Insync Funds Management – Monthly Update

August 2020

	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	10 Years	Since Incep#
Insync Global Capital Aware Fund*	6.52%	5.40%	14.90%	20.86%	19.10%	20.53%	13.15%	13.61%	12.38%
Insync Global Quality Equity Portfolio ^	6.73%	6.73%	12.06%	16.90%	15.66%	19.64%	14.26%	15.64%	14.43%
MSACI ACWI (ex AUS) NTR (AUD)~	2.92%	3.45%	0.60%	6.44%	6.71%	11.69%	9.33%	12.07%	10.92%
Global Capital Aware Active Performance	**3.61%**	**1.95%**	**14.30%**	**14.42%**	**12.39%**	**8.84%**	**3.82%**	**1.53%**	**1.46%**
Global Quality Active Performance	**3.81%**	**3.28%**	**11.46%**	**10.45%**	**8.95%**	**7.95%**	**4.93%**	**3.56%**	**3.51%**

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

Two factors driving our out-performance are our **Megatrends** and our unique process of disciplined analytical **stock selection**. This is much more than just investing in companies currently 'disrupting' if one is to obtain a longer term result. It's also easy to forget non-tech stocks in the present market- we don't.

The Insync Difference?

Insync's investment approach is a strong diversifier to almost all competing investment styles once you delve into the *detail* of what we do. For example, our proprietary Megatrends transcends typical market boundaries, research labels and categorizations. Their multiyear return profiles usurp traditional country, industry and style factors. Disruption acceleration in industries makes Megatrends essential in avoiding the short-comings of traditional 'style boxes' that are otherwise leading to wide dispersions of performance both across and within styles (e.g. 'value box' managers and Value vs Growth styles).

Not just Tech Stocks….

Whilst many managers focused on growth and disruption end up with a concentrated portfolio of technology companies, Insync's overarching focus on 16 global megatrends provides significantly greater diversity. Examples include; **immuno-oncology** drugs, **robotic assisted surgery**, **food away from home**, **universal basic income**, **athletic leisure** and **pet medication**. Key elements of technology such as cloud computing, 5G, cloud computing and the internet of things (IoT) are present as well.

How we allocate across stocks makes a big difference…..

Constructing the portfolio weightings is critical and we place strong emphasis on risk. We continuously monitor the interplay of various risk factors and concentration between these Megatrends to create a well-balanced and diversified portfolio - some 30 highly profitable companies across 16 megatrends.

Valuations are important… so why don't we focus on P/E ratios?

A persistent factor of Insync's stock selection success is in identifying which companies with one or more Megatrend 'tailwinds' have a strong ability to increase their performance. Our approach can confound traditional investment expectations by not only delivering significant returns compared to stocks that optically look much 'cheaper' (focusing on P/E multiples), but also possess lower downside volatility.

Price to Earnings ratios are often unsuitable and over-used when evaluating a company or assessing the attractiveness of an equity market. This is due to an inherent human bias known as the **availability bias** where investors take shortcuts and rely on simple readily available metrics. However, a P/E multiple is not a 'valuation'.

As business models evolve, companies are increasing expenditure on *innovation* to drive sustainable growth. Yet, traditional valuation tools such as P/E ratios and price/book ratios often send false indications as a result of how they account for this. Insync prefers the 'windshield' view than the 'rear-view mirror' of accounting. We have a proprietary valuation framework that is **future-focused** utilising an analytical framework to assess the likely path of a company's future earnings growth and to determine the intrinsic value of a business.

The accounting world has not kept up with the developments in the real world. This won't change anytime soon, providing us additional opportunities to invest in profitable and sustainable growth companies that PE and Price to Book ratios would conclude otherwise.

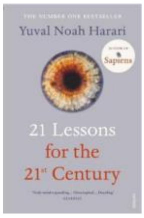
Megatrend: Universal Basic Income – Secular shift towards value for money based consumption

Described by Martin Luther King Jr as the solution to poverty, universal basic income (UBI) may become an inevitability in this era of advanced technology. By 2040, technology will be ubiquitous; automation, AI and robots will be in operation in businesses across all industries, improving efficiencies and creating profit, while ultimately displacing many jobs, forecasted to impact as much as 20% of the global workforce by 2030. They will do far more than they do today.

Until now, technology replaced only the physical work of people. Once displaced, with some assistance and re-training a worker could move to a new employment vocation. Now, AI is rapidly taking on that other human ability- *cognitive ability*. This is a historical first. Whilst a worker could go from building car-doors to operating a machine that builds the doors, it is a massive leap of huge cognitive capability to move from that role to advance AI software programming as a vocation. Massive upheavals in a short time frame can create mass unemployment and under employment.

An excellent and engaging thought leader's book on this subject is Yuval Noah Harari's;

'21 Lessons for the 21st Century'



Weak employment growth has been a key feature of previous economic recoveries – a phenomenon economists call "jobless recovery". In the US, following the 2008 GFC, it took 6+ years for employment to return to its pre-recession peak. The recessions of 1991 (post-Gulf War) and 2001 (the dot-com bubble), also saw long-lasting high levels of unemployment, with immense economic and social consequences.

In Europe, the effect on employment after 2008 was even more dramatic. It took the EU 11 years to return to its pre-crisis unemployment rate of 6.7%. In addition, real wages have stagnated and there hasn't been a rise in income levels over the past decade. In fact numbers from PEW show that despite healthy employment numbers prior to Covid-19, when taking into account inflation, the average wage *"has about the same purchasing power it did 40 years ago."* This has forced many consumers to become more value-savvy once home mortgages and credit cards become tapped out.

Regardless of the pros and cons of UBI, or whether it will in fact be introduced, Covid-19's devastation upon the labour force, and continued downward pressure on wages, will all lead to a more frugal way of life and a secular shift towards value for money based consumption.

Beneficiaries of this Megatrend are discount stores. Data from e-commerce analytics firm *Edge by Ascential* show that discount retail stores, such as **Dollar Stores**, have been growing at a much faster clip than other retailers. These value-based stores are experiencing acceleration in sales at a time when many businesses are struggling. Year-on-year traffic for one leading discounter increased by the mid-teens in both April and May, and crossed 20% in June.

As other retailers struggle to stay afloat due to Covid-19, dollar stores in the United States are continuing to increase their physical presence as well as their profits. Dollar stores cluster in either rural areas where access to traditional grocery and retail is limited or are in underserved urban communities. They are also more prevalent in lower income communities especially as Covid-19 unemployment numbers have skyrocketed. Many Americans are becoming more budget-conscious.

Source: BizQuest.com

Insync's stock investment benefitting from the UBI Megatrend generates a very high return on invested capital. It is expected to increase the number of stores by 50% over the next 8 years. In a period of 'retail apocalypse' how many bricks and mortar retailers can provide such a high level of visible profitable growth?

The UBI megatrend is one of the 16 global megatrends in the portfolio and exemplifies the diversity of investments that exist within the Insync funds.

Universal basic income (UBI) is a model for providing all citizens of a country or other geographic area with a given sum of money, regardless of their income, resources or employment status. The purpose of the UBI is to prevent or reduce poverty and increase equality among citizens.

UBI is also known simply as Basic Income. According to the advocacy group Basic Income Earth Network (BIEN), the essential principle behind basic income is the idea that all citizens are entitled to a liveable income, whether or not they contribute to production and despite the particular circumstances into which they are born.

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Risk Measures – Global Quality Portfolio^

	1 Year	3 Years	5 Years
Standard Deviation	16.32%	13.33%	12.33%
Tracking Error	7.81%	6.34%	5.89%
Information Ratio	1.34	1.39	0.92
Sharpe Ratio	1.00	1.45	1.08
Batting Average	66.67%	66.67%	58.33%

Risk Measures – Global Capital Aware Fund*

	1 Year	3 Years	5 Years
Standard Deviation	14.17%	11.96%	11.27%
Tracking Error	9.58%	7.39%	7.06%
Information Ratio	1.51	1.20	0.54
Sharpe Ratio	1.43	1.62	1.04
Batting Average	66.67%	58.33%	53.33%

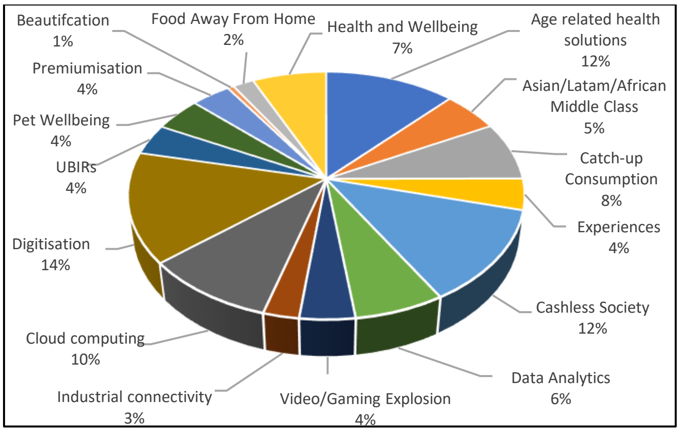
Capture Ratios – Global Quality Portfolio^

	3 Years	Since Incep#
# Index Positive Months	23	83
# Index Negative Months	13	48
Up Market Capture	1.22	0.98
Down Market Capture	0.74	0.62
Capture Ratio	1.65	1.58

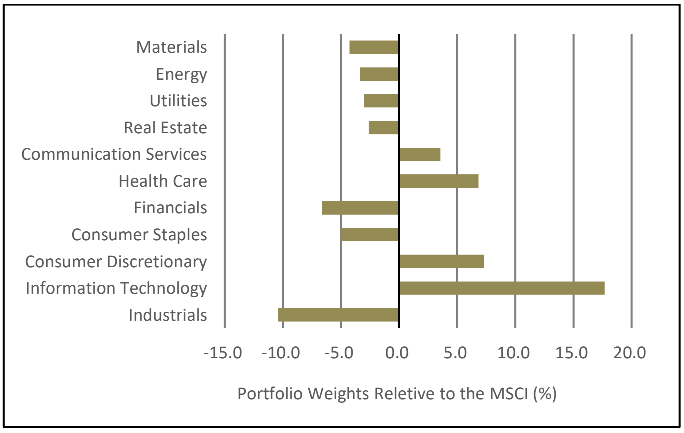
Capture Ratios– Global Capital Aware Fund*

	3 Years	Since Incep#
# Index Positive Months	23	83
# Index Negative Months	13	48
Up Market Capture	1.11	0.84
Down Market Capture	0.53	0.53
Capture Ratio	2.10	1.57

Megatrend Exposures



Portfolio Sector Weights vs MSCI



Top 10 Holdings

Stock	%
PayPal	4.9%
Facebook	4.5%
Adobe	4.3%
Visa	4.3%
Microsoft	4.0%
Domino's Pizza	3.8%
S&P Global	3.7%
JD Sports Fashion	3.6%
Walt Disney	3.5%
Nvidia	3.4%

Key Portfolio Analytics

	Portfolio	Index
Forward PE	31.50	36.06
ROIC	51.70	11.22
Market Cap (USD avg)	432.85	18.74
Market Cap (USD median)	138.84	5.20
Std deviation (ex ante)	14.69	14.24
Net Debt to Equity	37.76	63.32
Total Debt to Ebitda	2.43	4.27

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