
Net cash inflow/(outflow) from financing activities	<u>45,707</u>	<u>(17,501)</u>
Net decrease in cash and cash equivalents	(35,651)	(32,115)
Cash and cash equivalents at the beginning of the half-year	238,816	258,637
Effect of foreign currency exchange rate changes on cash and cash equivalents	2,012	(14,539)
Cash and cash equivalents at the end of the half-year	<u>205,177</u>	<u>211,983</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

	Page	
1	General information	11
2	Basis of preparation	11
3	Net assets attributable to unitholders - liability	12
4	Distributions to unitholders	12
5	Financial assets at fair value through profit or loss	12
6	Financial liabilities at fair value through profit or loss	13
7	Fair value hierarchy	13
8	Events occurring after end of half-year	14
9	Contingent assets and liabilities and commitments	14

1 General information

These financial statements cover Talaria Global Equity Fund ("the Scheme") as an individual entity. The Scheme was constituted on 1 January 2005 and will terminate on the 80th anniversary or earlier in accordance with the Scheme's Constitution.

The Responsible Entity of the Scheme is Australian Unity Funds Management Limited (ABN 60 071 497 115) ("the Responsible Entity"), a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888). The Responsible Entity's registered office is Level 15, 271 Spring Street, Melbourne, VIC 3000.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are for the period 1 July 2021 to 31 December 2021.

The financial statements were authorised for issue by the directors of the Responsible Entity on 7 March 2022. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Basis of preparation

These interim financial statements for the half-year ended 31 December 2021 have been prepared in accordance with *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This interim report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made in respect of the Scheme during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders.

The Scheme manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance date.

The accounting policies adopted are consistent with those of the previous annual reporting period, unless otherwise stated.

(i) Compliance with International Financial Reporting Standards

Compliance with AASB 134 ensures that the interim report of the Scheme, comprising the financial statements and notes thereto, complies with the International Accounting Standard IAS 34 *Interim Financial Reporting*.

(ii) New accounting standards and amendments adopted by the Scheme

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial half-year beginning 1 July 2021 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

(iii) New accounting standards, amendments and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 31 December 2021 reporting period and have not yet been applied in the financial statements. None of these are expected to have a material effect on the financial statements of the Scheme.

(a) Rounding of amounts

The Scheme is an entity of the kind referred to in ASIC Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, where indicated.

3 Net assets attributable to unitholders - liability

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right in the underlying assets of the Scheme. There are two classes of unitholders in the Scheme being Foundation and Wholesale.

Movements in the number of units and net assets attributable to unitholders - liability during the half-year were as follows:

	2021		2020	
	No. '000	No. '000	\$'000	\$'000
Opening balance	485,005	435,088	446,304	364,661
Foundation Class				
Applications	423	377	945	343
Redemptions	(1,219)	(1,025)	(1,418)	(926)
Consolidation of units*	(23,662)	-	-	-
Units issued upon re-investment of distributions	531	1,160	526	1,034
	<u>(23,927)</u>	<u>512</u>	<u>53</u>	<u>451</u>
Wholesale Class				
Applications	60,680	66,327	83,812	56,347
Redemptions	(18,047)	(70,648)	(25,393)	(60,127)
Consolidation of units*	(398,558)	-	-	-
Units issued upon re-investment of distributions	5,632	10,104	5,190	8,382
	<u>(350,293)</u>	<u>5,783</u>	<u>63,609</u>	<u>4,602</u>
Increase in net assets attributable to unitholders	-	-	14,324	5,705
Closing Balance	110,785	441,383	524,290	375,419

*On 18 October 2021, the number of units in the Scheme was consolidated in the ratio of 5:1 and any fractional balance was removed. The consolidation means that the number of units held by investors has decreased by a factor of five, but the unit price has increased proportionally so that the value of the investor's unit holding remains unchanged as a result of the consolidation.

4 Distributions to unitholders

The distributions for the half-year were as follows:

	2021		2020	
	\$'000	CPU	\$'000	CPU
Distributions - Foundation Class				
30 September	360	1,2249	505	1,6421
31 December (payable)	317	5,2967	491	1,5916
	<u>677</u>		<u>996</u>	
Distributions - Wholesale Class				
30 September	6,869	1,4000	5,116	1,2500
31 December (payable)	7,336	7,0000	4,926	1,2000
	<u>14,205</u>		<u>10,042</u>	
Total distributions	14,882		11,038	

5 Financial assets at fair value through profit or loss

	31 December 2021	30 June 2021
	\$'000	\$'000
Listed equities	315,548	202,473
Listed unit trusts	<u>12,254</u>	<u>18,942</u>
Total financial assets at fair value through profit or loss	327,802	221,415

6 Financial liabilities at fair value through profit or loss

	31 December 2021	30 June 2021
	\$'000	\$'000
Derivatives	<u>6,042</u>	<u>4,550</u>
Total financial liabilities at fair value through profit or loss	<u>6,042</u>	<u>4,550</u>

7 Fair value hierarchy

The Scheme is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2021				
Financial assets				
Listed equities	315,548	-	-	315,548
Listed unit trusts	<u>12,254</u>	<u>-</u>	<u>-</u>	<u>12,254</u>
Total financial assets	<u>327,802</u>	<u>-</u>	<u>-</u>	<u>327,802</u>
Financial liabilities				
Options	<u>(6,042)</u>	<u>-</u>	<u>-</u>	<u>(6,042)</u>
Total financial liabilities	<u>(6,042)</u>	<u>-</u>	<u>-</u>	<u>(6,042)</u>
30 June 2021				
Financial assets				
Listed equities	202,473	-	-	202,473
Listed unit trusts	<u>18,942</u>	<u>-</u>	<u>-</u>	<u>18,942</u>
Total financial assets	<u>221,415</u>	<u>-</u>	<u>-</u>	<u>221,415</u>
Financial liabilities				
Options	<u>(4,550)</u>	<u>-</u>	<u>-</u>	<u>(4,550)</u>
Total financial liabilities	<u>(4,550)</u>	<u>-</u>	<u>-</u>	<u>(4,550)</u>

The pricing for the majority of the Scheme's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, e.g. recognised stock exchanges and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. The level 2 instruments include investment grade corporate bonds and over the counter derivatives.

7 Fair value hierarchy (continued)

The Scheme's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the half-year. There were no transfers between levels 1, 2 and 3 of the fair value hierarchy during the half-year (30 June 2021: Nil).

8 Events occurring after end of half-year

The directors of the Responsible Entity are not aware of any matter or circumstance arising since the end of the half-year which would impact on the financial position of the Scheme disclosed in the statement of financial position as at 31 December 2021 or on the results and cash flows of the Scheme for the half-year ended on that date.

9 Contingent assets and liabilities and commitments

There are no contingent assets, liabilities or commitments as at 31 December 2021 and 30 June 2021.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 31 December 2021 and of its performance, as represented by the results of its operations and cash flows, for the half-year ended on that date.
- (b) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.
- (c) The financial statements are in accordance with the Scheme's Constitution.
- (d) Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.



Rohan Mead
Director



Esther Kerr-Smith
Director

7 March 2022



Independent auditor's review report to the unitholders of Talaria Global Equity Fund

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Talaria Global Equity Fund (the Scheme) which comprises the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in net assets attributable to unitholders - liability and statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Talaria Global Equity Fund does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Scheme's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors of the Responsible Entity for the half-year financial report

The directors of Australian Unity Funds Management Limited, the Responsible Entity of the Scheme, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Scheme's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Britt Hawkins

Britt Hawkins
Partner

Melbourne
7 March 2022