Insync Funds Management – Monthly Update April 2020

Having out-performed markets for another month during this 1 in 100-year event, the robustness of our approach to investing has been proved. As with the previous two months of out-performance, investors have had a very pleasing experience despite the extremes encountered to date. The Capital Aware fund also provided additional cushioning during the lows with *calendar year to date* (CYTD) results being all positive (March's CYTD result being just under at -0.1%) with all time periods below outperforming the index. An 'all-weather' investment solution.

	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	10 Years	Since Incep#
Insync Global Capital Aware Fund*	**6.16%**	0.70%	10.18%	18.39%	17.86%	16.39%	11.38%	12.29%	11.48%
Insync Global Quality Equity Portfolio ^	**6.14%**	-5.11%	4.10%	13.32%	15.88%	16.22%	12.99%	14.75%	13.68%
MSCI ACWI (ex AUS) NTR (AUD)~	3.43%	-9.75%	-2.55%	2.42%	7.44%	9.37%	8.44%	10.90%	10.63%
Global Capital Aware Active Performance	**2.73%**	**10.45%**	**12.73%**	**15.98%**	**10.42%**	**7.02%**	**2.93%**	**1.39%**	**0.85%**
Global Quality Active Performance	**2.71%**	**4.64%**	**6.65%**	**10.90%**	**8.44%**	**6.85%**	**4.55%**	**3.85%**	**3.06%**

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

More of the ups, less of the downs.

Over the past 3 years this fund captured **102% of the upside** in rising equity markets yet only **52% of the downside** in falling markets. The resulting **capture ratio of 1.96** puts Insync in a unique group of managers globally. Looking forward history is on our side with markets tending to recover quickly yet in a bumpy manner after sharp falls. Thus, it's no surprise that April witnessed a strong rebound in markets - the best since 1987. Our approach is highly suited for the low growth economic conditions and uncertainty ahead. Of comfort will be our teams' combined 90 years of experience running an investment process that is not reliant on market trends and economic cycles.

A common question of investors is 'Does this near-term market rally makes sense?'

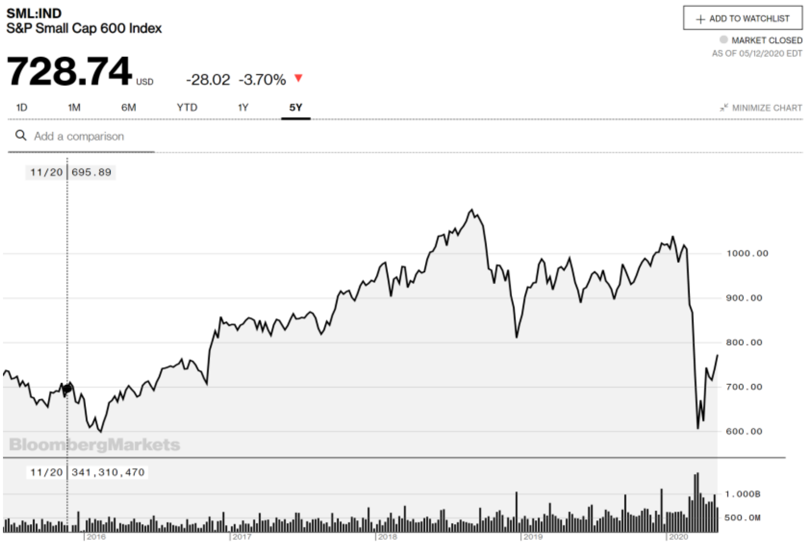
In short, Yes! Despite markets being down circa 15% (and as much as -35%) from their highs, many commentators feel that this reflects a far too optimistic outlook (an overshoot) given the economic impact of the Coronavirus. We disagree. Nothing is ever certain although probabilities are high that;

1. **The strongest and largest companies are best positioned for the future. They won't just survive; they will prosper well beyond the average company or what an index may otherwise infer. Selecting the few form that many has never been more important.**

Let's look more closely at this as details matter; the largest 40 S&P 500 companies comprise around 50% of the index. *(e.g. Microsoft, Apple, Alphabet, Facebook, Berkshire Hathaway, AT&T, Johnson & Johnson, Procter & Gamble, Pfizer, Bristol Myers, Merck, AbbVie, Proctor & Gamble, Cisco, Comcast, Pepsico, WalMart, Visa, Home Depot, IBM, CVS, Amgen, PayPal, Adobe).* With so many smaller companies struggling to compete against them it's likely that many of these large companies will replace the weaker and smaller or dominate further in a post-Coronavirus world.

The fact that the S&P 500 is only down -16% from its highs *does not* suggest that the market thinks the economy will be fine but rather that the largest companies in the world will see their way through; and as demand returns they will face much less competition. Remember a 50% drop in two quarters of earnings generally means only a paltry drop in a company's valuation.

The investment case for the stronger performance of the most profitable companies are the ones benefitting from secular long-term durable trends. These are clear to us because of our unique **megatrend** approach. This essentially identifies the best *hunting grounds* for great industries of the future. Our **ROIC** centred approach to company selection then ensures the most likely and greatest beneficiaries within these *hunting grounds* are then invested in.



It's no surprise that the S&P 600 Small Cap Index is down -31% from its high, and now trading at levels first reached in 2015.

In contrast the S&P 500 (biggest stocks) is only down -16%.

The overlay of Insync's **megatrend** and **ROIC** filters then turned that lower negative result to a positive one for its investors to date.

Looking forward we are very well positioned for more of the same.

2. **The next 12-24 months of company results only represents less than 5% of a quality growth company's long-term valuation*.* Smart investors look well beyond the near- term.**

Remain mindful of the crucial distinction between the **spot price of a stock** at any given time versus the **value of the business**. The correct approach to valuing a *quality growing business* is using 'discounted cash flow valuation' methodology. For example, the impact on the business valuation from zero earnings on companies such as **Adidas, Booking Holdings** and **Walt Disney** would be less than -5% (*Btw they are very far away from a zero number*). Understanding this enables Insync to remain calm and to confidently invest in outstanding businesses. Humans are hard-wired to focus on the *here and now* and believe the negative view over the positive view. We use this to our investors' advantage. Our results speak for themselves.

Megatrend in Focus: Athleisure

Knowing this we get to buy companies often undervalued right now that our megatrends and ROIC approach identify as excellent investments. This crisis enabled us to reinvest into Insync's *Athleisure megatrend* at prices significantly below their long-term valuation.

$4Trillion is the *Health & Wellness* industry market size. It's likely to continue expanding for 30+ years to come. Covid-19 is accelerating this powerful trend. One of the most significant drivers of the Covid-19 mortality rate in addition to age, according to research by Harvard University, has been obesity. Data from France, the US and UK has shown that a significant proportion of patients in intensive care also tend to be overweight and obese. In New York City, a study of 4,000 Covid-19 patients found that obesity is the second strongest predictor after age.

The megatrend towards being healthy, happy, looking good, engaged, productive and active is likely to accelerate as a result of Covid-19 even in a recession. The Athleisure Megatrend is just one of the tailwinds behind the fund's recent reinvestment in Adidas (we sold our holding a while ago as it had reached its then price target).

Adidas is one of the most innovative companies in Europe, clocking in at number 10 of all industries combined in the 2019 BCG global rankings. Check out our article on Adidas under the 'Insights' tab on our website. Adidas has multiple qualities that points to it being successful in a rapidly changing and highly disruptive industry including:

- creating products with wide ranging appeal,
- tapping into new demand in emerging markets,
- growing faster than wider apparel and footwear spending in mature developed markets
- scaling e-commerce (from zero to +€1.5bn of sales in ten years) and growing.

This expertise overlaid on the persistent premium growth of spend on sportswear and related categories, along with the shift toward direct-to consumer sales, has Insync expecting sales growth in excess of global GDP in the years ahead. This should translate into higher margins and returns on invested capital given its management skill and track-record. Never waste a crisis and thrive through a recession - invest with Insync.

Risk Measures – Global Quality Portfolio^

	1 Year	3 Years	5 Years
Standard Deviation	15.38%	12.96%	12.50%
Tracking Error	6.22%	5.72%	5.47%
Information Ratio	1.75	1.20	0.83
Sharpe Ratio	0.81	1.15	0.91
Batting Average	75.00%	63.89%	58.33%

Risk Measures – Global Capital Aware Fund*

	1 Year	3 Years	5 Years
Standard Deviation	12.74%	11.36%	11.05%
Tracking Error	8.25%	6.74%	6.58%
Information Ratio	1.94	1.04	0.45
Sharpe Ratio	1.37	1.33	0.89
Batting Average	75.00%	55.56%	53.33%

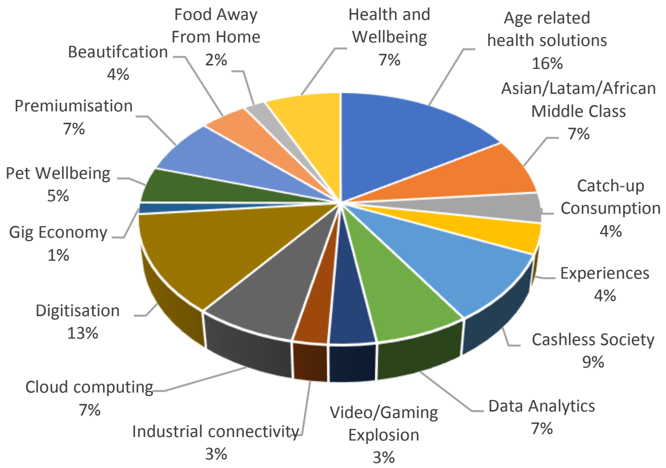
Capture Ratios – Global Quality Portfolio^

	3 Years	Since Incep#
# Index Positive Months	22	80
# Index Negative Months	14	47
Up Market Capture	1.14	0.94
Down Market Capture	0.73	0.60
Capture Ratio	1.55	1.55

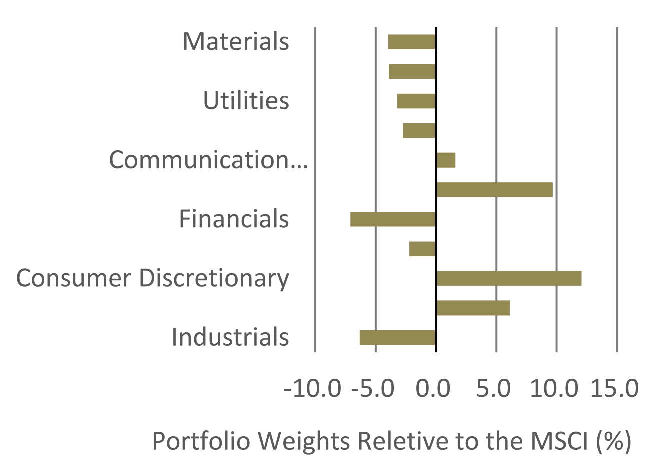
Capture Ratios– Global Capital Aware Fund*

	3 Years	Since Incep#
# Index Positive Months	22	80
# Index Negative Months	14	47
Up Market Capture	1.02	0.79
Down Market Capture	0.52	0.51
Capture Ratio	1.96	1.55

Megatrend Exposures



Portfolio Sector Weights vs MSCI



Top 10 Holdings

Stock	%
Facebook	4.9%
Adobe	4.7%
Paypal	4.7%
Microsoft	4.7%
Apple	4.1%
Bristol-Myers Squibb	4.0%
Roche	4.0%
Domino's Pizza	3.9%
Accenture	3.8%
S&P Global	3.7%

Key Portfolio Analytics

	Portfolio	Index
Forward PE	28.54	27.26
ROIC	47.51	12.71
Market Cap (USD avg)	219.62	21.00
Market Cap (USD median)	69.76	8.30
Std deviation (ex ante)	14.00	14.10
Net Debt to Equity	30.00	70.42
Total Debt to Ebitda	2.29	3.96

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