Both funds returned positive results and exceeded their benchmark. Importantly the all-important *longer term* fund results continue to exceed their targets and outperform the market.

As discussed in the March monthly update the economically sensitive sectors (banks, energy, retailers and resources) have been the strongest performing sectors over the past six months which is normal when coming out of a recession. This impacted the relative performance of the Insync funds versus the benchmark over that period. In Insync's opinion, the recovery has been priced into many of these sectors. As we move into the next phase of the cycle, "highly profitable and sustainable growth companies" should perform much better. This is starting to be reflected in the April performance numbers and is consistent with the historical pattern. Many of the stocks in the portfolio have recently reported very strong double-digit earnings growth, demonstrating the advantage of investing in highly profitable businesses benefitting from global megatrends.

	1 Month	3 Months	6 Months	1 Year	2 Years	3 Year	5 Years	10 Years	Since Incep#
Insync Global Capital Aware Fund*	5.42%	8.37%	7.03%	17.82%	18.11%	17.85%	15.77%	14.18%	12.01%
Insync Global Quality Equity Portfolio ^	5.59%	9.56%	9.58%	22.05%	17.60%	17.59%	16.86%	16.66%	14.28%
MSCI ACWI (ex AUS) NTR (AUD)	2.90%	8.93%	16.55%	23.41%	12.42%	12.52%	13.65%	13.18%	11.68%
Global Capital Aware Active Out-Performance	2.52%	-0.55%	-9.52%	-5.59%	5.68%	5.33%	2.12%	1.00%	0.34%
Global Quality Active Out-Performance	2.69%	0.63%	-6.97%	-1.36%	5.18%	5.07%	3.21%	3.48%	2.60%

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

Where are we in the cycle now?

Conceptually, a bull market in stocks moves in three distinctive phases:

- **Phase I** often starts in the depths of recession (the 08/09 GFC and lately the pandemic shutdown of 2020). It's primarily driven by expanding central bank liquidity (money printing), falling interest rates (monetary policy), and increasing fiscal policy stimulus. Multiple fiscal expansionary government policies characterize this phase despite many investors remaining cautious and sceptical. Prices can gyrate wildly with little notice or reason but a trend begins to emerge.

- **Phase II** kicks in as major stimulus from government policy starts to wane, but the economy remains strong in most areas of importance. In this phase, investors become more optimistic. P/E multiples are no longer expanding though, because the market has fully discounted the economic recovery. The advance in share prices is primarily driven by *underlying earnings growth.*

- **Phase III** The last phase arrives when optimism turns into euphoria, and a booming economy begins to bring about monetary tightening (interest rate increases). This is the point where price moves could herald a bear market beginning, or a major slump.

We are now gradually moving into Phase II … and this is where the *dependable and sustainable* earnings growth businesses perform better, because their financials and sales trends support the assertion. Hence they are priced as more valuable than those that cannot demonstrate the same. As a strategy, focusing on these companies has delivered consistent outperformance over multiple investment cycles. This approach is suitable for investors who want to confidently compound their wealth with relatively low risk. It is a strategy that works well in most phases of the investment cycle.

Interest rates: As the portfolio consists of sustainable growth companies, delivering strong near term as well as longer-term earnings growth, the valuations of Insync's portfolio of companies are less sensitive to changes in interest rates than other strategies. Importantly, Insync uses high discount rates in our valuation of businesses and not today's very low interest rates. Over the longer-term the portfolio's consistent growth in earnings has a bigger impact on valuations than changes in interest rates.

Most companies are below average players!

Media and market participants often quote where the 'market' is headed and where a fund stands relative to a 'benchmark'. It is instructive to take a look at what this means, and if they deserve to be the arbitrators of success or failure that many accept them to be.

The MSCI benchmark increased the number of stocks in the universe from circa 2,500 to close to 3000 today. At first glance that would appear to be positive. Right? *Not quite.*

Evidence over time shows that it is a narrow group of stocks that provide most of the returns. This is not a new phenomenon. For example, **only 4% of US companies were responsible for all net shareholder wealth creation between 1926 and 2019**. A further example shows the 'median' buy and hold return of a US stock held from 1926 to 2019, was minus 2.9%!

Rifle or a Shot Gun? This highlights the importance of our **rifle-like** approach to owning stocks (i.e. High conviction stocks with specific winning traits). This contrasts to **shotgun** approaches to investing where many funds either invest in a large number of stocks or multiple thematic baskets.

Key traits of top-performing 4% firms include:

- ✓ Strong management teams
- ✓ Highly cash generative businesses
- ✓ Reinvest significantly into growth opportunities
- ✓ High R&D spend
- ✓ More profitable on average.

Investing in companies with these specific traits that are benefitting from megatrend tailwinds are Insync's target group.

It is a tiny global group - just 200 companies – that make up this elite 4% cohort. Identifying the best businesses which are also benefitting from global Megatrends reduces Insync's focused universe at any point in time down again by half, to only 100 (or 3%) from the MSCI composition of 3000. A rifle-like focus is pivotal to delivering consistent outperformance.

Despite the stellar performance of our investments in firms such as **Apple**, **Adobe** and **Microsoft**, many technology stocks have historically been more likely to appear on a list of the *worst* rather than the best performers. Winning companies come from a broader range of sectors, which is why Insync invests in 30 highly profitable companies across 16 Megatrends that are often not tech companies at all.

Think… **Domino's** Pizza, **Accenture** and **Disney** as current examples.

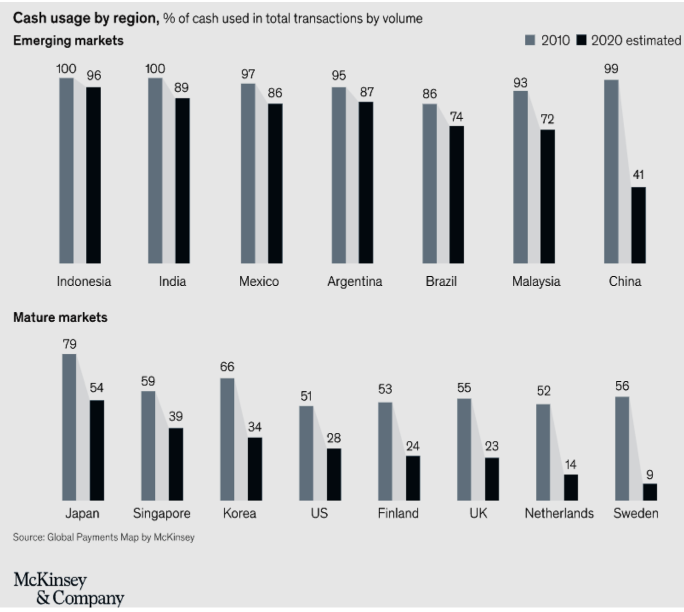
Megatrend in Focus: Contactless Economy
Health Safety First Means Contactless

In every region, contactless payments have become a driving differentiator: nearly two-thirds (63%) of consumers would switch to a new business that installed contactless payment options. For close to half of global consumers (46%), using contactless payment is among the most important safety measures for stores to follow. Nearly half (48%) would not shop at a store that only offers payment methods that require contact with a cashier or shared machine like a card reader.

Source: Visa

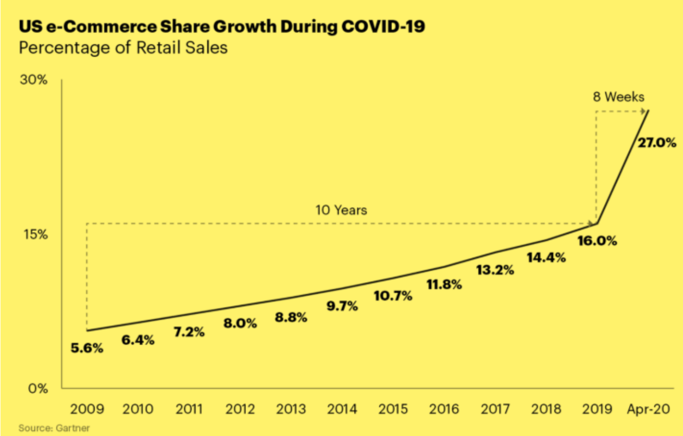
The transition to a cashless society has been an enduring Megatrend for the past 15 years. We have seen an evolution of payment methods over this period. Hovering a card, a phone or even a simple click on a screen. It wasn't long ago that the advent of credit and debit cards was a revolution. Now the arrival of contactless payments takes paying for something to a whole new level. It is however still very much in its infancy.

Each evolution of 'frictionless' payment accelerates the trend away from cash. The chart below shows that this trend still has a very long way to go in many countries before they reach the very low levels of Sweden today.



The chart below shows the sharp growth in e-commerce since the start of the pandemic, which has greatly accelerated the usage of online contactless payment options. There is still a long runway of growth likely to last at least a decade.

The trend was already underway but the pandemic acted as an accelerator. With this has come the need for using online contactless payment options. There simply was no other way to pay! The pandemic has forced all of us to adopt the new technology.

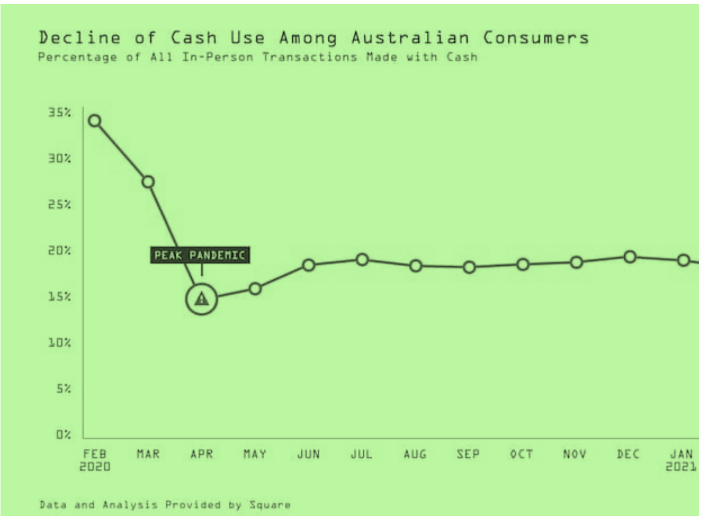


It took ten years to reach 16% and just 8 weeks to jump to a 27% share due to the pandemic. Globally, the e-commerce share of global retail sales currently sits at a lower than the US, and is likely to double in the next 5 years. Only a few well run, well positioned companies will reap a giant share of the benefits from this growth. Insync investors are nicely poised for this outcome within the portfolio.

Habits count!

How we pay for goods and services is a matter of habit, conditioning and familiarity. As a result, material change to payment behaviours often involves a long and reluctant journey, as consumer inertia, apathy or apprehension slow the overall adoption trajectory. COVID-19 has provided the impetus to overcome consumer inertia and has created an unprecedented global appetite for changes to how we pay.

Research shows that it takes 66 days for a new behaviour to become automatic. You can observe from the chart below the profound and permanent change in behaviour in Australia. This is occurring in all parts of the world.



Megatrends also need enterprises to exploit them. In Insync's case it is those companies in the top 3% of the world's top 3000. Investors often underestimate the **duration and acceleration** in the growth of highly profitable companies benefitting from Megatrends. It's common to see stocks we hold as sometimes overvalued by big Wall Street firms and larger fund managers who believe that their growth rates are already reflected in current share prices; only to watch such companies surprise the analysts with better-than-expected results. A surprise for them maybe, but not for Insync.

Currently **PayPal**, **Visa, Amazon,** and **Apple** are held in the portfolio and are ideally best positioned globally for the long runway of growth of contactless transactions that lay ahead. We see them undervalued despite their record earnings and recent profit results. They have much more to deliver to the patient investor who understands the Megatrends behind them.

Online payments via mobile devices and computers are growing at 18% p.a. and alternative e-commerce payment service providers like PayPal and ApplePay are growing faster (20% pa) than traditional card-based incumbents (14% pa) due at least in part to speed and convenience. Approximately 17% of global retail sales still settled by cash (e.g., China), so there is still substantial upside for increasing the market size.

Tailwinds for this megatrend are substantial from a push and pull perspective. Convenience for the consumer and the protection provided by some solutions has been a major factor in uptake, which we already noted, accelerated during the Covid pandemic. Governments also support non-cash payment systems due to greater transparency and the resulting tax capture that arises.

Spotlight on PayPal

PayPal is launching its "Pay in 4" buy-now-pay-later (BNPL) product to retailers in Australia and will be available across its existing 9 million active accounts by June 2021.

PayPal's technology is very strong, allowing it to roll out BNPL to a global customer base so quickly. They also have better knowledge of client's credit worthiness and spending patterns, allowing customers to borrow up to $1,500 which is in excess of Afterpay and other new entrants.

PayPal will charge 2.9% p.a. instead of Afterpay's 3-5%, and can be used anywhere in the world where PayPal is accepted.

PayPal's reach into merchants around the world is unsurpassed. Its response to the Afterpay/Zip Pay models etc is measured and aggressive enough to keep its online payments crown.

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

insync fund managers

April 2021 Statistical Monthly Update

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Insync Global Capital Aware Fund*	5.42%	8.37%	7.03%	17.82%	18.11%	17.85%	15.77%	14.18%	12.01%
Insync Global Quality Equity Portfolio ^	5.59%	9.56%	9.58%	22.05%	17.60%	17.59%	16.86%	16.66%	14.28%
MSCI ACWI (ex AUS) NTR (AUD)~	2.90%	8.93%	16.55%	23.41%	12.42%	12.52%	13.65%	13.18%	11.68%

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Risk Measures – Global Quality Equity Portfolio^

	1 Year	3 Years	5 Years
Standard Deviation	12.75%	13.93%	12.30%
Tracking Error	9.27%	7.33%	6.49%
Information Ratio	-0.15	0.73	0.53
Sharpe Ratio	1.71	1.22	1.29
Batting Average	50.00%	63.89%	58.33%

Risk Measures – Global Capital Aware Fund*

	1 Year	3 Years	5 Years
Standard Deviation	12.58%	12.61%	11.20%
Tracking Error	9.72%	8.47%	7.31%
Information Ratio	-0.58	0.63	0.29
Sharpe Ratio	1.40	1.35	1.30
Batting Average	50.00%	61.11%	53.33%

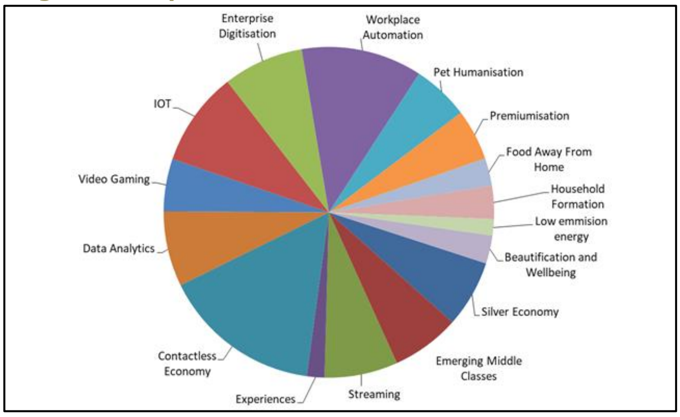
Capture Ratios – Global Quality Equity Portfolio^

	3 Years	Since Incep#
# Index Positive Months	23	88
# Index Negative Months	13	51
Up Market Capture	1.14	0.95
Down Market Capture	0.85	0.64
Capture Ratio	1.34	1.49

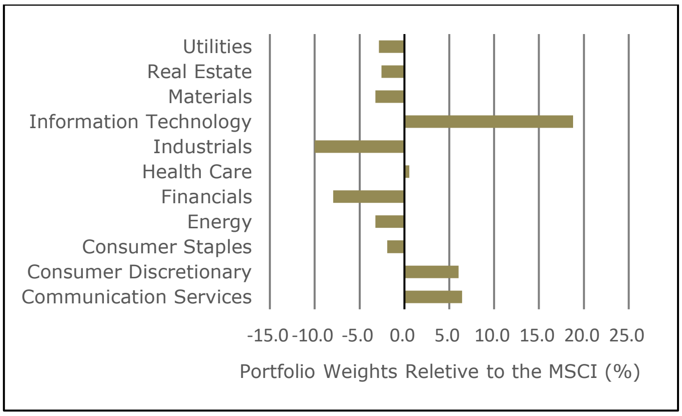
Capture Ratios– Global Capital Aware Fund*

	3 Years	Since Incep#
# Index Positive Months	23	88
# Index Negative Months	13	51
Up Market Capture	1.03	0.81
Down Market Capture	0.62	0.56
Capture Ratio	1.67	1.46

Megatrend Exposures



Portfolio Sector Weights vs MSCI



Top 10 Active Holdings

Stock	%
PayPal	4.4%
Qorvo Inc	4.4%
Domino's Pizza	4.2%
Walt Disney	4.1%
S&P Global	4.1%
Nvidia	4.1%
Facebook	4.1%
Accenture	3.9%
Visa	3.9%
Qualcomm	3.8%

Key Portfolio Analytics

	Portfolio	Index
Forward PE	29.49	37.00
ROIC	59.17	11.56
Market Cap (USD avg)	462.72	41.88
Market Cap (USD median)	147.63	16.49
Std deviation (ex ante)	14.68	14.81
Net Debt to Equity	49.71	51.73
Total Debt to Ebitda	1.96	3.97

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