

Another volatile month for stock prices as markets focus more on the macroeconomic landscape. This sees most stocks being treated the same, no matter their specific financial circumstances. Insync’s portfolio of quality companies delivered an average EPS growth of 10%+ in their most recent quarterly update. A great result. Yet, as markets are presently concerned with short term interest rate hikes, even quality companies posting great results (despite inflation and interest rate settings) are tarred with the same brush as those that are impacted.

This is nothing out of the ordinary for this stage of the cycle. Whilst inflation has peaked and gradually heads down, markets are now trying to anticipate what impact higher interest rates will have on the global economy and corporate earnings. The benefit of investing in highly profitable companies with long runways of growth backed up by megatrends, comes the higher confidence around their longer-term earnings growth rates, irrespective of macro-economic conditions! Whilst an economic slowdown may temporarily reduce the growth trajectories of high-quality compounders, their long-term growth rates tend to be more assured.

The temptation to time being in or out right now is high as is the cost. Bank of America found that investor returns in the S&P 500 would stand at just 28% today had they missed just the 10 best days of each 3,650 day decade since the 1930’s - a dismal result. It’s a whopping 17,715% had they held steady. Market gyrations are not *insync* with news cycles or with logic. This is why timing is risky. Buffet’s metaphor stands... **“In the short run, the market is a voting machine but in the long run, it is a weighing machine.”** Our funds are for long term investors, and this is why its important to reflect on this.

	1 Month	3 Months	1 Year	2 Year	3 Years	5 Years	Rolling <sup>∞</sup> 5-Year	10 Years	Since Incep#
<b>Insync Global Quality Equity Fund ^</b>	-4.59%	-0.55%	-22.57%	-2.13%	3.84%	10.31%	<b>14.71%</b>	13.00%	11.45%
<b>Insync Global Capital Aware Fund*</b>	-4.61%	-1.10%	-23.86%	-4.31%	3.44%	9.90%	<b>12.53%</b>	10.42%	9.61%
<i>MSCI ACWI (ex AUS) NTR (AUD)~</i>	-2.01%	-1.23%	-10.48%	-7.96%	7.46%	10.19%	<b>12.56%</b>	13.37%	10.46%
<b>Global Quality Equity Fund Out-Performance</b>	-2.58%	0.68%	-12.09%	-10.09%	-3.61%	0.12%	<b>2.15%</b>	-0.37%	0.99%
<b>Global Capital Aware Fund Out-Performance</b>	-2.59%	0.13%	-13.38%	-12.27%	-4.02%	0.28%	<b>-0.03%</b>	-2.95%	-0.84%

Source: Insync Funds Management - Past Performance is not a reliable indicator of future performance. <sup>∞</sup>**Stated objective of the Fund.** \*Represents net of fees and costs performance, assumes all distributions reinvested. ^Returns prior to July 2018 represent the underlying Insync Global portfolio (including cash) inclusive of a 0.98% p.a. MER. ~MSCI All Country World ex-Australia Net Total Return Index in Australian Dollars. # Inception date 9/10/2009

## Companies can do well - even now

Market sell downs in periods of volatility often provide the best opportunities to invest for the long term. Back during the GFC (March 09’) **Home Depot** was trading at \$13 per share and **Microsoft** was trading at \$12.

Today Home Depot is at **\$276** & Microsoft is at **\$245**.

There was plenty of bad macroeconomic news over this period to dissuade being invested too. A US debt ceiling crisis in 2011, European debt crisis in 2012, Greek default crisis in 2015, collapse in China’s stock market in 2016, Covid-19 crisis in 2020...*you get the picture.*

Home Depot also paid 10% p.a. compounding dividend (they expect to pay a \$7.60 dividend in 2022). This means you are receiving well over HALF your original purchase price back in 2009 in dividends from just this year! Patience rewards.

We remain confident in the strength and durability of earnings growth in the Insync portfolio companies and see temporary price falls as ideal buying opportunities.

Two further examples of highly profitable companies in the portfolio are *Lululemon* and *Ulta Beauty*, both benefitting from the **Lipstick Effect**.



This is the concept that in times of a recession and other economic stresses, people will indulge in discretionary purchases that provide an emotional uplift without breaking the budget.

Their recent quarterly earnings updates Lululemon reported a 29% revenue increase and a 30% increase in EPS. Ulta Beauty reported a 17% increase in revenues and a 25% increase in EPS (earnings per share).

When investors keep focused on the **growing earnings power** of quality companies, they find their stock prices grow eventually as well. This is especially true for the investor time periods the fund is designed for.

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**Risk Measures – Global Quality Equity Portfolio^**

	1 Year	3 Years	5 Years
Standard Deviation	18.74%	16.83%	15.12%
Tracking Error	9.47%	8.95%	7.86%
Information Ratio	-1.27	-0.40	0.09
Sharpe Ratio	-1.21	0.21	0.67
<b>Batting Average</b>	<b>33.33%</b>	<b>47.22%</b>	<b>55.00%</b>

**Risk Measures – Global Capital Aware Fund\***

	1 Year	3 Years	5 Years
Standard Deviation	17.98%	15.96%	14.24%
Tracking Error	9.15%	9.73%	8.50%
Information Ratio	-1.46	-0.41	-0.03
Sharpe Ratio	-1.33	0.20	0.64
<b>Batting Average</b>	<b>33.33%</b>	<b>47.22%</b>	<b>50.00%</b>

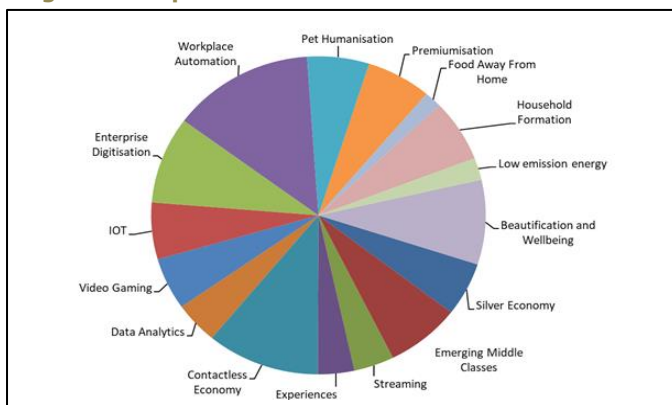
**Capture Ratios – Global Quality Equity Portfolio^**

	3 Years	Since Incep <sup>#</sup>
# Index Positive Months	21	96
# Index Negative Months	15	59
<b>Up Market Capture</b>	<b>1.19</b>	<b>0.99</b>
<b>Down Market Capture</b>	<b>1.56</b>	<b>0.86</b>
Capture Ratio	0.77	1.15

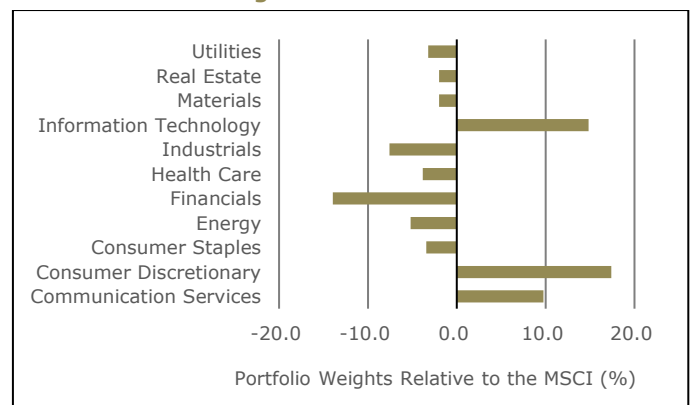
**Capture Ratios– Global Capital Aware Fund\***

	3 Years	Since Incep <sup>#</sup>
# Index Positive Months	21	96
# Index Negative Months	15	59
<b>Up Market Capture</b>	<b>1.08</b>	<b>0.85</b>
<b>Down Market Capture</b>	<b>1.42</b>	<b>0.79</b>
Capture Ratio	0.76	1.08

**Megatrend Exposures**



**Portfolio Sector Weights vs MSCI**



**Top 10 Active Holdings**

Stock	%
Visa	4.2%
KLA Corp.	4.1%
Ulta Beauty	3.5%
Rightmove	3.4%
Qualcomm	3.4%
LVMH	3.3%
Nintendo	3.2%
JD Sports Fashion	3.0%
Home Depot	2.9%
Accenture	2.9%

**Key Portfolio Analytics**

	Portfolio	Index
Forward PE	20.21	14.21
Forward PCF	17.76	17.15
ROIC	40.60	15.40
Market Cap (USD Bln avg)	431.35	42.09
Market Cap (USD Bln median)	120.53	16.27
Std deviation (ex ante)	18.98	15.50
Interest Cover	167.08	65.60
Total Debt to Ebitda	1.56	3.23

**Key Fund Information**

	Insync Global Quality Fund ^	Insync Global Capital Aware Fund*
Portfolio Managers	Monik Kotecha and John Lobb	
Inception Date	1 July 2018	7 October 2009
Management Fee	0.98%p.a. of the NAV	1.3%p.a. of the NAV
Performance Fee	Nil	Nil
Buy/Sell Spread	0.20% / 0.20%	0.20% / 0.20%
Distribution Frequency	Annually	Annually
APIR Code	ETL5510AU	SLT0041AU
Trustee	Equity Trustees Limited	Equity Trustees Limited

**Disclaimer**

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