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

insync fund managers

September Quarterly Update

Insync investors enjoyed a positive return from a tumultuous negative month, out-performing the benchmark again. This result continues across all time periods noted below. How we achieve it is quite different to most. Disruption is now a popular term. Insync has 10 years of investing in disruption but with important nuances not shared by others, and this is key to the return and risk outcomes delivered.

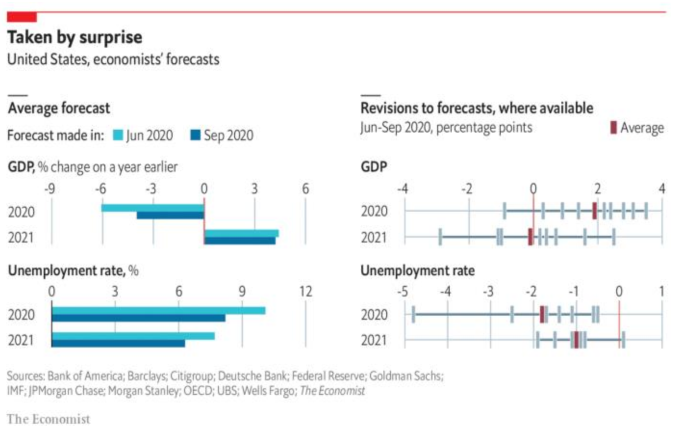
	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	10 Years	Since Incep#
Insync Global Capital Aware Fund*	0.27%	8.27%	20.49%	23.94%	19.89%	20.31%	13.51%	13.65%	12.31%
Insync Global Quality Equity Portfolio ^	0.33%	9.20%	22.06%	19.31%	17.81%	20.29%	15.34%	16.17%	14.58%
MSCI ACWI (ex AUS) NTR (AUD)~	-0.08%	3.96%	10.03%	4.29%	6.45%	10.53%	9.91%	12.00%	10.82%
Global Capital Aware Active Out-Performance	**0.35%**	**4.30%**	**10.46%**	**19.65%**	**13.44%**	**9.78%**	**3.59%**	**1.65%**	**1.48%**
Global Quality Active Out-Performance	**0.41%**	**5.24%**	**12.03%**	**15.02%**	**11.36%**	**9.76%**	**5.42%**	**4.17%**	**3.76%**

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

The folly of forecasting recoveries

Insync continues generating strong consistent outperformance against the benchmark because of its unique approach to investing in *global megatrends*.

Whilst many try to correctly forecast economic recovery shapes (in vain), Insync's invests in highly profitable companies with long runways of growth. They are not dependent on economic cycles or their 'shape'. A higher probability of identifying winning companies of tomorrow results.



Even Federal Reserve estimates for how far GDP would fall has significantly changed over the last 3 months (along with governments and the IMF etc). The Fed's latest is a decline of -3.7 % by year's end, compared to June expectations of -6.5%. A massive divergence! Best of luck if your fund managers are relying on these forecasts in guiding their investment strategy.

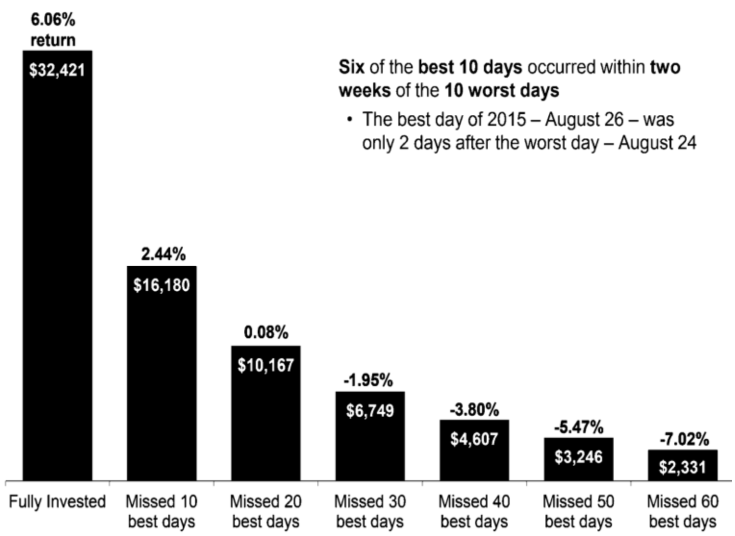
A rifle like approach: Insync's hi-conviction, low trading, *megatrend driven* process avoids wasting precious time on crystal ball gazing and taking unnecessary timing risk from sitting in cash.

It is important for investors to understand *how* their fund managers generate returns. Insync's risk and returns comes from **stock-picking** (idiosyncratic risk) as opposed to market timing risk (systematic risk).

Market timing's cost

The chart shows the significant opportunity cost of market timing. Missing the best days in the S&P 500 (Jan 3, 2000 - Dec 31, 2019) costs. Sitting on cash was a high-risk approach for fund managers.

$10,000 investment's worth



Source: JP Morgan

Recessions average since 1918, 13 months. Markets typically bottom between 3 and 8 months before the end of the recession (post WW2). Current market and economic gyrations are consistent with this long-term history.

NVIDIA's in the real driver's seat of autonomous cars

How, who and where investors participate in disruption and innovation is crucial. Artificial intelligence (AI) is on everyone's lips presently and for very good reason. In this case, it's AI that can *learn from experience* then *make decisions* unassisted by humans. This is the *where*, but *how* and *who*?

Who? NVIDIA- a $480Bn USD NASDAQ listed firm. Its developed what's called a Graphic Processing Unit (GPU). A very big deal in chip technology and the leading tool for those businesses wanting to train computers in both *visual and conversational* AI. Take Autonomous Vehicles; their AI requires onboard computers to identify an object and respond accordingly, such as a stop sign. To do so, it must undergo machine learning.

Audi partners with NVIDIA because the GPUs can facilitate, for example, the projection of 1000's of different stop signs, sometimes partially blocked by objects like trees or in fog etc. to be detected by a car's sensors. NVIDIAs GPU reduces the machine learning time (of a CPU) from months to just days. Results are loaded into the car's electronic memory. Whilst CPUs will still feature in AI, their linear calculations are no match for the multiple, parallel computations performed by a GPU; and just when we were beginning to embed the term 'CPU' in our vernacular, GPU becomes the new standard.

Machine learning has to be across hundreds of thousands of items and situations, that the computer must perform at a level that makes autonomous truck, car, ship or train movements safe and effective. It doesn't have to be perfect- just *better* than its human equivalent.

Volvo's truck division is at an advanced stage of AV development. It also partnered with NVIDIA for the same reason. AVs are typically equipped with three types of surveillance devices that are continually mapping its surroundings: encompassing other vehicles, pedestrians, traffic signals, signs, road markings, weather conditions and hazards. These devices and sensors: radar, camera and lasers amongst other things are continually relaying information to the CPU of the computer which, on its own, cannot make split-second decisions required without the assistance of a GPU.

Since VOLVO manufactures vehicles for the transport, mining and recycling industries with large market shares, NVIDIA is poised to participate in the significant growth. It's expected to be a *total addressable market* (TAAM) of $30Bn USD within 5 years – form its current base of just $0.5Bn.

The IOT: When Insync searches for companies within an identified Megatrend, in this case, the Internet of Things (IOT), we seek those players that are either relatively immune from, or are already outright agents of, disruption; and in a durable way. NVIDIA ranks highly; including the absolute and proportionate amount of overall revenue it allocates to research and development (R&D) every year. NVIDIA has deliberately specialised and purposely distanced themselves from the only GPU competition (AMD) so effectively that they are creating massive new markets for their products.

NVIDIA is more than just GPUs: It will continue to dominate AI in most sector applications due to its well-established ecosystem of hardware and software along with global reach, but it also has additional game-changing initiatives up its sleeve. It invests (and expenses) a whopping $3Bn USD p.a. designing the most efficient GPUs. Optimising the trade-off between size, speed and energy consumption, NVIDIA developed software infrastructure tools named CUDA.

GPUs + CUDA advances Biotech: With CUDA, engineers can integrate NVIDIA's GPUs into other industries like the rapidly expanding biotech industry. Here scientists can begin to optimise the design of a molecule such that it binds and neutralises an unwanted protein, minimising potentially dangerous human trials. Imagine if that was presently available for Covid-19 vaccine development.

Massive productivity leaps brought to you by NVIDIA: Elsewhere the GPU is being employed to identify defects in manufacturing, like electronics goods. This has increased productivity by 40% with some global manufacturers. In hospitals where NVIDIA's GPUs are embedded in imaging equipment, its improving scan quality and increasing the doctor's accuracy and productivity, ultimately saving lives. It produces a superior ability to detect breast cancer as one example, that even a *team* of doctors cannot match.

AI at the edge of what AI is so far: It recently broadened its offering by releasing EGX. It enables micro-data processing in physical locations closer to the action of the equipment being used. This reduces the time it takes for the AI to receive data in the form of visuals or conversation, for example, determine in a millisecond the correct response and relay that decision back to the sensor, vehicle, hand-held device or robot.

In our opinion, this development will confirm NVIDIA as the leading disruptor and facilitator of the IOT Megatrend with the financial strength to fully capitalise on IOT for its investors.

Not just disruption... but importantly the ability to harvest the returns on offer for its investors longer term on a globally dominant basis.

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Risk Measures – Global Quality Portfolio^

	1 Year	3 Years	5 Years
Standard Deviation	16.02%	13.34%	12.26%
Tracking Error	6.13%	6.13%	5.89%
Information Ratio	2.45	1.59	0.92
Sharpe Ratio	1.17	1.44	1.13
Batting Average	75.00%	69.44%	58.33%

Risk Measures – Global Capital Aware Fund*

	1 Year	3 Years	5 Years
Standard Deviation	13.63%	11.98%	11.22%
Tracking Error	7.74%	7.19%	7.05%
Information Ratio	2.54	1.36	0.51
Sharpe Ratio	1.72	1.60	1.08
Batting Average	75.00%	61.11%	53.33%

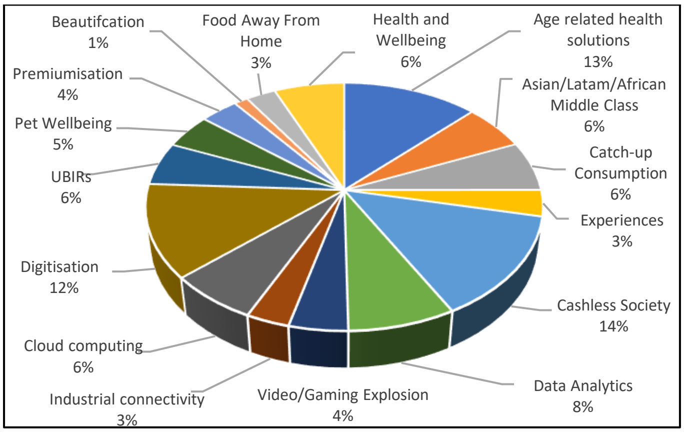
Capture Ratios – Global Quality Portfolio^

	3 Years	Since Incep#
# Index Positive Months	22	83
# Index Negative Months	14	49
Up Market Capture	1.26	0.98
Down Market Capture	0.73	0.62
Capture Ratio	1.74	1.59

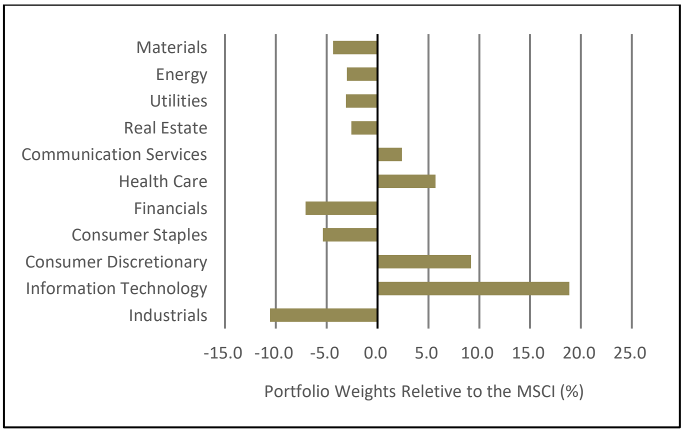
Capture Ratios– Global Capital Aware Fund*

	3 Years	Since Incep#
# Index Positive Months	22	83
# Index Negative Months	14	49
Up Market Capture	1.15	0.84
Down Market Capture	0.52	0.53
Capture Ratio	2.22	1.58

Megatrend Exposures



Portfolio Sector Weights vs MSCI



Top 10 Active Holdings

Stock	%
Domino's Pizza	5.4%
Dollar General	4.6%
PayPal	4.3%
S&P Global	4.3%
Visa	4.2%
Facebook	4.2%
Adobe	3.8%
JD Sports Fashion	3.8%
Microsoft	3.7%
NVIDIA	3.7%

Key Portfolio Analytics

	Portfolio	Index
Forward PE	29.87	32.59
ROIC	51.93	11.26
Market Cap (USD avg)	360.60	19.35
Market Cap (USD median)	134.53	5.36
Std deviation (ex ante)	14.98	14.28
Net Debt to Equity	34.00	60.10
Total Debt to Ebitda	2.42	4.50

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