Our funds underperformed the benchmark over the past year. Still high double digits, consistent with the history of the fund, but below the broader index. The last 12 months' market returns were characterised by strong price appreciation for economically sensitive and high revenue (less profitable) growth companies. Once again, lifting of pandemic restrictions has generated an overly enthusiastic view that economically sensitive companies will rebound quickly across many business sectors. Insync deliberately has no exposure to stocks of this ilk. We favour companies that not only are some of the **most profitable companies in the world** but are also expected to **consistently grow their earnings at high rates** regardless of how the global economy performs. In this edition we explain why this works for longer term investors.

As the *earnings growth* across our portfolio continues to compound at high-rates, the gap grows ever wider between their stock price and their valuations (currently circa 50%+ below valuations). In these shorter periods of relative underperformance, a tension permeates in markets. This creates ideal conditions for entry as a sudden 'snap-back' in stock prices can occur very quickly. Snap backs are triggered by a change in market conditions, an event or simply the market recognizing the big disparities between the companies promising to deliver to the ones actually delivering.

We liken it to an elastic band. The more you stretch it (the widening of the gap between valuation and share price), the greater the likelihood of a rapid 'snap-back'. Whilst it's impossible to time exactly when the snap back will occur, when it does do so, it delivers strong outperformance to those stocks with the real underlying earnings and profits to support a *sustainable uptick* in their price. At the same time, the reverse occurs for those presently leading this latest bout of exuberant price growth.

	1 Month	3 Months	6 Months	1 Year	2 Years	3 Year	5 Years	10 Years	Since Incep#
Insync Global Quality Equity Portfolio ^	-5.72%	0.89%	15.66%	16.25%	17.77%	17.29%	17.86%	16.86%	14.31%
Insync Global Capital Aware Fund*	-5.58%	0.63%	15.01%	13.25%	18.47%	17.63%	16.97%	14.57%	12.38%
MSCI ACWI (ex AUS) NTR (AUD)~	-3.02%	2.87%	12.09%	26.37%	14.80%	12.71%	14.60%	15.40%	12.05%
Global Quality Active Out-Performance	-2.69%	-1.99%	3.56%	-10.12%	2.97%	4.58%	3.26%	1.46%	2.26%
Global Capital Aware Active Out-Performance	-2.56%	-2.24%	2.92%	-13.12%	3.67%	4.92%	2.37%	-0.83%	0.34%

Source: Insync Funds Management - Past Performance is not a reliable indicator of future performance. *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

We like value but we are not value Investors.

We recently had an extensive meeting with a fund researcher where we took him through our valuation approach. One of *his* key conclusions was that Insync is a 'value investor'.

Whilst we would not describe ourselves as value investors based on conventional metrics (just buying companies based on low Price/Earnings ratios), an important part of Insync's process includes building a high degree of confidence in understanding the worth of a company's future cashflows beyond its present state.

To make money involves finding companies where the value we see is significantly greater than the price we have to pay. The current investor exuberance around chasing returns in hyped up sectors has the Insync portfolio of *quality growth* companies trading at circa 50% below our assessed valuations.

A question to ponder is this.....

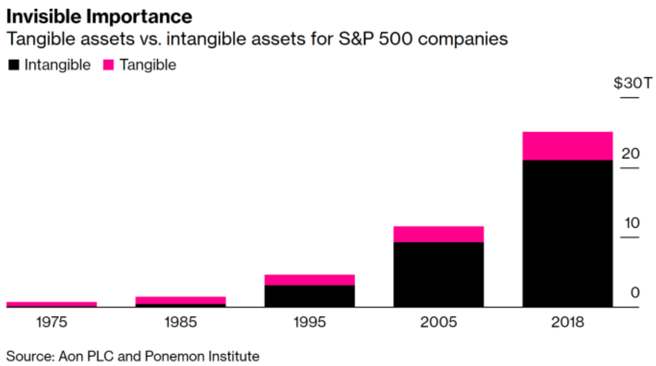
Would you buy into highly profitable businesses if you could buy them at such a large discount? And after doing all your investigations and crunching the numbers, its forward earnings were compounding strongly. Or would you buy a very richly valued popular business whose forward looking numbers don't support its price but everyone was enthusiastic about it today? This is the choice that investors face and this sets up perfect conditions for the Insync portfolio to deliver strong returns.

P.S. Insync is of course categorised as a 'Quality Growth' Investor.

Traditional valuation metrics are losing their predictive power.

PE (Price/Earnings) and PB (Price/Book) ratios have been declining in their ability to predict value. The main reason is in the "E" part of the P/E ratio.

Our modern global economy is increasingly driven by intangible assets. Items such as intellectual property, R&D, brands, and networks. In the last decade or so this has accelerated to dominate in many key industries. In the past capital equipment and other tangible assets used to figure large on balance sheets.



'Intangibles' now represent 84% of the market value of the S&P 500 as depicted above. The old focus supported the old P/E and P/B ratios suitability. The problem occurs when it is applied to this new world - to the industries and companies that invest heavily in intangibles. It creates a misleading and distorted picture.

By example, when **Pfizer** invests R&D in a new drug for Covid-19 (forecasted to generate sales of US$45.7 Bn this year), or **Amazon** spending on building their cloud capability (sales of US$60 Bn expected from this division), these investments are classified as intangibles.

They have to be expensed through their income statements. This means it significantly depresses their earnings *today* despite these 'investments of expenditure' creating significant sales and profits for many years to follow. Their resulting P/E and P/B ratios are thus negatively impacted. This is important to remember when investing for the future. **Beware of using the rear-view mirror. Life has changed.**

By way of contrast, old-industry companies, say a steel company, has to invest heavily in property and machinery (tangibles). The accounting rules treat these investments as capital expenditures. It immediately goes onto the balance sheet and does not detract from that year's earnings unlike intangibles. Effectively this inflates its present earnings and the book value. P/E and P/B ratios look good.

*Source: Aerial photo of U.S. Steel's Gary Works (photo courtesy: The Times of Northwest Indiana)

This inconsistent treatment of the drivers of future growth between *intangibles* and *tangibles* leads to wrong conclusions on what actually represents good value and what does not. P/Es are thus not a useful indictor for industries with high intangibles, and even more misleading if taking an average across a broad index.

Conventional portfolio blending methods. Passed their *Used By* date?

Many research houses lump funds managers into simplified groupings primarily based on P/E ratios.

Growth managers tend to be holding businesses with higher than market average P/E or P/B ratios. **Value managers** holding a portfolio of low P/E ratios, and **GARP or Core managers** somewhere in-between.

Not only is this old measure being over-used to compare managers in the same group, it is further adapted as the primary means of blending managers across entire client portfolios and investment models. People tend towards simplicity even if its misleading. Given the change in intangible expenditures this is an increasingly unwise approach for professional advice givers. It is also worth noting that P/B and P/E ratios represent two of the three variables used to determine stock inclusion in the widely followed style index, MSCI World Value.

The key driver of future earnings - intangibles, is not being appropriately reflected in the income statements and balance sheets in a rapidly changing economy. Accounting rules have not yet adapted. This, we strongly contend, is a key reason for the long-term underperformance of Value indices post the Global Financial Crisis.

Intangibles- a key to investing in today's world

Even though it is impossible to measure the value of intangibles precisely, it is essential for investment professionals to come up with a logical approach to incorporate intangibles into their decision making; otherwise, they risk being relics in this new age of information.

At Insync we have developed a systematic way of incorporating the cashflows that intangibles are delivering into our valuation methodology. This results in a more accurate assessment of the value of a business and a key reason of our successful stock selections.

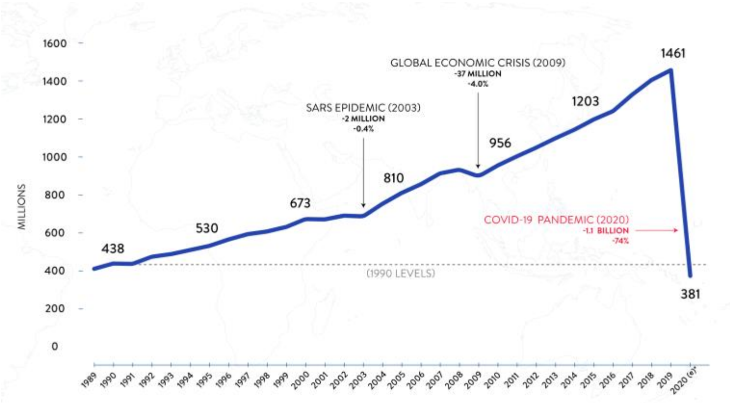
The Experience Megatrend

Travel Revisited

Travel. Remember that? Long plane flights, new places, new people, new ways, new sounds. Whilst many of us look forward to travel once more, is it time to invest in travel? At Insync we believe yes but…… ***it all depends on how and where.***

The Experience Megatrend, of which travel is a component, is one of 16 megatrends in the Insync portfolio. Like a giant tidal wave, megatrends tend to be very large, long lived and unstoppable. Therefore, it is unusual for us to sell out of stocks benefitting from megatrends. However, after an extended period of lockdowns and travel restrictions from a one-off global event reaching into the very heart of travel, it had become clear to us that the nature of travel was going to change in the post Covid world. We sold out of the pure play travel companies and studied deeper into what was probable in the years to come in travel.

The extent of the fall in travel has been unprecedented as seen in this next chart. Destinations worldwide lost a staggering 1 billion fewer international arrivals in 2020 than in 2019. This compares with the 4% decline recorded during the 2009 global economic crisis (GFC).



Source:UNWTO

Unquestionably, an individual's deep desire to travel is hardwired into human DNA- a developed and privileged means of human wandering. Whilst we cannot know how long the pandemic will last, we are certain that when it is once again safe to travel, people's desire to travel will boom once again.

However, the pandemic has changed the playing field around traveller behaviour and habits, and this impacts the businesses involved with travel in a myriad of ways.

New expectations have emerged, prompting travel providers to take heed and reassess how they cater to those shifting demands. Therefore, the winners - those that can deliver high ROIC and sustainable growth, in travel post-covid, are not yet clear.

Some recent trends in travel habits we have been observing include:

- **Closer** - Domestic tourism has shown positive travel uplift. Travellers go for 'staycations' or vacations close to home. How much this will endure once international travel reopens fully remains to be seen.
- **New concerns** - Health & Safety measures, getting home in a lockdown, along with cancellation policies are consumers' main concerns. Businesses are however adapting.
- **Get away** - Nature, Rural Tourism and Road Trips have emerged as popular travel choices due to geographical restrictions and the quest for open-air experiences.
- **Last minute** - Last-minute bookings have increased due to volatility of pandemic-related events and the travel restrictions.

The one area that is highly likely to change structurally, and in a negative way, is corporate travel. As many businesses have now transitioned into a hybrid work environment, with remote working and meeting tools normalising, there's no question that businesses will look to lower costs and travel risks.

Mckinsey estimate that business travel will recover to only around 80% of pre-pandemic levels by 2024. This is important to businesses such as airlines and hotels et al, as business travellers represent a large and profitable part of the travel sector.

Notwithstanding the human desire to travel, we will see fundamental changes in travel patterns compared to the pre-Covid world. Cruise ships, airlines and hotels might seem like the obvious way to invest in a travel rebound. However, these companies are the higher risk, higher reward options and are a lot less profitable through the cycle. They are capital intensive and highly leveraged by nature. For travel booking engines the future remains unclear. Should a new deadlier viral variant emerge post the delta variant, the recovery would be pushed out again with 'pure' travel stocks facing a sudden price setback.

Insync is focused on identifying profitable winners in the travel megatrend in the post Covid world. Sometimes the winning companies are the less obvious ones. **Estee Lauder** and **Walt Disney** represent two examples of highly profitable businesses in the Insync portfolio that are beneficiaries of the recovery and long-term resumption of secular growth in experiences and travel.

Estee Lauder is a highly profitable company benefiting from the wellness and beautification global megatrend**.** The pandemic with its restrictions and uncertainties has not slowed Estee's rise**.** Premium skin care continues to grow at multiples of global GDP with the online channel representing circa 40% of their sales in key markets.

Travel retail represents 25% of Estee's sales, and this is during the pandemic. In places where travel has resumed, such as China, sales have also recovered quickly. What is remarkable is that despite the collapse in global airline travel consumption the travel channel for Estee has been resilient, declining in only one out of the past six quarters through the pandemic.

Walt Disney's global entertainment focus has produced a variety of interwoven income streams that has seen it do well during the pandemic, and importantly for the recovery, things look even brighter.

Walt Disney is also a major beneficiary of the **Streaming Megatrend**, building as many subscribers in 2 years that Netflix took 10 years to achieve.

It is also a major beneficiary of a rebound in the **Experiences Megatrend.** Disney has a loyal following of customers with parents trusting the brand to provide clean, safe entertainment for their children. Families can plan a vacation at a Disney theme park as their ideal getaway. As a result, Disney has a history of raising prices with no slowdown in customer demand. By example, a Disney World Magic Kingdom Park ticket has more than tripled in price since 2001 (well above inflation), yet every year attendance has continuously increased with the exception of 2020/21 coronavirus lockdown. This trend is highly likely to resume as lockdowns ease.

Disney also provides a much lower risk way from a recovery in cruising, It is a small and integrated part of their overall offer on experiences. A lot of people that are booking Disney cruises are also booking vacations to Walt Disney World as part of a package.

Noteworthy characteristics of an investment with Insync Funds.

A differentiated approach in the Quality Growth category. Entering its 12th year of delivering strong investment returns to investors. The option of holding protection against sharp dramatic market falls. Performance is not driven by macro-economic conditions. Excellent ESG ratings. Consistent and true to label metrics in both return and risk measures. Sufficiently diverse from other leading global equity fund offers to produce beneficial blending outcomes in portfolio construction. All key persons and shareholders are also co-investors in the funds. Invest with Insync.

MONEY MANAGEMENT FUND MANAGER OF THE YEAR 2020
AUSTRALIA'S FIRST INDEPENDENT AND WHOLE OF MARKET AWARDS
WINNER
Emerging Manager

insync fund managers

September 2021 Statistical Monthly Update

	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	10 Years	Since Incep#
Insync Global Quality Equity Portfolio ^	-5.72%	0.89%	15.66%	16.25%	17.77%	17.29%	17.86%	16.86%	14.31%
Insync Global Capital Aware Fund*	-5.58%	0.63%	15.01%	13.25%	18.47%	17.63%	16.97%	14.57%	12.38%
MSCI ACWI (ex AUS) NTR (AUD)~	-3.02%	2.87%	12.09%	26.37%	14.80%	12.71%	14.60%	15.40%	12.05%

Source: Insync Funds Management - Past Performance is not a reliable indicator of future performance. *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

Risk Measures – Global Quality Equity Portfolio^

	1 Year	3 Years	5 Years
Standard Deviation	15.02%	15.09%	12.98%
Tracking Error	9.15%	7.69%	7.02%
Information Ratio	-1.11	0.60	0.54
Sharpe Ratio	1.07	1.10	1.34
Batting Average	33.33%	61.11%	58.33%

Risk Measures – Global Capital Aware Fund*

	1 Year	3 Years	5 Years
Standard Deviation	14.64%	13.86%	11.96%
Tracking Error	9.48%	8.80%	7.72%
Information Ratio	-1.38	0.56	0.31
Sharpe Ratio	0.90	1.22	1.33
Batting Average	33.33%	58.33%	53.33%

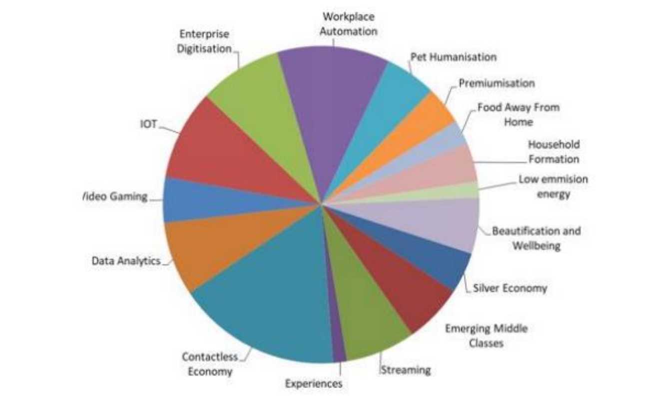
Capture Ratios – Global Quality Equity Portfolio^

	3 Years	Since Incep#
# Index Positive Months	23	92
# Index Negative Months	13	52
Up Market Capture	1.19	0.97
Down Market Capture	1.03	0.68
Capture Ratio	1.16	1.43

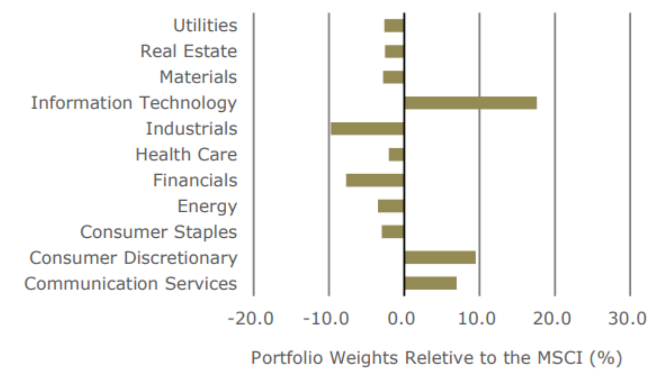
Capture Ratios– Global Capital Aware Fund*

	3 Years	Since Incep#
# Index Positive Months	23	92
# Index Negative Months	13	52
Up Market Capture	1.08	0.83
Down Market Capture	0.80	0.59
Capture Ratio	1.36	1.40

Megatrend Exposures



Portfolio Sector Weights vs MSCI



Top 10 Active Holdings

Stock	%
Facebook	4.7%
Domino's Pizza	4.1%
Qorvo Inc	4.1%
Qualcomm	4.0%
S&P Global	3.9%
NVIDIA	3.7%
Apple	3.6%
Nintendo	3.4%
Home Depot	3.3%
Dollar General	3.3%

Key Portfolio Analytics

	Portfolio	Index
Forward PE	25.65	30.15
ROIC	68.45	14.10
Market Cap (USD Bln avg)	529.86	45.86
Market Cap (USD Bln median)	142.54	18.38
Std deviation (ex ante)	16.82	14.35
Net Debt to Equity	180.40	58.21
Total Debt to Ebitda	1.78	3.13

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