Global Quality Equity Strategy

Request for information

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1. Fund Manager Details

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1.4 Contact person responding to questionnaire

Name and Title: Damen Purcell, National Manager Distribution

1.5 Contact Fund Manager/s

Name and Title: Monik Kotecha, Chief Investment Officer

1.6 Portfolio being considered:

Global Quality Equity

2. Ownership and Capital Structure

2.1 **Please provide some ownership and structural details about your company and/or its parent where applicable and highlight any significant changes over the past 5 years.**

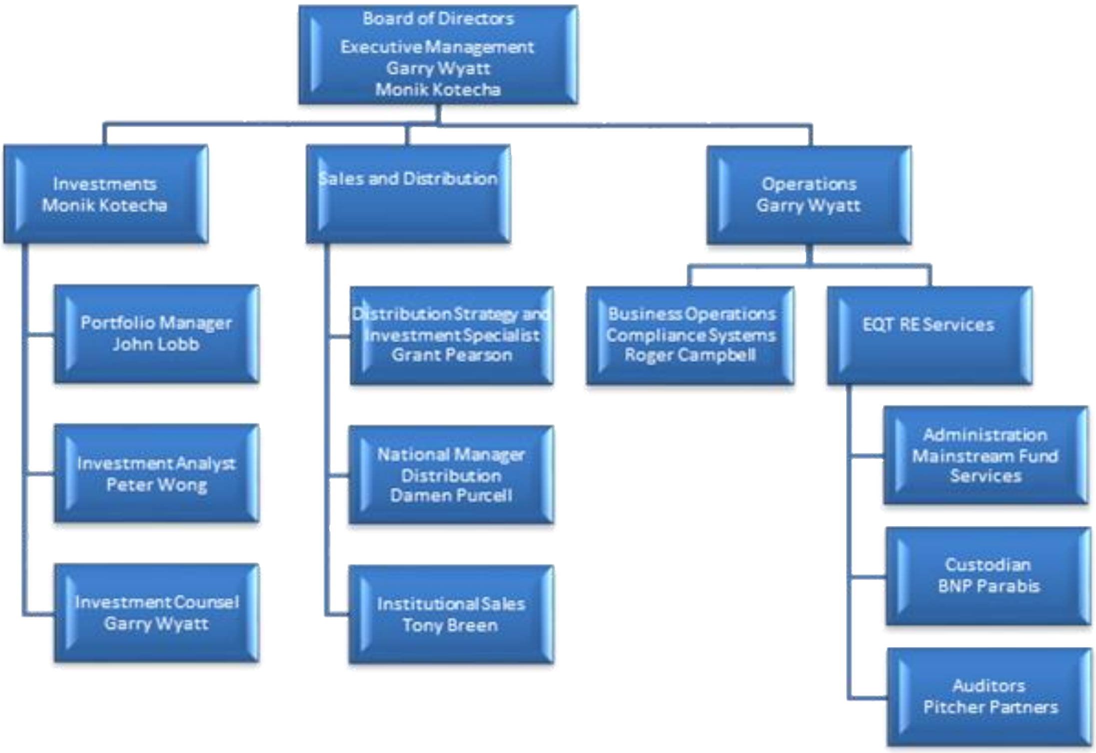
April 2007:	MK Capital incorporated.
June 2009:	Equity funds received, and new shares allotted.
July 2009:	Company name changed to Insync Funds Management Pty Limited.
August 2009:	AFSL Licence No.322891 issued to Insync Funds Management Pty Limited.

Insync Funds Management has 3 key shareholders holding 80.7% of the paid-up capital: - Monik Kotecha (39.6%), Garry Wyatt (29.2%), and David Lee (11.9%). Minority shareholders hold the remaining 19.3%. Monik Kotecha and Garry Wyatt are directors of the Company.

3. Staff

3.1 Please outline the organisational structure of the global equity investment team.

The organisational structure of Insync Funds Management is outlined in the following chart, which includes the global equity investment team.



3.2 Please provide information on key personnel.

Monik Kotecha – Chief Investment Officer/Portfolio Manager
Insync's Chief Investment Officer, Monik Kotecha, has over 25 years of funds management experience in international and Australian equity markets and has worked in London, New York and Sydney. This included over 7 years as a Senior Portfolio Manager at Investors Mutual Limited, 5 years with BT Funds Management Limited and 3 years with the Abu Dhabi Investment Authority.

Monik was a Senior Portfolio Manager of the Australian Share Fund at Investors Mutual Limited and a key member of the Investment Team which was awarded Fund Manager of the Year Australian Equities in 2002 & 2003 by Money Management. Prior to this Monik was the lead portfolio manager for over 5 years at BT Funds Management Limited on a number of international equity funds and spent some time as a member of the asset allocation team. Monik spent the first few years in funds management as a Pan European Equity analyst at the Abu Dhabi Investment Authority in London.

Garry Wyatt – Chief Executive Officer/Investment Counsel
Insync's Chief Executive Officer, Garry Wyatt, has held senior financial positions with several major companies including United Distillers Group, David Brown Gear Industries, Tooheys (Victoria) and WMC before joining David W. Lee & Associates P/L in 2009. Garry has a Bachelor of Economics degree and is an Associate of the Institute of Chartered Accountants in Australia.

Garry brings a wealth of corporate experience across a range of important business functions including financial and process control disciplines, project and operational management, business and strategic planning and internal audit. As most of the operational activities at Insync are outsourced Garry utilises his extensive commercial experience to provide valuable input and insight to the investment team.

John Lobb – Portfolio Manager
John started his career in 1989 as assistant portfolio manager for Bankers Trust Australia based in Sydney. In 1994 he joined Citigroup Global Asset Management where, as a small cap specialist, advanced to portfolio manager of industrial equities and joint manager of the balanced fund. John moved to Credit Suisse Global Asset Management in 1997 researching and analysing industrial equities culminating in the development, marketing and management of the Australian equity small cap fund.

In January 2003 John moved to Orion Asset Management at its inception. Contributing to the management of the ASX300 Fund, John also served as Lead portfolio manager of the small cap Australian Equities fund. From 2011, John was also a portfolio manager on the global, long-short equities fund focused on Asia. John remained at Orion until February 2014.

John has a BA Economics majoring in Accountancy and Finance from Macquarie University and a Diploma from the Securities Institute of Australia.

Peter Wong – Investment Analyst
Peter graduated from Macquarie University with a Commerce degree in 2007. He worked for a boutique financial advisory firm in Sydney as a research assistant and was involved in many aspects of the investment process. These included reviewing clients' Managed Discretionary Account (MDA) share portfolios, analysing companies and producing research reports for the senior investment team.

Grant Pearson - Investment Specialist and Distribution Strategy
Grant has 30 years of managerial and executive experience in the funds management industry. This experience has been gained across Australasia and North America, within both the Sell side and Buy side of the industry.

Roles in the past have included Senior Vice President for Merrill Lynch International, Head of Advice for AMP, National Sales Head for ING, Head of Investments for ABN AMRO, Strategy Head for AXA Asia Pacific and various General Manager roles running funds management and advice businesses. This combination of working across both local and global markets, through three investment cycles and with various asset classes and product sets has provided Grant with unique insight and understanding to investing. This combination of skill sets and experiences provides essential know-how in his dual role as an investment specialist, contributing and understanding Insync's strategy and philosophy, as well as his role to work with the head of retail to drive Insync's fund into the market place with advisers.

Tony Breen – Institutional Sales
Tony has extensive experience across a range of functions in the investment management industry having served, inter alia, as a portfolio manager and a distributor. The latter function includes spending 12 years at Deutsche Asset Management in institutional sales in local, regional and global roles, following stints with a boutique funds manager and a global fund manager and insurer. Tony established a third-party marketing and consulting firm on leaving Deutsche, which includes representing investment managers to Australian institutional investors. He commenced representing Global Thematic Partners (GTP) in March 2013 in this capacity and now also represents Insync Funds Management. He also serves on a number of investment committees for financial planning groups.

Damen Purcell – National Manager Distribution
Damen Purcell has over 20 years' experience in the financial services industry and he has a broad range of experience across Equity Markets, Fixed Interest, Property and Alternative Investments. Damen's experience includes 10 years at Australian Unity Investments as Head of Retail Distribution and Head of Distribution where he was responsible for the sales and marketing of Australian Unity's products across the Institutional, Family Office and Wholesale Markets. Prior to joining Insync Damen worked with RF Capital as Head of Retail Distribution and has had previous roles with JANA Investment Advisers, Ausbil Dexia and Colonial First State. His experience across multiple asset classes, through several market cycles has given Damen a deep knowledge on product positioning and strategy within financial services.

3.3 Who would be the key decision-makers for our portfolio and to what extent is your investment approach organised around a team or an individual? What is your philosophy behind this approach?

Monik Kotecha, portfolio manager of the Global Quality Equity strategy, is the chief decision maker for the portfolio. He is supported by a team of analysts who are responsible for modelling, selecting and recommending individual securities for the portfolio.

Whilst Monik is the portfolio manager, the process involves the team debating a potential new investment from idea generation to inclusion in the portfolio. The rationale is to apply a disciplined application of the process ensuring that a potential new idea is in line with our philosophy, with the focus on understanding the key drivers of the investment thesis and ensuring the implementation of our portfolio construction rules takes place.

While it is a collaborative process, one analyst is ultimately responsible for championing each idea. The philosophy behind the approach is to ensure that we are leveraging off the team's diverse skills. In this manner, an idea may be rejected at any point in the research process if there is evidence that the stock is unlikely to enter the portfolio. Even though a collaborative process is important, a key part of the focus is to encourage an inquisitive environment to ensure we do not fall into the trap of group thinking. We are continuously seeking to invert our assumptions to test the strength of an investment case.

If the underpinnings of the investment cannot be discredited, and the PM agrees, the security is added to the portfolio. We believe in collective sessions for reasoning and logic dissemination, but not for final decision-making.

3.4 Please provide information on any other analysts directly involved in researching companies for this strategy.

Insync's research team currently consists of 3 equity research analysts, all of whom are based in our Sydney office. Two of our analysts have worked together for more than five years.

The research team also calls upon the extensive industry experience of Insync's CEO. He provides insights which complement the qualitative and quantitative work they perform.

Insync also regularly employs advanced students completing under- and post-graduate degrees in finance related courses from universities globally. They are retained to complete certain tasks or for defined periods to support the research team.

Analysts work within the framework of our investment process and maintain current valuation models for each firm which pass our initial quantitative and qualitative screens. Analysts are free to search for best-in-breed stocks globally, irrespective of region, country or sector and introduce the idea at the idea generation meeting where we discuss the merits of moving the idea to the deeper evaluation stage in the investment process.

3.5 Please describe the organisation's compensation and incentive program. How are investment professionals evaluated, rewarded and motivated?

Insync's policy is to remunerate investment team members through a combination of salary and a performance-based bonus providing the potential to earn in excess of what a large institutional based fund manager would pay over time. The benefits of a performance-based bonus are that it is aligned to the performance of the clients and over time will represent a sizeable portion of the total compensation.

In Insync's experience, in the early stages of growth, a cash return is considered more highly by employees than equity. Insync does however offer the opportunity for staff and key associated team members to take up profit sharing equity enabling them to participate in the long-term fortunes and success of the company. This has been taken up by all key personnel over the past 12 months.

3.6 Please indicate the dedicated investment professionals who have ownership in the firm. Do they have a substantial part of their private wealth invested in the proposed strategy?

Insync is majority employee owned. Its founding members include Monik Kotecha, CIO and lead PM, who has a majority equity stake in the company and Garry Wyatt, CEO and investment counsel, who owns a minority stake. An equity participation scheme is being developed for key members of the investment analyst team to encourage longer term alignment of interests and succession planning. Both Monik and Garry have a significant portion of their wealth in the business and strategy.

3.7 Please provide details of any staff departures for this product over the past 3 years, including reason for leaving.

One analyst involved with the strategy has departed in the past three years. He chose to pursue other interests.

One business development manager (focusing on the retail market) left Insync in April 2017 with a desire to move out of direct sales and into a client services and support role.

4. Funds Under Management

1.1 Assets and structure

a) How many different investment strategies does your firm currently manage? Could you please list these strategies and funds under management by asset class?

Insync currently manages the Insync Global Capital Aware Fund, which was renamed from the Insync Global Titans Fund (current assets under management of $32 million) and a Global Titans SMA ($6m in assets). On 1 July 2018, Insync introduced a new long only class called the Insync Global Quality Equity Fund.

b) What is the current structure of global equity funds under your management?

As outlined in response to 4.1 (a) above, Insync currently manages two global equities portfolios utilising the Global Quality Equity process, each with differing constraints. One of these is an Australian registered unit trust which is available through a number of platforms and the other is a separately managed account established for a retail financial planning group.

4.2 Please advise the number of portfolios managed on a discretionary basis over the following years:

Year	AuM ($m)	No. clients
2013	29.2	2
2014	39.4	3
2015	45.6	3
2016	31.5	2
2017	32.3	2

4.3 At what size would your Global Equities' assets under management hinder your investment performance? Do you have any plans for this possibility? Would you need to alter your investment style or performance objectives?

Insync's focus on larger capitalisation, highly liquid companies means that we could, under current market conditions, manage US$18 - 20 billion in a concentrated equity strategy without adversely impacting the portfolio or its style of management. The median market capitalisation across the portfolio is US$47 billion. An average fund position in an individual stock would typically represent less than 1.25% of that company's market capitalisation with total FUM at US$20 billion. Liquidity can have a bearing on position sizes with the key factor being that there should be sufficient liquidity to build a 2% position without moving the market.

We would expect to soft close the strategy at USD 15bn and hard close at USD 20bn. We are constantly reviewing these limits against the prevailing conditions to ensure we are always able to invest to optimise our portfolio decisions, however given the significant capacity still available in this strategy, we do not believe we will be impacted by these limits in the near term, however will more actively assess the available capacity as the assets in the strategy grow.

We have no plans to allow asset size to be an impediment to the efficient management of money utilising our style and process.

5. Investment Strategy and Objectives

5.1 State your investment philosophy and approach to investing. What do you believe are the hallmarks of your style of investing?

Firm wide investment philosophy:
Insync's investment philosophy is based on research and extensive experience within the team, that high ROIC and the persistence of high ROIC, with a long run way of growth supported by global megatrends, are the most important measures of quality driving future returns. Additionally, the world is going through a major paradigm shift with disruption impacting all the sectors in a dramatic way. Evidence for this continues to mount. Determining the winners and losers from disruption is going to be the critical factor in delivering alpha in the future. As a result, in Insync's strong opinion, just focusing on historical measures of quality will result in a portfolio of quality traps.

Insync's investment approach can be described as forward looking, investing in highly profitable businesses benefitting from global megatrends. We refer to this approach as enduring and adaptive quality. Our definition of high profitability is centred on businesses which display a high ROIC persistency with a long run way of re-investment opportunities. We are more focused on growth beyond the 3-year period versus the less than 2 years used by many fund managers. We measure value in absolute terms principally utilising our proprietary ROIC derived EVAluation approach. Research has shown that traditional DCF analysis has a high forecasting error whereas high returns on capital are more stable and therefore less prone to forecasting error.

Insync's investment approach is primarily based on a bottom-up, fundamentally-driven methodology. There is a focus on buying high quality businesses at a discount to their long-term valuation. Traditional valuation tools often focus on the next 12-24 months and fail to capture the longer-term compounding nature of a select group of businesses leading to attractive performance characteristics including solid performance in rising markets and more defensive characteristics when markets are sharply falling. We believe that layering a consideration of valuation on top of awareness of ROIC can further enhance returns.

Insync's internally developed algorithms utilise the key attributes of quality and valuation and have contributed to the delivery of consistent alpha generation since inception.

Insights and market inefficiencies Insync is seeking to exploit:
1. The best performing sectors tend to exhibit higher levels of persistence in maintaining their ROIC
2. The acceleration and durability of megatrends are typically underestimated by investors and frequently not captured in short term valuation measures with forward looking measure of valuation often showing up a significant valuation gap
3. Investors underestimate the positive impact of innovation and research and development on future earnings
4. Investors tend to underestimate the ROIC persistence factor and assume the returns in these sectors fade faster than actually is the case which leads to long term undervaluation.
5. Only a small number of companies consistently generate high ROICs over long periods of time.
6. Expanding ROIC sectors also outperform the market

7. Traditional valuation tools tend to undervalue companies with a consistent track record of reinvesting at high incremental ROIC, which deliver compound earnings growth and outperform equity benchmarks over time.

Key features of the process are:

- Bias to larger capitalised companies generating persistently high ROIC in the future through the business cycle
- Investing in global megatrends
- Explicit focus on disruption which is impacting most sectors, as we believe what represents quality in the future will be different from what represented quality in the past
- Concentrated portfolios
- Strong free cash flow generation
- Focus on management with strong capital allocation skills
- A greater emphasis on absolute versus relative valuation
- Benchmark unaware
- Strongly differentiated performance and risk characteristics over a full investment cycle

5.2 a) State what you consider to be the investment objectives (including performance and risk targets) of the portfolio described in section 1.6.

We seek to outperform the benchmark by 3% to 5% pa (gross of fees) over the investment cycle (which is generally 3 to 5 years). As part of that, we believe our approach also provides the characteristics of picking up a large part of the returns available in rising markets and providing defensive characteristics in falling markets

b) Explain how you formulate and implement your strategy and provide a history of key changes in your investment strategies and objectives if any.

Insync's investment style can be described as forward looking with a dominant bottom-up approach. We are a high conviction, benchmark unaware large cap global equity investor. We seek to identify powerful global megatrends, which have an element of top down analysis, and then undertake bottom-up fundamental research to identify the stocks that meet our strict financial criteria. The information collated is measured using our proprietary algorithm to identify the most compelling opportunities. This approach, whilst bottom-up in emphasis, captures the top down secular operating environment that will benefit the chosen companies.

Our definition of high quality is centred on businesses which display a high ROIC persistency. We principally measure value in absolute terms, utilising a proprietary DCF based approach with ROIC as a key driver in determining the valuation of all businesses in our universe. Other key measures of valuation include the implied growth analysis, which assesses what rate of growth in earnings and cash flow is implied by the market in the current share price, and the free cash flow yield. Whilst we utilise other valuation tools to better understand the drivers of profitability, research has shown that future earnings and cash flows have a high forecasting error whereas high returns on capital is more stable and therefore less prone to forecasting error.

Insync's investment approach is primarily based on a bottom-up, fundamentally-driven methodology. There is a focus on buying high quality businesses at what may appear to be fair prices today. Traditional valuation tools fail to capture the compounding nature of a select group of businesses leading to attractive performance characteristics including solid performance in rising markets and more defensive characteristics when markets are sharply falling. We believe that layering a consideration of valuation on top of awareness of ROIC can further enhance returns.

Other key elements of Insync's investment style and approach are:

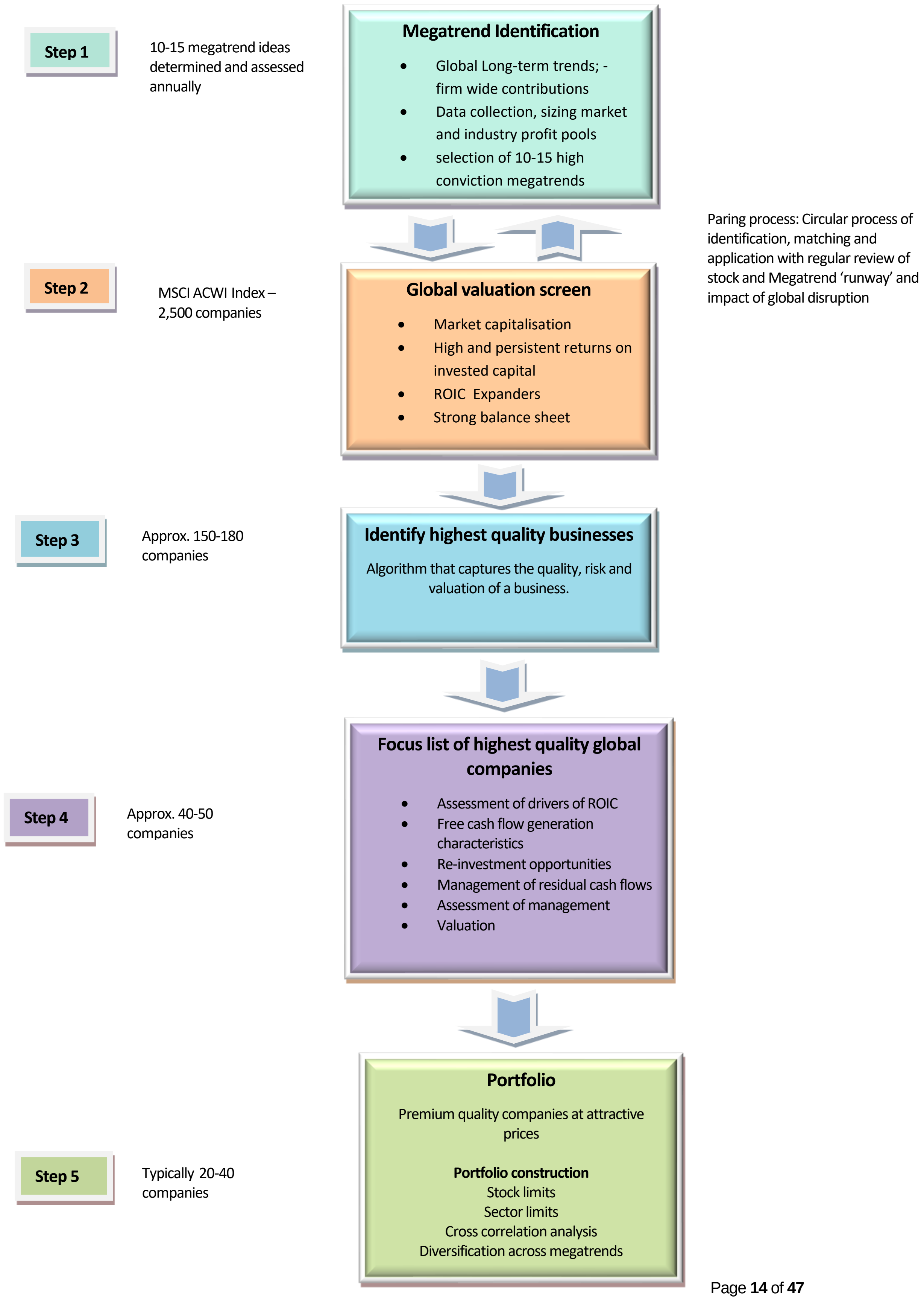
- A focus on a company's capital allocation strategy – Focusing on a disciplined approach to reinvesting the cash flows at high rates of return and utilising the residual cash flows to increasing dividends or buying-back their shares. This profile delivers strong capital growth over the long term.
- High conviction – Traditional equity benchmarks have no role in Insync's portfolio weightings. We have a high active share strategy which has shown strong performance characteristics based on empirical research.

We always endeavour to refine our investment process based on research and experience. Whilst we have always assessed a number of different quality attributes, persistency in return on invested capital has become the cornerstone of Insync's investment process as we believe it drives other key elements of investing in high quality businesses, including strong growth in dividends and share buybacks.

We continue to refine the calculation of ROIC at an individual company level as, whilst ROIC at a very simple level is a relatively straight forward calculation, a number of adjustments have to be made to accounting earnings to get to the correct number.

The following flowchart outlines our investment approach:

Disciplined global equities investment process



5.3 **Our preferred benchmark for a global equity portfolio is the MSCI World. What benchmark would you be prepared to be measured against and why?**

Insync's competitive advantage stems from focusing on a select group of companies and industries and investing in those that generate very high returns on capital through the cycle for the long term. These stocks tend to provide outperformance versus traditional broad global equities benchmarks over the medium to long term**.** Both the MSCI World and the MSCI All Country World indices are appropriate benchmarks.

5.4 **Would you allow an exposure to emerging markets or maintain a cash buffer? If so, what are the ranges?**

The strategy invests in emerging markets. In the representative account, the parameters allow exposure to emerging markets up to 30%.

Cash is not specifically targeted as an investment so is a residual of the stock selection process. Its position normally ranges between 0% and 5% of the portfolio.

We could accommodate exposures outside these ranges for individual accounts which required specific investment guidelines.

5.5 **How are country or sector weights determined in your portfolio? Please provide details of expected value add from stock selection, country allocation and sector allocation.**

Country, sector, industry and currency allocations are residuals of our security selection process; however, the portfolio naturally exhibits country biases as certain geographies have a larger exposure to quality stocks that meet Insync's definition.

To ensure sufficient diversification and to protect against absolute loss of capital, we impose a number of suggested portfolio risk controls. Those risk controls are specific to the following variables:

- Number of stocks
- Individual stock weight limits
- Sector limits
- Emerging markets limits

Number of stocks	20-40
Individual stock weight	0-10%
Individual GICS Industry weight	0-30%
Emerging markets limit	0-30%

Portfolios can thus be adjusted to ensure that the strategy's sole source of added value is derived from security selection and is not a residual of large country or sector tilts.

If an alternative set of constraints is required for a separately managed account, we will seek to accommodate.

All expected added value from our process is derived from stock selection.

5.6 What impact does currency have on your stock and country selection decisions?

Because companies in the same country can have very different foreign currency sensitivities, and because we do not manage the portfolio according to defined country weightings, currency impacts are considered at the individual stock and portfolio levels. The strategy's bias towards global multinational companies reduces the currency impact from a transactional perspective. Nevertheless, an awareness of currency is incorporated into our stock picking as it may impact the reported profits from a translation perspective. Insync also takes into account that currency may be a key driver for a company that is export-based and sensitive to movements in exchange rates.

6. Investment Process and Portfolio Construction

6.1 Define the authorised universe of investable securities for your flagship fund and the sub-universe of securities that are actively researched, including any methodology or tools utilised in your screening process. List any pre-disposed inclusions or exclusions that apply and the basis for these.

We invest only in shares of publicly traded companies listed on major exchanges around the world. However, our actual universe is small and well defined. Of c. 2,500 listed companies in the MSCI ACWI Index, only about 150 are exceptional enough to meet our selection criteria. The criteria include companies with large market capitalisations, high and sustainable future ROICs though the cycle, a long runway of growth opportunities supported by global megatrends, strong balance sheets and a history of strong capital allocation including high incremental ROICs and returning cash to shareholders in the form of growth in dividends and/or buybacks. Selective expanding ROIC companies are also included.

Companies with high sustainable ROICs tend to operate in a few select sectors. This universe, which is reviewed quarterly, tends to remain stable over time, however some turnover occurs due to changing metrics at companies and more recently the increasing pace of disruption.

We then seek to identify the highest quality opportunities within this select universe of companies trading at attractive valuation levels. Key factors that reduce the universe down to a narrow list include companies benefiting from global megatrends, ranked highly on our proprietary algorithm which captures quality, risk and valuation metrics. Multi factor screening metrics are also utilised to identify potential new opportunities. This results in a focused list of typically 40 to 50 premium companies. We seek to undertake more detailed analysis on this narrow list of companies to build a portfolio.

The companies in which we invest must demonstrate value in absolute terms trading below our assessed valuation. The focus is to invest in a concentrated portfolio of 20 to 40 companies that meet our quality criteria.

6.2 Describe the research effort (e.g. reliance on internal versus external research, company visits, type of analysis carried out and key criteria targeted in the research process).

Insync places far more reliant on internal (proprietary) research as this provides the opportunity to deliver a variant perception from the market.

As Insync is more future focused and interested in sustainable growth opportunities, identifying and mapping out global megatrends is a key part of the investment process. This is undertaken through readings of key industry journals and websites as well as information provided by industry participants. The information is collated and corroborated to map out the total size of the addressable market, the growth rates and the industry profit available to the key players. We typically invest in 10-15 global megatrends as we are very focused on identifying the longer-term sustainable trends and not short-term themes and fads. The focused nature of the process ensures that we continue to collate data and information on each of the identified megatrends and cross check with how companies are reporting.

Insync has developed proprietary algorithms that specifically capture the profitability, risk and growth potential of all the companies in the quality universe, providing a list of the most attractive investable ideas.

Our internally developed financial models, which we have on all the 150-180 companies in the quality universe, are intensely focused on key measures that we consider have an impact on the future valuation of a business. They also enable the team to quickly analyse earnings results and understand the impact on our long-term valuation of a business and investment thesis.

Our primary source of research includes annual and interim financial statements, company presentations by senior management, overseas meetings on location to company headquarters, and conference calls with senior company representatives. We focus a great deal on understanding managements' actions to sustain their ROIC and capital allocation policies and strategies Identified from our initial quantitative screening. In addition, we attend industry conferences to identify global megatrends and company insights. We invest significant time in reading, thought and discussion of ideas generation and analysis, utilising a variety of research, academic, commercial and media sources.

Insync believes that the quality of each business can be assessed by carefully analysing the financial statements and management briefings. We have detailed financial models that we have internally developed on all the stocks in our quality universe that helps us focus on the financial metrics that matter. Technology enables access to important information flows in a timely and efficient way. The skill in Insync's process is determining the information that is relevant and important based on the two key portfolio managers' 27+ years of industry experience.

This is supplemented with research from external sources, industry magazines, websites and strategy publications. Joining the dots of information coming through is key to gaining an understanding of future global megatrends.

We rely less on broker research and assessment, which is only used for background information on the company and industry as well as an understanding of consensus forecasts. This is compared with internal research and our own network of contacts to discern and clarify the differences.

Idea Generation Process and Research Approach

The idea generation process is intensely focused on finding companies with a long run way of growth which can be more consistently found within global megatrends. We have also found, through extensive experience, that certain business models are inherently more persistently profitable and are a good predictor of future success. The idea generation process seeks to find opportunities that have these two characteristics.

The whole process from discovery to implementation is collaborative and iterative in nature. This ensures that we are leveraging off the combined experience of the team and, by working on one idea at a time, we believe improves the efficiency and quality of the decision making. As such, an idea may make it through the discovery and filtering process but at the assessment stage we may come to the view that the idea will not meet our investment criteria and the research process is then stopped and we move onto the next idea. This process also lends itself well to the concentrated portfolio structure with relatively low turnover.

The ideas, if they pass the research process, are then implemented based on our portfolio construction and risk management guidelines. The portfolio will typically have 10-15 megatrends and 1-3 stocks within each megatrend. This ensures we are getting a suitable level of diversification and performance is being driven from a range of megatrends.

By always looking for megatrends we ensure the process is consistently applied across all the stocks, as just being highly profitable and offering good value is not in itself sufficient to warrant further investigation. Correctly identifying megatrends provides important tailwinds in a world where economic growth appears to be challenged because of the ageing population and declining workforce, high levels of debt in the global economy and major disruptive technological forces. Finding companies that strongly benefit from these trends will provide growth in what is generally a lower growth environment. The megatrends we determine and follow tend to be irreversible trends, lasting 10 years in duration and frequently much longer, growing faster than global GDP and much less sensitive to the economic cycle.

It is important to appreciate that there are significantly more themes available than global megatrends and the distinguishing factor is that the former is shorter term in nature whereas the latter is very long term.

Megatrends are identified through extensive reading of industry publications, assessing policy changes, discussions with companies, reading a large number of company transcripts and attendance of industry conferences. Other key sources of idea generation which we have developed based on our experience include:

- Spin-offs
- Announcements of consolidation within industries
- Internally designed algorithmic screening
- Network of contacts

These ideas must always sit with our ROIC and Megatrend framework.

Once identified we look for evidence to help establish the size, growth and future potential of the trend and where the trend sits on the s-curve. We are constantly looking for information that corroborates data from one source with another thus increasing the confidence in the future outlook of a major megatrend. Having a rifle style approach on a few select megatrends ensures that we are always seeking to find the data to join the dots together to form a clearer picture. In this way we quickly discard a lot of unnecessary information.

If the megatrend is sufficiently attractive, we assess the industry structure and profitability. Global megatrends provide the long run way of growth and companies that can reinvest into this growth at high levels of profitability deliver superior returns. This is where appreciating the business model becomes important. In our experience there are certain business models that deliver the high returns on capital we are seeking on a sustainable basis and these include those:

- **Which receive an upfront fee and a license fee over a multi-year period** – Schindler
- **Are subscription based** - Intuit
- **With pricing power** - Hermes
- **Are niche suppliers** - Large companies served by niche suppliers whose services or products represent a relatively immaterial proportion of the industry's cost base, but which are crucial to its successful operation – S&P Global
- **Have brand strength** – Estee Lauder
- **Are a friendly middleman** – Essilor

In addition, we have observed patterns in businesses which lead to superior performance within sectors including:

- Higher advertising and promotional spend drives organic revenue growth
- Higher Innovation spend drives pricing power
- Expanding operating margins get rewarded over time as margins tend to be more stable than revenue growth

This leads to a process of idea generation that is more focused on looking at specific business models and identifying megatrends then simply looking at quantitative screens. Quantitative screens are utilized as they provide us with a select list of companies that have delivered sustainable ROICs over the long term and also provides evidence of recent trends. However, a focus on business models and global megatrends is, in our strong opinion, a better predictor of future success that quant-based tools looking at historical measures of quality and value. In fact, this latter approach can lead to quality/value traps.

The in-house research is focused on assessing the sustainability of the high ROIC companies and their capital allocation process including the capacity to reinvest at high returns on invested capital. Specific focus is on the following key quality factors:

- Drivers behind the high ROIC and persistency of ROIC into the future
- Hard-to-replicate competitive advantages
- Dominant market positions
- Stable growing industries
- Low sensitivity to the economic and market cycle
- Financially strong
- Low capital intensity
- Highly cash generative

As the screening process (which focuses on persistence of future ROIC, global megatrends and disruption) eliminates many stocks and sectors, the research effort tends to be focused on a few select areas.

The bias towards companies with high sustainable future ROIC with a long runway of growth and a strong capital allocation discipline results in the exclusion of many sectors and a more focused and selective approach. Sectors typically not exhibiting the characteristics we are seeking include highly cyclical sectors such as steel, paper, commodities and basic chemicals. Traditional high yield sectors such as telecoms and utilities tend to be excluded as they are capital intensive industries. We are also cautious towards sectors where high levels of leverage are required to drive profitability. This includes most traditional banks and property trusts. An explicit focus on disruption is also leading to some traditional sectors that were typically part of a quality universe now being excluded.

Focus List
From the list of around 150 high quality companies Insync focuses on the top 40 to 50 companies based on their quality and valuation. Typically, companies that fall into this list have the following attributes:

- High return on invested capital and typically high gross and operating margins
- Benefiting from global megatrends
- Low capital intensity
- Industry leaders
- Strong balance sheets
- Competitive advantage through brands, patents, subscription revenues, long term service and maintenance contracts
- Strong R&D focus
- Strong focus on innovation
- Attractive valuations based on Insync's proprietary DCF, free cash flow yield and implied growth valuation tools

In addition, companies in sectors with expanding ROICs are also considered as they also provide opportunities for outperformance.

Qualitative Research
In-depth analysis is then conducted on the most attractive ideas from this list. Our research indicates that a company must exhibit certain features to sustain a high ROIC and to compound at attractive rates of return. The company research focuses on:

<u>How management is protecting the franchise</u>
The company must protect its franchise to maintain its superior economics over long periods of time. An industry leading market position will not last if it can be replicated to produce a similar, cheaper or better product. We place great importance on the power of intangible, hard to replicate assets. Historically brands have been the most recognisable and enduring intangible assets, but the pace of disruption is pressuring the sustainability and profitability of many long established and well-known brands; others include networks, licences and product patents, subscriptions and long-term service contracts.

<u>Capital Allocation</u>
A company can choose to allocate capital in one of five main ways: capital expenditure for growth; advertising and promotion; R&D; mergers and acquisitions; or distributions to shareholders through dividends or share buybacks. A sharp focus on R&D, Innovation, advertising and promotion reinforce the strength of the intangibles and help sustain pricing

power, seen through strong gross margins. If you can re-invest in your brands and products; if you ensure your advertising and promotion can capture your client's attention and decision process, and if you can lead your category through research and development and innovation, then you will help protect and strengthen your competitive position and franchise.

Capital Intensity of the business

The less operating cash flow required to maintain the fixed asset base, the greater the opportunity to allocate cash flows to further investment in growth or returns to shareholders.

Incremental returns on operating capital

A company that produces high returns on capital is a good business, but what we want to know is how much money the company can generate going forward on future capital investments.

Global Megatrends

Compound growth in cash flows is more easily achievable if a company has a long runway of growth available. Identifying global megatrends is a powerful source of providing the runway to enable the quality companies to grow for a long period of time.

Resilience

We look for companies which can deliver robust sustainable top line growth that is less sensitive to the business cycle and encourages capital preservation.

Management

Poor management can undermine even the highest quality companies. It is vital that management is not distracted from the long-term task of building and improving the company's franchise by the temptation to meet short-term targets. Investing at low returns, either through acquisitions or expanding into lower return areas, can undermine the overall quality of the business. The erosion of returns at the expense of short-term profit gains will eventually lead to a reduction in ROIC and shareholder value.

Valuation

Insync's greater focus is on absolute valuation rather than relative valuation. This helps us manage the downside risk. We employ three main tools to assess the valuation of a business: The principal valuation tool is our proprietary ROIC derived EVAluation approach. Other key valuation tools contributing to our assessment of valuation include free cash flow (FCF) yield and an implied growth analysis. Relative valuation is also observed to understand how the market has priced the business over time.

- ROIC derived EVAluation

As high returns on capital tend to be more stable than revenue and operating profits, we utilise a DCF model that employs ROIC as the core input in assessing the valuation of the business.

- Free Cash Flow Yield

Companies that generate free cash flow are in a strong position to grow their business and increase their dividends and implement share buyback programmes without requiring external funding.

- Implied Growth Analysis

Insync uses proprietary implied growth models to calculate how much future earnings, cash flow and dividend growth over various time periods is priced into stocks to justify their current share prices. A value judgement is then made about how achievable or otherwise those implied growth rates look, given the strength and expected duration (sustainability) of the company's business franchise.

- Relative Valuation

Relative valuation of the company to the peer group and the market in general are also considered but is not the primary valuation tool. It assists in understanding the market's current view on a company and identify any variant perception there might be between the market and the Insync view.

6.3 Describe the process that would be followed in selecting securities for our portfolio, and the criteria which would qualify those securities for inclusion. Please include a specific example of this process.

The process that would be applied has been described in sections 6.1 and 6.2 above.

Example:

TE Connectivity

TE Connectivity ranked highly on our algorithm based on ROIC, quality of earnings, capital allocation and valuation. We were attracted by the trend in margins and ROIC over the past 5 years. It is a business we have followed closely over time and observed management's focus on improving the quality of earnings by moving the business to higher value-added businesses, with products in harsh environments where failure is not an option, delivering higher sustainable margins and expanding ROIC. As the world becomes increasingly automated and inter-connected, the demand for connectors and sensors grows in excess of global GDP. The major drivers of this growth is the megatrend towards safe, green and connected technologies. The company is a world leader in connectivity and sensor technologies and serves a highly fragmented $170bn market growing at 2x annual GDP. Management is a prudent allocator of capital returning two-thirds of free cash flow to shareholders over time with dividends increasing at a CAGR of over 15% over the past 5 years augmented with share buybacks. Acquisitions that have been made are focused on higher value-added segments that strengthened the company's competitive position while striving to protect the business from being commoditised. The business was trading on a 2018 free cash flow yield of 6.4% and a shareholder yield (dividends plus share buybacks as a percentage of market capitalisation) of 11.8%.

6.4 How do you source ideas and how do you weight them in the portfolio? Please illustrate by examples of some ideas and show how they have been represented in the portfolio over the past 5 years.

Ideas are sourced from:

- Attractive business models – subscription based – Microsoft
- Megatrends – Booking Holdings
- Company meetings and announcements – RELX
- Industry conferences – CAGE – Estee Lauder
- Return expanders – TE Connectivity
- Spin-offs – Zoetis
- Announcement of increase in dividends or buybacks – London Stock Exchange
- Consolidation – Heineken

The stocks which make their way into the portfolio are taken from those that make their way through the research process described in sections 6.1 and 6.2 above.

The nature of our approach and very specific criteria around quality mean that portfolios are concentrated (20 to 40 stocks) and therefore are very different from traditional equity benchmarks.

The portfolio construction process is determined by providing a balance between high conviction and diversification. The size of the position is determined by the level of conviction held for each stock. The companies with the most predictable earnings and/or higher ROIC are awarded the highest quality rank. This is then combined with an assessment of valuation. This can be seen in the matrix below where companies with the most predictable earnings, and therefore less risk of a significant fall in earnings, can have a position size of 5-10%, provided there is a high degree of undervaluation. Companies that have a lower quality ranking within Insync's quality universe can only have a maximum weight of 3-4%, provided there is a sufficient degree of undervaluation.

The initial position size for a new stock is typically 1-2%. Because the portfolio is not 'benchmark aware', index weights are not considered. The other factor that is considered is sufficient liquidity in an individual stock to build a minimum position size of 2% without impacting the share price.

Ranking	Degree of Undervaluation	Predictability in Earnings	Maximum Stock Weight
1	>20%	High	5-10%
2	>20%	Medium	3-5%
Initial Position	Fair value	High/Medium	1-2%

Portfolio construction examples:

The weight in the portfolio is determined by assessing the predictability, resilience and volatility of cash flows, the profitability of the business and the level of undervaluation. Accenture has a weighting of between 5-6% because of the stability of earnings and the level of undervaluation. TE Connectivity has a lower weight of 2-3% in the portfolio because it has greater volatility in earnings. Microsoft has commanded a higher weight in the portfolio of 5-6% because of the high levels of profitability combined with consistent and stable earnings through the cycle. London Stock Exchange has a lower weight in the portfolio of 3% because it still has close to 25% of the business exposed to cyclical capital markets.

6.5 How do you populate the portfolio with your ideas? Please describe your portfolio construction methodology including stock selection tools and techniques and buy/sell discipline. Please provide an example of a buy and sell decision implemented in the past 12 months.

The portfolio construction process has been described in preceding sections.

Buy/Sell Discipline
Buy and sell disciplines are established following an assessment of the quality of the business model, the sustainability of ROIC, the company's ability to grow free cash flow and the stock's level of valuation. As Insync's portfolios are concentrated, transactions must be carefully considered and are undertaken only when the addition or deletion of a stock improves the portfolio's overall quality and valuation. Sell decisions are based on the same principles as the decisions to buy. We will trim or sell our positions when:

- The stock reaches our valuation target;
- The quality of the company declines due to deteriorating ROIC or poor allocation of capital

Monitoring and Control
Portfolios are continuously monitored by the investment team. In addition to regular meetings, ad hoc meetings are organised particularly around significant event risk.

Buy and sell targets are reviewed on a weekly basis as are stop loss limits. In addition, weekly team meetings concentrate on short-term individual stock developments. We also review the multi-factor screening models to assess if there have been any significant movements in our universe which may require a reassessment of an individual stock in the current portfolio or the possibility of researching a new idea.

We have monthly investment strategy meetings which cover macroeconomics, portfolio structure, sector trends and political and market developments. We also utilise a number of tools to help us understand the portfolio structure and risks including Bloomberg risk management models, the cross-correlation matrix and a macro risk management factor matrix.

Once a quarter the quality universe is reviewed to consider additions and deletions.
The portfolio manager's discretion is limited to the size of the positions – as he ultimately makes the final determination of the weight each stock maintains in the portfolio, he can exert some discretion in that respect however the stock selection decisions are driven by the investment process.

Buy and sell decision implemented over past year

Buys

1. Intercontinental Hotel Group
   Intercontinental Hotel Group (IHG) is the world's third-largest hotel group with a portfolio of 13 brands including InterContinental, Crowne Plaza, Holiday Inn, Holiday Inn Express, Holiday Inn Resort and the recently launched Avid. IHG's strategy is asset-light, primarily franchising hotels to third-parties or managing hotels on behalf of hotel owners. Of IHG's 786k rooms, 71% are in franchised hotels, 29% are managed by IHG and 0.3% are owned or leased by IHG. IHG is a beneficiary of the global megatrend in travel with just the growth in outbound travel from China estimated to double over the next decade driving demand for quality hotel accommodation. The asset light nature of the business model enables IHG to grow units and profits to shareholders with minimal capital invested.

2. Wirecard
   Whilst the move to a cashless society is a well understood global megatrend, which still has a significant runway of growth, the use of digital payments for goods and services is still in the earlier stages of accelerating growth. These embraces both online payments and in-store payments using smart devices. Within this, mobile's share of e-commerce transactions is accelerating. Retailers are expected to be able to offer the answer to this new consumer behaviour pattern and deliver seamless Omni-channel consumer experiences. Insync has a position in Wirecard that facilitates merchants to seamlessly integrate the POS (point of sale) transaction with mobile and internet transactions at the same time. The company is a beneficiary of the collision of digital payments and Omni-shopping megatrends. It meets the two key hurdles Insync seek for consistently across their portfolio of investments which is the long run way of growth supported by global megatrends and high returns on incremental invested capital.

3. Stryker
   Stryker's orthopaedic robotic platform has the potential to be highly disruptive and the potential to break the market share stalemate between the 4 major orthopaedic players. The main reason for using a robotic system is to be able to hit very accurately a target that varies from patient to patient. It is particularly useful in the treatment of knees because they are more problematic (than hips) and a large proportion of patients aren't satisfied with their knee replacements. Stryker's management has an excellent track record in making capital allocation decisions. It has increased its dividend every year for 24 consecutive years. This degree of success hinges on strong acquisitions, consistent profitability, and a diverse revenue stream that shelters the company from single-point failures. The ageing population provides a long run way of growth and Stryker's first mover advantage in robotics should enable it to take market share and drive profits and dividends well into the future.

4. Accenture
   Accenture was formed in the early 2000s after the renaming of Andersen Consulting. It provides strategy and IT consulting services to leading enterprises and government agencies across the world. The company is the IT services market leader with an unparalleled depth and breadth of offerings which, together with its broad geographic footprint, sets the company apart from its competitors. In our view, very few IT providers can match Accenture in terms of global delivery capabilities and deep domain expertise. We consider it to be one of the best positioned to benefit as digital disruption IT takes a more strategic role, with corporates increasingly considering IT a business enabler rather than merely a back-office function.

1. Booking Holdings
   Booking Holdings is a global online travel company (OTA) that offers its customers the opportunity to purchase hotel room reservations, car rentals, airline tickets, vacation packages, cruises & destination services in a price-disclosed manner. Booking.com has emerged as the dominant global OTA, as it has created a very large marketplace that connects travellers with a vast supply of fragmented hotel and alternative accommodation inventory around the world. It is the category leader with unparalleled global scale in online travel and also well positioned for an acceleration in Asian and Chinese travel growth in the years ahead. We anticipate the online share of bookings will grow from one-sixth now to one-third over the next 15 years, a rate of growth consistent with what has been seen over the last decade.

2. Twenty First Century Fox
   Fox is in a strong position to capitalise on the secular growth in the value of high-quality content worldwide. Fox is a unique and diversified media company with an amalgamation of various assets in six different continents. What is under-appreciated is that Fox is truly a global company, generating nearly 40% of its revenues outside the United States, and unlike the mature US market, pay-TV is still in "growth mode" in many countries around the world. One of the key gems in their international business is Star India. Valuing these assets is quite difficult, given the interdependency between various operating segments. The recent negative trends in cord-cutting has created an opportunity to invest at depressed valuations. Despite these negative trends the strength of their content business in the US was reflected in double digit top line strength in affiliate revenue. We see an asymmetric risk profile with limited downside risks but significant upside opportunity.

Sells

1. Medtronic
   Its valuation target was reached.

2. Reckitt Benckiser and Unilever
   The fund exited its position in Reckitt Benckiser, a stock that we held in the portfolio since the fund's inception over eight years ago. We have admired the management who have had a ruthless focus on driving shareholder value through strong capital allocation delivering compound annual shareholder returns significantly in excess of the stock market for over 15 years. However, consumer-based businesses that historically achieved their competitive edge through marketing and distribution through traditional channels are having their business models disrupted. Big brands are starting to lose their appeal and building a name, thanks to online, is now much cheaper if one has the right product. Even the best management teams are finding it extremely challenging to adapt to the pace of disruption. For similar reasons the fund also exited its holdings in Unilever. Both businesses have contributed strongly to fund performance since initial purchase.

3. Celgene
   Celgene is a global biopharmaceutical company engaged primarily in the development of therapies for the treatment of cancer and immune-inflammatory diseases. Celgene has a pipeline and R&D model that had the potential to create significant growth potential through 2030. Management had provided 2020 targets for revenue to grow 17% on a compounded basis and earnings growth of more than 20% annually. Their confidence in this long-term guidance was backed by a plethora of pending data that could result in potential value-creating events as data readouts are expected from 15 Phase 3 trials over

the next 18 months. The company at the time of purchase was trading on a 2018 P/E ratio of 15x. One of the key reasons for exiting the position is because the company has had a series of disappointments with two of their key drugs in clinical trials. This has weakened their capacity to diversify from their core product. Management has also reduced guidance to 2020. What was of greater concern was the weak performance of their existing drug Otezla, which experienced headwinds due to slowing growth and increased competition in the psoriasis market.

4. Oracle
   Oracle is early in the transitioning of its business and financial model to the new normal which will create a business with a higher level of recurring earnings. One of the reasons why Oracle continues to remain attractively valued is because it was considered to be relatively late to transitioning to the cloud. Oracle’s cloud transition model was starting to work as was evidenced 12 months ago by growth in cloud subscriptions offsetting the license revenue declines. If Oracle is successful in defending its large installed base of customers and migrating them to the cloud, this could result in meaningful upside to revenues and earnings. However, visibility on execution of their strategy has declined. Oracle's stock price and story is all about growth in their cloud and SAAS (software as a service) business, and the results were underwhelming and slowing. In addition, the company has introduced a new reporting methodology that reduces rather than improving clarity and insight into cloud growth and this will not help matters. Oracle shares will only get materially re-rated up on the back of cloud success, however the visibility and confidence of successfully executing on this strategy has deteriorated warranting a sell.

6.6 Please describe in detail the structure and characteristics of your proposed portfolio.

Market cap distribution as at 31 March 2018 (USD)	No. stocks	% of portfolio
$50bn or greater	15	54
$25bn to $50bn	12	31
$10bn to $25bn	5	12
$2bn to $10bn		
$300m to $2bn		
Less than $300m		

Portfolio Characteristics as at 31 December 2018	Strategy	MSCI World
Market cap (USD bn) Median	48.5	7.19
No. of securities	31	2,689
Dividend Yield (12 mth forward)	0.96%	2.60%
Price/Earnings (12 mths forward) Weighted Harmonic Average	20.25	14.256
Price/Cash Flow (12 mths forward) Weighted Harmonic Average	17.8	11.62
Price/Book Weighted Harmonic Average	6.92	2.3
Price/Sales Weighted Harmonic Average	3.66	1.56
Historic 3 yr. sales growth (p.a.)	15.1%	6.8%
Historic 3 yr. EPS growth (p.a.)	28%	11.5%
ROA	16.2%	8.6%
ROE (trailing 12 mths)	35%	22%
Operating Margin	28%	19%
Net Margin	22.2%	15.2%
Net Debt/Equity	17%	94%

6.7 What is the historical and expected turnover of the portfolio? Please comment on the percentage of turnover which comprises complete stock entry and exits

Turnover of the portfolio has been around 25% per annum. We do not anticipate future turnover to be markedly different from this level.

On average, we expect to completely exit 6 names and enter 6 names each year.

6.8 Has your portfolio had any style biases over time? If so, have these style biases corresponded to certain investment environments? Do you believe the portfolio will have any style biases in the future?

Insync's style can be described as investing in enduring and adaptive high-quality stocks at reasonable prices (QUARP). Our definition of high quality is centred on businesses which display a high ROIC persistency. As such, we do not attempt to classify our strategy according to a conventional style (e.g. value or growth). What may be perceived as our investment style by traditional measures is merely a residual of our process.

While over the course of a full market cycle we might be considered to have a blended style, from time to time we may display a growth or value bias, based on traditional valuation tools such as P/E ratios and P/Book ratios, depending on the market conditions.

6.9 What are the key risks to your investment process that could lead to underperformance?

We believe that in times of crisis (e.g. October 2008, September 2011) when correlations rise to close to 100%, performance can be random and only cash positions can lead to outperformance. We also believe that we cannot forecast significant events or conditions with a suitable level of certainty to model the portfolio perfectly.

Generally, Insync's process will typically outperform equity benchmarks in falling to flat markets and the early to middle stages of a market recovery. It also performs well in periods of uncertainty where there is concern around the strength of economic growth.

The fund strategy typically underperforms in the latter stages of a market recovery when the markets are rising strongly or when the yield curve steepens sharply and there is a swing to more shorter duration cyclical stocks. The strategy may also underperform if there are bubble aspects to the rally (e.g. the tech bubble).

On a monthly return basis since inception in October 2009 the strategy has captured 97% of the upside and 65% of the downside with a capture ratio of 1.50.

6.10 What impact, if any, has globalisation had on your investment process and style? Do you believe that your investment process will require any modification in the future as globalisation further impacts the investment environment?

We have always viewed the world as one increasingly integrated global market, analysing it as a single investable entity. As national boundaries become less relevant to corporate strategy, activities and profitability, investing should also best be done on a global basis. As such, we make no assumptions regarding “appropriate” country or sector allocation. Our investment process is global and will benefit from further globalisation, and thus needs no modification in this regard.

The companies in which we invest tend to be global in nature, so further globalisation should benefit them. We will also see further growth of national and regional companies originating from emerging markets which will in time become global and make their way onto our focus list.

6.11 Where do you see your fit within a multi-manager portfolio? What style of manager is your portfolio best able to complement within a multi-manager portfolio?

Insync’s investment approach provides the opportunity for outperformance against market cap indices with implicit downside protection provided by the characteristics of the companies in which it invests. As equity markets become extended away from fair value in a bull phase, Insync’s portfolio will tend to lag those strategies which chase returns to the market's turning points. As such, it is worth considering Insync’s portfolio as one having a lower amplitude of returns around fair value than traditional growth, value and momentum approaches. As a result, Insync’s process complements strategies which are more geared towards chasing the extremes of markets.

Insync’s portfolios also perform well during periods of economic uncertainty, again due to the defensive nature of the stocks it holds.

Depending on how a multi manager portfolio is structured, Insync’s strategy may be classified as core or satellite. These labels are best left to others to determine; however, we believe our process provides outperformance characteristics over an investment cycle with lower risk than many other approaches.

6.12 What do you believe are the differentiating features of your investment style and process? Do you believe that you possess any unique skills or competitive advantages in the management of global equities?

Insync’s competitive edge stems from focusing on a highly select group of companies (typically dominating their sector), that generate very high returns on invested capital through the cycle for the long term, via our differentiated approach to identifying global megatrends. The team’s explicit focus on disruption, which is impacting most sectors of the economy, helps us identify with what represents quality in the future which we strongly believe will be different from what represented quality in the past thus avoiding quality traps – a style we describe as investing in enduring and adaptive high-quality companies. Equity market participants generally have a core belief that all stocks mean revert and build this into their model assumptions. Our edge is to invest in a select group of stocks with very high future ROIC that don't mean revert for a long period of time contrary to market perceptions. This is captured through our proprietary ROIC derived EVAluation tool which captures growth beyond the 3 years period. This is different from most market participants who use short term time periods to value stocks (2-3 years), often using only static measures of value such as free cash flow yield. The acceleration and durability of some megatrends are typically underestimated by most investors and not captured in short term valuation measures, with forward looking measures of valuation often showing up a significant valuation gap. We also believe our proprietary algorithm is a source of competitive edge as it provides a ranking based of the most attractive opportunities based on quality, risk and valuation as well as providing guidance to the appropriate portfolio weight for the chosen stocks.

These stocks tend to provide outperformance versus traditional broad global equities benchmarks over the medium to long term, picking up a large part of the returns available in rising markets and providing defensive characteristics in falling markets.

6.13 Have there been any changes to the investment process since inception and if so, then why?

We always endeavour to refine our investment process based on research and experience. While we have always assessed a number of different quality attributes, persistence in return on invested capital has become the cornerstone of our investment process, as we believe it drives other key elements of investing in high quality businesses including strong growth in dividends and share buybacks.

6.14 Do you undertake any stock lending?

No, we do not lend securities.

6.15 Please provide any other relevant details which describe your portfolio construction and ongoing portfolio management process.

Additional characteristics of our Global Quality Equity strategy are:

- Portfolios are very concentrated - they typically comprise 20 to 40 stocks.
- Weightings relative to the index, capitalisation exposure and country/sector bias are all a reflection of our portfolio construction process. The portfolio is not managed on a sector, style or regional basis.
- The portfolio is biased towards large cap global companies
- Strong review and sell disciplines
- Low turnover, thereby minimising transaction costs and triggering capital gains tax events.
- We aim to have no more than 5% of the portfolio in cash, with the objective of remaining fully invested at all times.
- We continue to examine the research around ESG. Currently the strongest element of ESG linked to stronger performance is around governance. This is consistent with Insync's focus on strong capital allocation.

6.16 Please also detail the role and use of any systems utilised in the management of the portfolio.

Insync utilises Bloomberg to drive many aspects of the investment process including the initial screening to help develop the investment universe, multi-factor scoring to provide a source of idea generation, and portfolio risk analytics functionality to assess the attributes of the portfolio as well as to understand the sensitivity of the portfolio to major macro-economic factors. In addition, we have developed our own proprietary customised filters and covariance and correlation tools to build and monitor the portfolios.

Whilst we use these tools in conjunction with our qualitative assessment, the majority of our decisions are human ones. We do not employ portfolio optimisation on risk/return metrics, or the generation of weightings based on historical correlations and price targets. Rather, we use the results of our analyses and risk management tools as a basis for discussion and deliberation, with an appreciation of their advantages and limitations. These results inform, but do not dictate, our decision-making process.

7. Risk Management

7.1 Describe and detail your risk management techniques.

The overall philosophy and process of selecting companies with quality attributes (high persistent ROIC, strong cash flows, larger capitalisation) results in portfolios which display characteristics which have been shown to provide outperformance of market cap indices over time, while also providing downside protection in the shorter term. As well as this, there are a number of portfolio risk controls that aim to ensure sufficient diversification of the portfolio and protect against absolute loss of capital, namely:

Portfolio risk control	Limits in portfolio
Individual stock weight	0-10%
Individual GICS Industry weight	0-30%
Emerging markets	0-30%
Cash	0-5%
Stop/Loss Limit – Soft	15%
Stop/Loss Limit – Hard	25%

As such, risk management permeates the entire investment process, from stock selection through to the portfolio construction process, which applies limits on various metrics aiming to avoid loss of capital.

In addition, we seek to understand the relationship between the stocks in the portfolio utilising correlation and co-variance analysis and exposure to different macro-economic factors. We also seek to gain diversification across different megatrends.

If an alternative set of constraints is required for a separately managed account, we will seek to accommodate.

7.2 What do you see as the relevant investment risk characteristics of your portfolios?

Our approach to risk management is implemented at the security and portfolio levels. Key specific risk factors which we evaluate for prospective investments include liquidity risk, sovereign / political risk, corporate governance risk, financial risk (i.e. leverage), interest rate risk, operational risk, regulatory risk, technological risk and competitive risk. Understanding these risk areas allows us to construct realistic downside scenarios and assess the degree of risk in each investment. At the portfolio level, we strive for diversification and non-correlation between individual investment cases to reduce the impact of adverse idiosyncratic events on overall performance.

Investment risk relates to all the factors which can cause an outcome below expectations. These can be classified into two groups, being:

a) Systematic - insync's style will tend to produce below benchmark performance in a strongly trending and the late stages of a bull market and when the market is rewarding short duration cyclical and very capital-intensive stocks.
b) Idiosyncratic - individual security risk materialises when stocks in the portfolio provide returns below forecast. This can occur if the quality of the investment deteriorates. Possible causes can relate to management execution, change in the competitive environment or disruptive forces having a negative impact on the industry.

Understanding these risks allows us to assess the degree to which the portfolio will be impacted by either market or stock specific issues. We seek to minimise these risks by diversification and by placing limits on particular parameters, as outlined in section 7.1 above. [Note: These limits may be varied in a separate account to suit specific investor preferences].

We do not specifically target tracking error when setting limits.

8. Performance

8.1 When measured in quarterly intervals, how many times have you underperformed and outperformed the benchmarks established for a typical portfolio. Please provide this information for each year since inception.

Calendar year	Outperformance	Underperformance
2009	0	1
2010	1	3
2011	3	1
2012	1	3
2013	2	2
2014	2	2
2015	3	1
2016	2	2
2017	2	2
2018	2	2

Note: These data represent the performance of the representative portfolio of global equities positions, which forms a subset of the Insync Global Capital Aware Fund. The benchmark is the MSCI ACWI.

8.2 In which period(s) over the last five years have you suffered underperformance? Please specify to what you attribute this? What changes did you make during this time?

April 2013 – November 2013 – Aggressive stimulus programmes undertaken by various central banks to boost growth led to a significant and very sharp rally in equity markets. Markets were also boosted by the fact that the risk of a break-up of the Eurozone, in the wake of the region's debt crisis, had diminished. This rally saw a rotation out of quality defensive stocks into sectors which were more sensitive to a recovery in the global economy.

March 2016 – December 2016 – Sharp rally in traditional value stocks driven by cyclicals, financials and the resources and energy sectors. This was driven by a steepening of the yield curve on the back of Chinese stimulus and improving global PMIs with increasing confidence of faster economic growth, later in the year, on the back of Trump being elected as president.

While our investment process is always under review for enhancements, any that are implemented are more at the margin as our process has been honed over many investment cycles. As such, these periods of underperformance, in and of themselves, have not prompted any specific changes. The main area where we are always on the lookout to refine our process is in seeking broader diversification within our investment universe to capture alpha across different sectors without compromising the quality attributes.

9. Portfolio Administration

9.1 Please explain the process by which you will invest our moneys, starting from a lump sum cash deposit provided to your account.

Under normal market conditions, we would begin investing the account assets on the first trading day that authorisation to access the assets is granted by the client/custodian. We intend to have over 95% of the account invested within the first two trading days. A small percentage of less liquid securities (less than 3% of the portfolio) may require additional days for investment.

9.2 What is the minimum mandate size?

The minimum mandate size is AUD 25 million.

9.3 What is the minimum size of regular deposits and frequency you would?

(i) accept,
(ii) prefer.

There are no thresholds for the frequency or amounts of account deposits. We monitor the cash levels in our accounts on a daily basis and rebalance portfolios as required.

9.4 Describe what steps you take to monitor and minimise transaction costs.

Transaction costs are minimised as a result of the low level of turnover of the portfolio, which has been around 25% per annum.

10. Client Service and Reporting

10.1 Kindly confirm the timeframe for delivery of the following reports:

a) Monthly and Quarterly performance along with rolling annual, two-year, three year and five-year performance figures calculated monthly.

10 business days after month and quarter end.

b) Monthly reports on portfolio alterations and reasons therefore and strategies in place for alteration of portfolio in the coming month.

10 business days after month end.

c) Monthly derivatives exposure report (if applicable).

10 business days after month end.

d) Monthly reports and reasoning behind hedging strategies for securities and currency where applicable, including worst-case simulations

10 business days after month end.

e) Confirmation of compliance with mandates on a monthly basis

10 business days after month end.

10.2 Please confirm that we can have access to your fund manager as below:

a) By telephone to clarify specific market or portfolio related issues. These should generally be of a short duration.

Confirmed

b) At least bi-annually in person or by telephone for a more detailed portfolio performance assessment and discussion on your reports and forecasts if required.

Confirmed

11. Compliance Program Overview

11.1 Organisation and Resources of the Compliance Function.

a) Provide the name, title, organisational position and experience of your Chief Compliance Officer (CCO). Note whether the CCO is dedicated solely to compliance or whether he or she has additional responsibilities.

Our CEO Garry Wyatt is our Compliance Officer (CO). Garry has an audit background and held internal audit and process control related responsibilities over 40 years in finance related roles. He has completed required CO training and utilises the services of an external consultant to provide guidance and assistance in keeping abreast of legislative changes and ongoing compliance requirements.

b) Please describe your anti-money laundering program.

Insync is not authorized to provide custodial services and does not hold client funds for other financial services.

However, Insync does have in place a compliance process to record and report to Austrac any possible AML and suspicious transactions. This is maintained by the Compliance Officer.

All staff are made aware of the suspicious transaction/matter rules to be followed as a guide to monitoring for suspicious transactions and matters and reminded of these requirements on an annual basis.

11.2 Administration of Compliance Program

a) Explain your process for developing and maintaining adequate compliance policies and procedures. Include in your discussion a description of your risk assessment process, if any, and the process for updating your compliance manual.

Insync has in place a comprehensive procedures manual that provides, for all staff, details of relevant compliance arrangements and company policies. The manual and its attachments are updated as and when there are changes in the business or regulatory environment.

Throughout the manual, potential risks have been highlighted and control procedures and compliance questions identified to properly monitor these risks. There is a quarterly signoff of these questions by the CEO and CIO.

In addition, there is also a specific section in the manual on risk management that outlines the process for regularly reviewing, analysing, evaluating and assessing both operational and investment risks with a view to their resolution. A risk assessment matrix rating likelihood against consequence is completed for all identified risks.

b) Describe the process by which you communicate your compliance policies and procedures to your employees.

All employees are directed to the online copy of our procedures manual and required to provide back to the CO written confirmation that they have read and understood the manual. This sign off occurs annually.

c) What is the process for training your employees on compliance-related matters, including the requirements of applicable laws as well as the specific requirements of your compliance policies and procedures? Include in your discussion the identity of the person performing the training, the topics generally covered, when training is delivered and the method by which it is delivered.

The CO provides annual compliance training to all employees including discussions on incident/breach reporting and management of potential risks. This training covers the procedures manual and attached policies. Ad hoc training is provided throughout the year if specific issues arises that may become materially relevant to the business.

11.3 Policies and Procedures for Monitoring Personal Trading

a) How do you monitor personal trading by employees? Include in your discussion, the identity of the person or group performing the review and how often it occurs.

All staff are required to obtain CO authority for any listed or unlisted stocks that are held in a portfolio managed by Insync under our Code of Conduct policy.

Staff are required to maintain a register of securities and provide a copy to the CO each quarter for review.

b) To whom do your personal trading policies and procedures apply?

All Insync employees are subject to the Code of Conduct policy and personal investment rules.

c) Is the monitoring process automated or manual?

The monitoring process is manual.

d) Do you limit the brokerage firms with which employees may trade securities for their personal accounts?

No.

e) Do you require pre-clearance of securities transactions?

Yes. The CO is required to provide written authority prior to the transaction.

f) Have you tested for compliance with your policies and procedures regarding personal trading?

No.

g) Do you maintain a watch or restricted list?

No.

h) Have there been any violations of the code of ethics during the last twelve months?

No.

11.4 Gifts and Entertainment

a) Please describe your policies and procedures concerning the giving and receiving of gifts and entertainment.

As a guiding rule, gifts and entertainment should not be given or received if they create a feeling of obligation. Reasonable entertainment such as dinner parties, theatre parties or sporting events is acceptable in the ordinary course of business in the right circumstances.

Employees are not to give gifts, payments, discounts or services in the course of Insync business unless they are of nominal value and appropriate to the circumstances.

Any gift or entertainment given or received by an employee in excess of $100 must be reported to the Compliance Officer.

b) Have there been any material violations of these policies and procedures in the most recent twelve months? If so, please describe the nature of the violation and what, if any, sanctions were imposed.

No.

11.5 Client Guideline Monitoring

a) Describe the process for monitoring compliance with client investment guidelines, including those imposed by prospectus, contract or regulation.

Insync will seek to utilise, once the first institutional mandate is awarded, the AlphaDesk order management and compliance system for trade order management and for pre-and post-trade compliance / portfolio guideline monitoring.

b) Is the process automated or manual?

Automated with limited exceptions.

c) Describe the guideline review process once they are entered into the system.

Once entered into the system, AlphaDesk runs pre-trade compliance checks before trades can be executed. The CO is alerted via pop-up if there are any alerts or warnings pending.

If the trade is approved, comments are required to be entered into the system. If a trade is denied for an account due to an account-specific guideline, the applicable account will be pulled from the trade and the trader will escalate the matter to the portfolio manager as deemed necessary. On T+1, any overnight batch guideline exceptions are reviewed by the CO if deemed to be in breach.

d) Who performs this review?

The Client Sub-Committee annually reviews the guidelines in AlphaDesk against the clients' IMAs.

e) Who is responsible for addressing guideline violations?

The portfolio manager is ultimately responsible for addressing guideline violations. The appropriate relationship manager will coordinate communication with clients as necessary.

11.6 Regulatory Matters

a) Are you or your affiliates currently operating under any order or restriction imposed by any Authority?

No.

b) Describe any material inquiries, investigations or administrative or other regulatory proceedings against your firm during the past five years.

There haven't been any.

12. Investment Practices

a) What technology do you use for portfolio management/accounting?

Insync's middle and back office support and systems are provided by Mainstream Fund Services.

b) Describe the procedures you follow for allocating investment opportunities among clients.

Insync's Bunching and Trade Allocation Policy requires fair and equitable treatment of all clients in the allocation of investment opportunities. Subject to regulatory compliance, investment guidelines and cash available in a client account, portfolios are treated in a pari-passu manner for allocation of opportunities, with a pro-rata allocation across portfolios intended to maintain consistent security weightings across Insync's portfolios. Any deviation from this pro-rata allocation approach is subject to review by the CO. Conflicts are addressed by applying the principle of fair and equitable treatment for all client accounts over time.

Insync ensures that stocks are allocated to each portfolio in line with their targeted weights.

c) Do you have a process for managing derivative usage (e.g. mark-to-market, counterparty exposure, collateral, etc)?

Insync generally will not utilise derivatives within institutional mandates. Insync currently utilises derivatives in a pooled vehicle and has in place a process for managing derivatives usage.

d) Describe the process for monitoring the valuation of securities.

Insync utilises Mainstream Fund Services for back and middle office functions, which includes providing asset prices for valuing investments. Valuations are reconciled with clients' custodians monthly to ensure consistency in the application of security prices. Reconciliation reports are provided to Insync and any open items are resolved by Insync, Mainstream Fund Services and the appropriate clients' custodians.

e) Describe the process for monitoring corporate actions.

Insync's custodian, BNP Paribas, currently administers corporate actions on behalf of Insync and its client portfolios. BNP has a set of standing instructions from Insync for standard and customary corporate actions. For actions outside of the standing instructions, a notification procedure from BNP to Insync is in place and Insync communicates relevant decisions back to BNP for processing. Pending corporate actions are monitored by Insync.

f) Describe your proxy voting procedures.

Insync has a Proxy Voting Policy in place where key investment staff can escalate differing opinions to the Investment Committee if they believe this to be in the best interest of the client. Insync is willing to vote against management if there are specific concerns.

g) Please provide the source of your performance data and indicate if this data is standards compliant.

It is our intention to adopt and comply with industry standards in regard to performance reporting. The main reason we may deviate from this position is in the presentation of performance numbers for a proposed strategy where no existing portfolio to the same specifications exists. Should this occur, we will clearly outline the performance basis used.

The performance data utilised in the responses provided through this document are those of a representative portfolio, which is a subset of the Insync Global Capital Aware Fund. The data represents the performance of the fully invested global equities component of that Fund, which we believe provides the best representation of our investment performance characteristics under the conditions prevailing at the time.

13. Trading Practices

a) What technology do you use for portfolio trading?

Insync plans to utilise the AlphaDesk Trading System for trade modelling, order entry and trade order management, including allocation of trades across accounts, upon being awarded our first institutional mandate. AlphaDesk will also be utilised for pre-trade and post-trade compliance / portfolio guideline monitoring. Currently all trades are placed by the Portfolio Manager, typically with instructions to the broker to buy at the VWAP price. Brokerage is allocated based on good execution and access to company management and conferences.

b) Describe your process for selecting brokers to execute portfolio transactions.

Insync maintains a best execution policy for all trading activity. Market conditions as well as factors that are transaction-specific and broker-specific determine how a trade is executed and the appropriate counterparty for a given trade in order to achieve best execution on behalf of our clients.

c) Is there an approved broker list? If so, what is the process for compiling that list?

Insync has an approved broker list, with brokers selected based on their ability to provide liquidity and best execution across the scope of global securities as well as access to companies and conferences within Insync's portfolios.

d) Who are your major brokers?

Our top brokers include the major global brokerages as well as specialist houses including Morgan Stanley, UBS, Baader Bank and Strategas research.

e) How often are brokers reviewed and by whom?

Insync's portfolio turnover tends to be low so brokers are reviewed on an annual basis. The key determinants are quality of execution, access to companies and conferences and provision of insightful research.

f) Do you use client commissions to purchase any products or services (i.e., do you use soft dollars)?

Insync utilises soft dollars for brokerage and research services which fall under the Securities Exchange Act Rule 28(e) safe harbor. Insync's Soft Dollar policy mandates compliance with all applicable federal and state laws and regulations in circumstances where brokerage commissions are used to pay for brokerage and research services. The soft dollar credit pool (i.e. CSA pool) is used to pay for 28(e) safe harbor eligible research services that are defined by the investment team and approved by Insync's Investment Committee. The investment team conducts a formal voting process on an annual basis to identify/rank soft dollar eligible services, which ensures that the CSA pool is applied to services that contribute to Insync's investment process. The services paid for with soft dollars are utilised across Insync's portfolios, which mitigates cross-subsidisation of services between client accounts.

14. Insurance

a) Describe your firm's fidelity bond insurance, error & omission insurance, and/or director & officer insurance, including the terms of the policies, the amount of insurance and the provider of the insurance.

Investment Managers Insurance with DUAL Australia underwritten by Lloyds provides PI, D&O, Crime Protection and Statutory Liability cover each with an indemnity limit of $2,000,000 with an aggregate limit of $2,000,000. Period of cover is to 11 November 2018.