

The funds underperformed the benchmark for the 4 weeks of February that in turn impacted the figures of the shorter term periods ending in February. This was primarily driven by the largest swing towards value style stocks in over 20 years. As stated last month these big initial swings are a typical reaction to a change in the macro-economic outlook, and is not cause for us to react.

The 'value' style category fell -2.8% CYTD with 'growth' styles falling -12.5%, according to JP Morgan. The lesser known 'quality' style category where Insync resides is neither value nor growth, although we tend to hold stocks the market categorises as Growth. 2022 marked the 5th worst start for S&P 500 since 1927. Inflation fears have the market pricing in 5-6 interest rate rises this year, precipitating the heavy swing initially, with Ukraine's invasion by Russia creating price spikes in both energy and commodity prices as well. Markets hate uncertainty.

It's no surprise then that material and energy stocks were the best performers in February (*Insync has zero exposure to these sectors due to their low ROICs through the cycle*). It's highly probable that the negative macro factors will slow economic growth. This in turn, will then favour a **move back to profitable growth companies** (*rather than growth stocks overall*). These are the type of stocks we hold. Thus, we liken the current portfolio to a coiled spring. When investors soon refocus on company fundamentals, the share price performance of quality businesses then rebound quickly and sharply. This usually 'surprises' commentators and investors alike. Earnings growth across the portfolio continues to compound strongly despite macro shifts, with valuations becoming more attractive.

	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	10 Years	Since Incep#
Insync Global Quality Equity Portfolio ^	-9.17%	-15.18%	-12.47%	10.53%	10.15%	15.54%	15.56%	15.33%	13.05%
Insync Global Capital Aware Fund*	-9.49%	-15.32%	-12.93%	8.60%	9.69%	15.34%	15.01%	13.33%	11.22%
MSCI ACWI (ex AUS) NTR (AUD)~	-5.56%	-5.96%	-4.61%	15.11%	11.78%	12.76%	12.83%	14.42%	11.47%
Global Quality Active Out-Performance	-3.61%	-9.22%	-7.86%	-4.58%	-1.63%	2.78%	2.72%	0.91%	1.58%
Global Capital Aware Active Out-Performance	-3.93%	-9.36%	-8.32%	-6.51%	-2.09%	2.58%	2.18%	-1.09%	-0.25%

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

Governance factors are why Russia and its peers don't appear with Insync

Russia's invasion of Ukraine is one of the greatest tragedies of our lifetime. Your funds have no direct exposure to Russian equities and virtually zero indirect exposure. The simple reason is that Russia is a Kleptocracy run by a ruler who has used his political power to systemically steal billions of dollars of its national treasure owned by its people. When there is no rule of law and therefore no shareholder rights then valuations do not matter. The risk of near total of loss of capital is too high. Companies with strong governance nearly always do the right thing and also deploy capital wisely.

Our very strong focus on governance means you won't be faced with a compromising conversation with clients when investing with Insync.

Why we are confident that sustainable growth companies are poised to perform strongly

Almost every big slowdown in the past has been preceded by a rise in energy prices and Federal Reserve rate hikes.

Going forward then, markets will likely start shifting focus to the prospect of weaker economic growth and refocus on investing in businesses with durable, sustainable earnings growth and profitability.

This economic backdrop propels precisely the kind of stocks we hold. Overlaid with identified megatrends, it enables these companies to thrive irrespective of higher rates or slower growth.

Meantime, in the near term expect ongoing volatility in markets and most equity funds as well including our own.

Indicators suggest that the market may be surprised on the upside

We have often discussed the difficulty and danger of market timing. The probability of getting it right more often than wrong is extremely low. Right now, investor sentiment is very bearish with the AAI investor sentiment survey at its lowest point since April 2020. Fund managers overall reflect this view, holding the highest level of cash since the covid lows and at the bottom of the GFC.

Both of these factors historically herald the start of a rally in equities backed up by empirical evidence.

This is why we remain fully invested when markets swing wildly as one would expect in these moments of macro-economic uncertainty. For good reason we didn't react in previous occasions such as now, and we won't in future ones either.

This is also why we remain fully invested unlike many of our peers. Should timing be desired in the hope of avoiding the dips and riding the peaks, then we believe this is a decision for the investor and their adviser.

We continue with our usual rifle like approach of investing in the **most profitable companies with a long runway of growth fuelled by megatrends**. We refrain from trying to time these shifts as this lowers risks and, longer term, aids returns.

Megatrend in Focus: Enterprise Digitisation is accelerating

Whilst we focused on this exciting megatrend and Accenture last year, things are moving even faster than forecast and so a revisit is timely.

Accenture is a prime holding for this megatrend and thus remains in the Insync portfolio. In their recent earnings call, they announced a very strong demand environment. This has induced **double-digit growth** in all parts of their business and also across all their markets, industries and services.

Many of their clients are embarking upon bold transformation programs, often spanning multiple parts of their enterprise in an accelerated time frame. Macro-economics have little impact on these companies spend on digitisation. These clients recognize the need to transform almost all of their businesses, meshing technology, data and AI and with new ways of working and delivering their product or service to market.

Current market gyrations have not changed the trajectory of our identified megatrends (including this one) in the Insync portfolio. Our companies such as Accenture continue to grow profitably at multiples many times that of GDP.



Insync's intense focus on the fundamentals, investing in businesses like Accenture that are compounding their earnings at high rates, gives us confidence that the portfolio is well positioned to deliver strong returns as volatility in markets subside.

Stocks held by Insync possess:

- Far lower than market debt to equity,
- Excellent interest coverage,
- 4x the ROIC of the market average,
- Not dependent on new capital for growth,
- Margin and/or pricing power

Go to our April 2021 edition of our monthly update for a closer look at Accenture and why the Digitisation megatrend is one not to be missed.

<https://www.insyncfm.com.au/post/insync-april-2021-fund-commentary>.

An instructive (although disturbing story) on investing in Russia is by William Browder of the famed Hermitage Capital. As the owner of that managed fund, he specialised in Russian assets, and afterwards was the sole person that drove US politicians to create the **Magnitsky Act** (providing the legal recourse to impose sanctions on individuals and freezing of assets). Since then, several other powerful democratic nations have followed suit.



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Risk Measures – Global Quality Equity Portfolio^

	1 Year	3 Years	5 Years
Standard Deviation	20.20%	16.14%	14.37%
Tracking Error	10.90%	8.88%	7.59%
Information Ratio	-0.41	0.32	0.44
Sharpe Ratio	0.52	0.93	1.06
Batting Average	41.67%	58.33%	58.33%

Risk Measures – Global Capital Aware Fund*

	1 Year	3 Years	5 Years
Standard Deviation	20.08%	15.32%	13.47%
Tracking Error	10.88%	9.69%	8.20%
Information Ratio	-0.59	0.27	0.27
Sharpe Ratio	0.42	0.97	1.05
Batting Average	41.67%	58.33%	53.33%

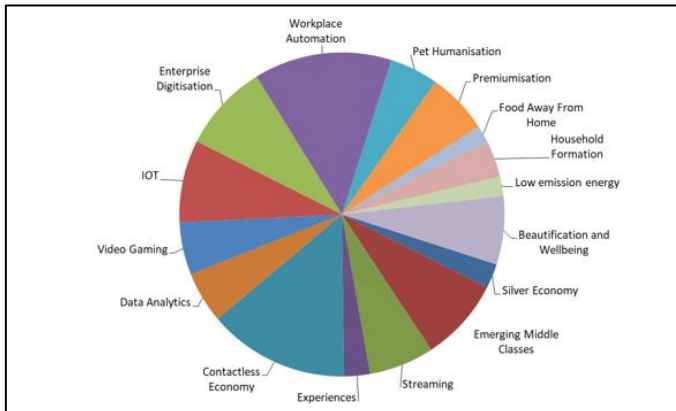
Capture Ratios – Global Quality Equity Portfolio^

	3 Years	Since Incep#
# Index Positive Months	24	95
# Index Negative Months	12	54
Up Market Capture	1.24	0.98
Down Market Capture	1.27	0.78
Capture Ratio	0.98	1.27

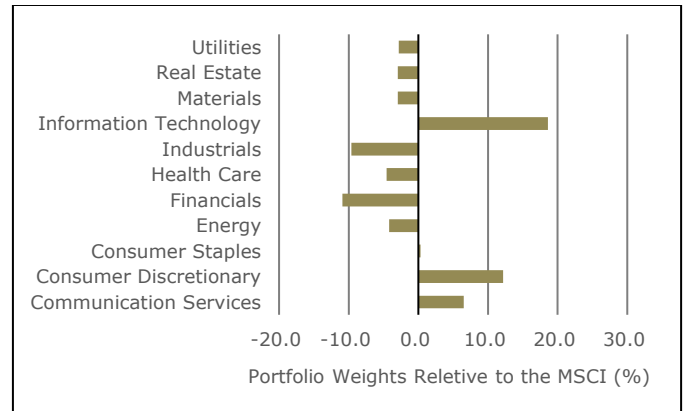
Capture Ratios– Global Capital Aware Fund*

	3 Years	Since Incep#
# Index Positive Months	24	95
# Index Negative Months	12	54
Up Market Capture	1.15	0.85
Down Market Capture	1.09	0.70
Capture Ratio	1.05	1.21

Megatrend Exposures



Portfolio Sector Weights vs MSCI



Top 10 Active Holdings

Stock	%
Qualcomm	4.5%
Apple	3.9%
Nintendo	3.7%
S&P Global	3.7%
Qorvo Inc	3.1%
Home Depot	3.0%
LVMH	3.0%
Domino's Pizza	2.9%
Microsoft	2.9%
KLA Corp.	2.8%

Key Portfolio Analytics

	Portfolio	Index
Forward PE	22.63	15.94
ROIC	65.83	15.18
Market Cap (USD Bln avg)	572.10	44.67
Market Cap (USD Bln median)	181.70	17.47
Std deviation (ex ante)	17.73	14.54
Interest Cover	216.51	59.19
Total Debt to Ebitda	1.56	3.27

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

Disclaimer

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