

Strong positive returns again for the month. This is consistent with the long-term pattern of performance over all long-term time periods. Interestingly the year can be broadly split into two halves. The period September 20' through to March 21' was dominated by the outperformance of *economically sensitive* stocks (cyclicals). Insync has zero exposure to them by nature of what we seek in a company. The second half from April, saw outperformance switch to *quality growth* stocks, which as you'd expect, we do own.

When cyclical stocks outperform it tends to be very strong but short lived. This has been the case for the better part of the last 13 years. As economies globally bounce off the extreme covid lows it is becoming increasingly evident that we are gradually moving into a *low growth environment*. This is consistent with the post GFC (2008) era, and it tends to favour companies in the Insync portfolio- highly profitable with long runways of growth propelled by Megatrends.

	1 Month	3 Months	6 Months	1 Year	2 Years	3 Year	5 Years	10 Years	Since Incep#
Insync Global Quality Equity Portfolio ^	2.63%	17.28%	26.28%	23.70%	20.25%	19.28%	19.24%	18.28%	15.28%
Insync Global Capital Aware Fund*	2.26%	16.77%	24.72%	20.27%	20.57%	19.49%	17.91%	15.73%	13.02%
MSCI ACWI (ex AUS) NTR (AUD)~	3.11%	10.87%	20.67%	30.21%	17.73%	14.03%	15.02%	15.75%	12.42%
Global Quality Active Out-Performance	-0.48%	6.42%	5.61%	-6.50%	2.53%	5.25%	4.22%	2.53%	2.86%
Global Capital Aware Active Out-Performance	-0.85%	5.90%	4.05%	-9.94%	2.84%	5.46%	2.88%	-0.02%	0.60%

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

Why we don't try to predict macro-market changes.

We don't need to, no investor does. It is well established that the total returns of a stock follow the *earnings growth of a business* in the long term.

Companies that can *sustainably grow their earnings* at a *high rate* over the *long term* are called **compounders**. Investing in a portfolio of compounders is one of the best ways to generate wealth for longer-term oriented investors that beat market averages. A major benefit of compounders is that market timing is rarely an issue, hence risk is also reduced.

Our industry spends an inordinate amount of time trying to predict or forecast the future of markets. Sophisticated soothsaying by in-large. The probability of getting this right on a consistent basis is very low. Many espouse otherwise but a check of their historical records on predictions are quite revealing.

Consider this:

- \$10,000 invested in the S&P 500 Index in 2000 was worth over \$42,000 by December 2020. A healthy return of circa 7.5% pa.

- 70% of this return came from just 10 days. Miss those 10 and your funds grew to only \$19,300. For those managers in the 'predictions game' this is what is at stake.
- Miss the best 20 days and your account balance fell lower to \$11,500. That's less than 5% of the potential return of remaining fully invested.

Returns of the S&P 500
 Performance of a \$10,000 investment between January 2, 2001 and December 31, 2020



What about the worst 20? It is also valid that avoiding *the worst 20 days* would have boosted your return beyond the fully invested 7.5% annualised return.

The best and worst return periods show that extreme events have a large bearing on investor returns. Based on volatility around extreme events (and their mostly unpredictable appearances), it is impossible to predict the worst and best days.

Indexing cannot filter in/out the extremes. If only those sophisticated 'crystal balls' in the hands of commentators and fund managers actually worked! *Insync's "active" basket of 28 compounder stocks*, carefully constructed to control the risk, delivers outperformance over passive benchmarks, over both full and multiple investment cycles, and does so without having to predict extreme events.

Fastest decline in history. The Covid-19 pandemic clearly demonstrates the folly of an approach based on prediction. It created the fastest stock market decline in history catching out investors who believed prediction works. Let's say however, you were right and got out in time. Next and without warning, the *fastest recovery in history* then occurred. Unless you were in the market you missed out in a big way.



Predictions require constant and correct timing decisions. Stay in or out? If out, when? Then to where? And for how long? Thus, multiple questions need to be answered just for each event. Now, repeat over the life of your investment hundreds of times. No person or organisation has successfully got these answers sustainably right to produce great enduring outcomes.

Market timing strategies also cannot benefit from the compounders. This is because timing tends to interrupt the powerful process of the conversion of earnings into price appreciation.

Insync's focus on investing in compounders means we don't need to concern ourselves with the low hit-rate strategy of market timing stocks we hold. This is just one way we lower risk to our investors yet retain above average returns over time that endure.

Examples of compounders

IDEXX and Adobe have been in the Insync portfolio for a number of years. Typical to our holdings they deliver sustainable compound earnings growth. Selling these two stocks in anticipation of, or during, the crisis would have resulted in us missing the substantial upside in their earnings growth and the ensuing stock returns they produced since the Covid induced market lows.

IDEXX Laboratories



Adobe



White line – Share price Dark line – EPS growth

Introducing the Metaverse

The successor to the internet.

Welcome to the metaverse! A place where digital (Augmented Reality & Virtual Reality) converge with our physical lives. Creativity is limitless with location-defying worlds bringing people together. Be present inside the internet and not just looking at it. It is the next evolution of online experiences (Web 3.0). Furthermore, you can make money *in it*, and not just spend money *on it*.



The phrase *metaverse* was coined a long time ago by Neal Stephenson, in his 1992 science-fiction novel *Snow Crash*, set in a near future in which the virtual world and the physical world were inextricably interconnected.

Epic Games, Microsoft, Facebook and **SK Telecom** are seriously embracing this development. **Burberry, Coca-Cola,** and **Visa** are just a few of many consumer brands racing to be part of it.

The Metaverse can be divided into 3 broad categories:

- **MetaLives** - the rise of *virtual possessions*, the close connection between digital access and health and wellbeing, and technology's broader role in creativity and lifestyles.
- **MetaSpaces** - the growing popularity of *virtual venues* and blended virtual/real world spaces, redefining home, events, and holidays.
- **MetaBusiness** - the uplift in "gamevertising" and emergence of new retail frontiers.

As COVID-19 restrictions ease, the acceleration of technology and its prominence will continue, boosted into greater acceptance by the pandemic.

Investing in the Metaverse

When investing in a powerful new trend, a systematic framework is important to generate outsized returns whilst controlling risk. This is what Insync has in place.

We are in the early stages of the Metaverse journey. Like a lot of new innovations and trends, one can invest too early in the *adoption phase*. Most companies that are built primarily around the early phase of a trend are typically unprofitable and become unsustainable businesses, creating losses for investors.

Caution! The 'technology bubble' of 2000 provides an important case study of investing in a very early stage of the adoption phase. Most investors back then ended up losing over 80% of their capital. Innovative new technologies and trends take time to evolve into profitable business models. It was well over a decade before profitable winners from the internet emerged.

Facebook well positioned to win in the Metaverse

The smarter way to invest in the Metaverse today is to look at existing highly profitable companies positioning themselves to both drive the trend and future-proof their business against potential disruption.

Facebook's advantages are immense. It has more users, daily usage and user-generated content created each day than any other platform. It has the second largest share of digital advertising spend, generating billions in cash and free cash-flow.

With thousands of world-class engineers, and high-conviction from a founder with majority voting rights, it has the right stuff to succeed. It is a well-known fact that founder led companies tend to outperform.



<https://www.cbsnews.com/news/facebook-launches-horizon-workrooms-virtual-reality-app/>

Facebook's Metaverse-oriented assets are growing rapidly.

Alongside the Oculus goggles are patents for semiconductor and brain-to-machine computing interfaces. Almost one in five Facebook employees are now working on VR and AR as it invests deeply to help shape what they believe is going to be the next major leap in computing platforms. Facebook's focus is to see it develop in a way that is fundamentally about people being present with each other and coming together (social aspect).

Facebook and the Metaverse workforce

Teleportation, holograms, and roaming avatars—this isn't the latest sci-fi movie, this is the future of work. Covid has reshaped the future of work, pointing to a flexible hybrid model in the services sector in particular.

"We anticipate never going back to five days a week in the office. That seems very old-fashioned now," stated Alan Jope, CEO of Unilever.

This thinking is aligned with employee expectations shaped from the pandemic: more than 70% want flexible and remote work to continue, according to a Microsoft 2021 survey.

This year Facebook introduced Horizon Workrooms, a "collaboration experience". It allows people to collaborate, communicate and connect through VR. The idea is for the experience to feel as close to in-person as possible, enabling "lifelike" conversations. Oculus will allow users to teleport from one place to another without moving from their sofa—not only for gaming and entertainment, but also for work.

Facebook meets our stringent tests for the ideal 'quality compounder' business. It is also present across several of our Megatrends and is an emerging leader in harnessing and profiting from the Metaverse.

As just one of our 28 highly profitable and innovative companies spanning 16 global Megatrends, Insync investors enjoy multiple opportunities, with the risks sensibly managed. The future for Insync investors is bright. Invest with us.

August 2021

Statistical Monthly Update

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MSCI ACWI (ex AUS) NTR (AUD)~	3.11%	10.87%	20.67%	30.21%	17.73%	14.03%	15.02%	15.75%	12.42%

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Risk Measures – Global Quality Equity Portfolio^

	1 Year	3 Years	5 Years
Standard Deviation	13.00%	14.55%	12.63%
Tracking Error	8.92%	7.53%	6.89%
Information Ratio	-0.73	0.70	0.64
Sharpe Ratio	1.81	1.28	1.46
Batting Average	41.67%	61.11%	58.33%

Risk Measures – Global Capital Aware Fund*

	1 Year	3 Years	5 Years
Standard Deviation	12.76%	13.31%	11.62%
Tracking Error	9.36%	8.69%	7.63%
Information Ratio	-1.06	0.63	0.38
Sharpe Ratio	1.58	1.41	1.45
Batting Average	41.67%	58.33%	53.33%

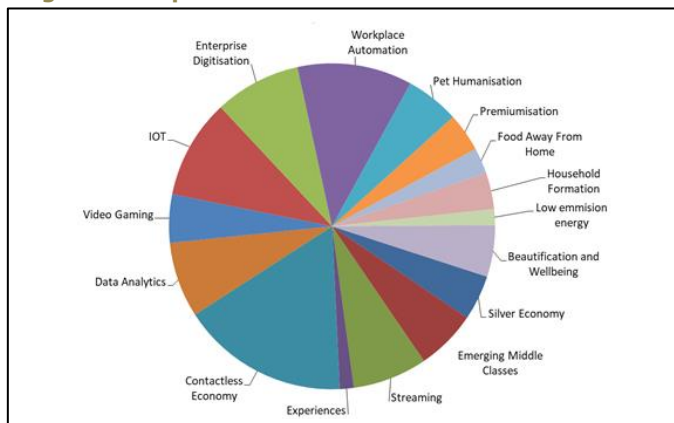
Capture Ratios – Global Quality Equity Portfolio^

	3 Years	Since Incep#
# Index Positive Months	24	92
# Index Negative Months	12	51
Up Market Capture	1.17	0.97
Down Market Capture	0.94	0.64
Capture Ratio	1.24	1.51

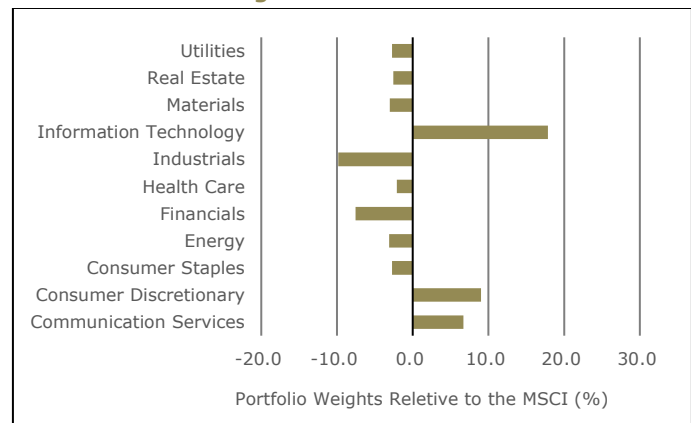
Capture Ratios– Global Capital Aware Fund*

	3 Years	Since Incep#
# Index Positive Months	24	92
# Index Negative Months	12	51
Up Market Capture	1.06	0.83
Down Market Capture	0.69	0.56
Capture Ratio	1.54	1.50

Megatrend Exposures



Portfolio Sector Weights vs MSCI



Top 10 Active Holdings

Stock	%
Facebook	5.0%
Qualcomm	4.3%
Qorvo Inc	4.3%
Domino's Pizza	4.2%
S&P Global	3.9%
NVIDIA	3.8%
Apple	3.6%
Nintendo	3.4%
PayPal	3.3%
Walt Disney	3.3%

Key Portfolio Analytics

	Portfolio	Index
Forward PE	30.63	30.51
ROIC	69.67	13.98
Market Cap (USD avg)	557.08	48.11
Market Cap (USD median)	146.30	19.10
Std deviation (ex ante)	16.82	14.35
Net Debt to Equity	169.51	54.44
Total Debt to Ebitda	1.78	3.46

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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