

Equity markets continued their solid year with another positive quarter. Emerging markets once again led most broad indices in Q3, with other developed markets slightly outperforming the US. Headlines were dominated by geopolitics and monetary policy. However markets shrugged off most headlines as economic fundamentals and corporate earnings remain sound as GDP is growing almost everywhere and concerns around deflation looks to have disappeared as consumer prices globally are running up 1.5% to 2.0%.

The markets shrugged off what appears to be at the start of a global monetary policy tightening cycle. The Fed announced it will finally start unwinding quantitative easing, allowing maturing debt to gradually roll off the balance sheet whilst hinting at a possible hike in December. Similarly the ECB began discussing the possibility of ending its own easing, while the Bank of England also indicated a hike is imminent.

The energy and materials sector performed well as prices in the underlying commodities rallied, driven by strong Chinese industrial demand and USD weakness. Technology stocks also delivered strong performance driven by solid earnings momentum. The defensive consumer staples and health care sectors trailed the markets as investors positioned portfolios for stronger economic prospects.

### Performance Discussion

The fund returned 0.4% for the quarter trailing the benchmark which returned 2.9%. Most of the underperformance came through in the month of September as it seemed like a case of Deja vu with November of last year. The "Trump Trade" was on again, full of hope for a more robust economy, ignited again as the topic of tax reform came front and centre. Top performers during the quarter included PayPal, Visa, Cognizant Tech Solutions, eBay and Diageo PLC. The main detractors to the performance were Oracle, Walt Disney, BAT, Reckitt Benckiser and Medtronic PLC.

Rotation out of the consumer staples sector contributed to the underperformance of BAT and Reckitt Benckiser. Concerns around chord cutting continue to impact Walt Disney. The overall company continues to grow at a high rate, thanks to exceptional growth in its other businesses. We believe that the stabilisation in Pay TV subs driven by new MPVD services and/or from the traction of the ESPN OTT services could result in a significant re-rating of the company.

Medtronic's share price fell in Q3 but still up 11% for the year due to the synergy benefits of its acquisition of Covidien taking longer than expected and sales numbers being slightly lower than market expectations. Medtronic is the world's

largest manufacturer of medical devices. The business is highly diversified by product line, therapeutic area and by geography. The main product areas include the cardiac & vascular group, restorative therapies group, diabetes group, and minimally invasive therapies group. It has a long track record of growing its dividends, significantly increasing it during the GFC whilst many companies were slashing their dividends, and buying back its shares. We continue to believe the shares are undervalued.

### Portfolio Positioning

Stryker and Accenture were the two significant positions added during the quarter. Stryker is a leading global medical technology company that offers a diverse portfolio of reconstructive joint, spine, medical and surgical and neurovascular products. The company has three major business segments: Reconstructive, MedSurg and Neurotechnology and Spine. Its product offerings include implants for joint replacement, trauma and spine-based surgeries, surgical equipment and navigation systems, endoscopic and communications systems, patient handling and emergency medical equipment, and endovascular devices for the treatment of stroke and coils for the treatment of aneurysms.

Insync believe that Stryker's orthopaedic robotic platform has the potential to be highly disruptive which has the potential to break the market share stalemate between the 4 major 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 knees because they are more problematic (than hips) and a large proportion of patients aren't satisfied with their knee replacement. In fact, satisfaction rates are only around 65 percent for knee operations, against 95 percent for hips, according to industry surveys.

Stryker's management have 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.

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,

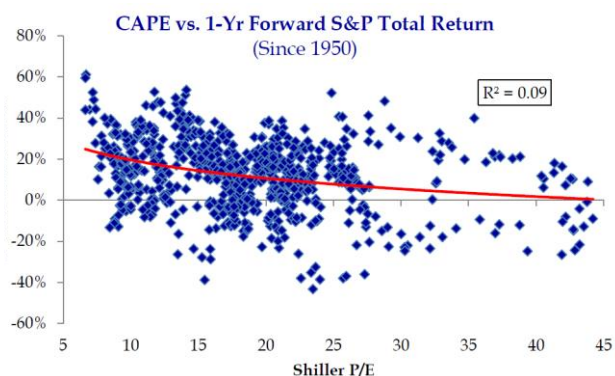
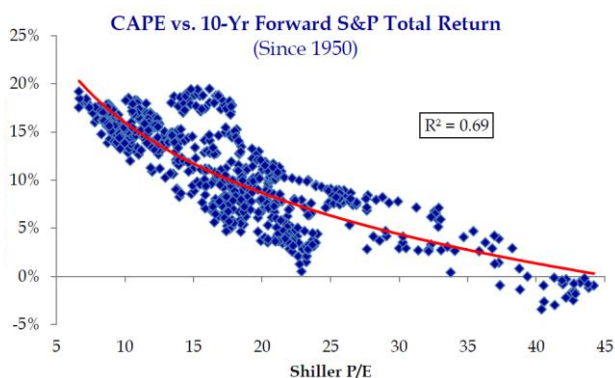
which together with its broad geographic footprint, we believe, set the company apart from its competitors. In our view, very few IT providers can match Accenture in terms of global delivery capabilities and deep domain expertise. We consider it to be one of the best positioned to benefit as digital disruption IT takes a more strategic role, with corporates increasingly considering IT a business enabler rather than merely a back-office function.

During the quarter, Insync sold its holdings in Bank of New York Mellon and Philip Morris International as both stocks had reached our valuation targets.

### Outlook and strategy

We have commented on the current high valuations on a number of occasions and whilst this may not lead to sharp sell-off in equity markets in the short term it does strongly suggest that future returns are likely to be lower. Whilst growth rates around the world have picked up we still operate in a world of lower growth and lower inflation with a high risk of policy error. In this environment, investing in businesses supported by megatrends is more likely to provide more real growth.

*Cape Ratios – Good long term predictor but poor short term predictor of future returns.*



### Digitisation Megatrend

*“Every single company we do business with is in the midst of a digital transformation.” Bill McDermott, CEO of SAP*

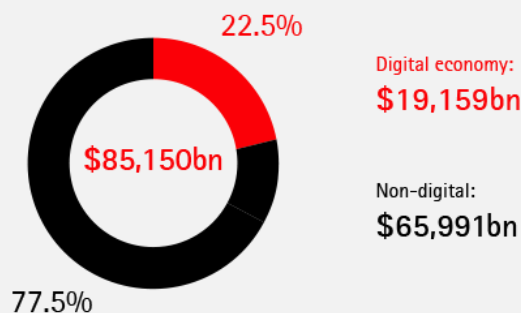
Digitisation is a step change even greater than the internet. Exponential technology advances, greater consumer power and increased competition mean all industries face the threat of commoditisation. The winners will act now, and build a strategic advantage that leaves their counterparts wondering what happened.

The real imperative in a world where ‘everything’ is digitised is that businesses need to pursue innovation to disrupt their own business model before the competition does. Without innovation strategies, companies will lose their competitive advantage in an increasingly commoditised world.

The incremental spend on digitisation is forecasted to increase by \$5 trillion dollars in the 5 years to 2020 with our research indicating the level of spend is accelerating. The fund’s exposure to this megatrend is through Accenture and Cognizant Technology Solutions

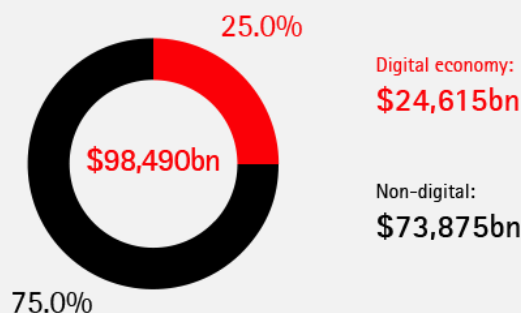
### 2015 global economy

The 2015 economy as a share of gross domestic product



### 2020 global economy

Forecast growth of the digital economy



**Investment Process**

Insync implements a high quality strategy investing in companies with sustainably high returns on invested capital with strong capital allocation and a long run way of growth.

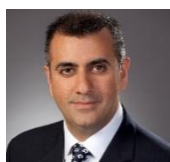
**Business Quality**

We look for exceptional businesses with high or rising returns on invested capital, generating strong free cash flows, with solid balance sheets and a long track record of returning cash to shareholders through growing dividends and/or share buy-backs.

**Megatrends**

Investing in megatrends provides businesses with more assured and a long run way of growth in a low growth environment. Megatrends are less sensitive to changes in the economic cycle.

**Portfolio Management**



**Monik Kotecha**  
Chief Investment Officer



**John Lobb**  
Senior Investment Analyst

 <b>Global Titans Fund Performance</b> September 2017									
Measure	Five year Rolling Objective	Latest Month	3 month*	6 month*	1 year*	3 year*	5 year*	7 year*	Since Inception (7 Oct 2009)
Return after fees before protection	14.71%	1.00%	0.84%	8.92%	13.90%	11.55%	14.39%	13.18%	11.30%
Benchmark MSCI ex AUS	14.50%	3.11%	2.87%	6.79%	15.80%	11.52%	16.76%	12.63%	10.92%
Net Return after Protection (unit price)	12.52%	0.85%	0.35%	8.11%	11.06%	8.20%	10.93%	10.92%	9.43%

**Our skill in up and down markets going well.**

Insync risk and return capture	Score	# Monthly observation	Participation compared to MSCI positive/negative markets
Upside Participation	0.73	61	Higher score = Better
Downside participation	0.48	35	Lower score = Better
Capture Ratio	1.53	96	Higher towards 2 = Better

Consumer staples weak month reduced the return (e.g. Diageo -5%). We are not surprised to see a rotation toward commodities and cyclical companies, and out of high quality sectors. Asian markets also rose strongly - we don't hold a presence in Asia directly. All this is similar to the Trump based rally in cyclicals in the last period of 2016.

Heineken negative -8.5% was due to a E 2.5bn placing as owners of a prior acquisition in Mexico sold out at a discount (Heineken family bought more). Paypal, Ebay, Te Connect and Amadeus were our strong positive contributors.

We are optimistic about global and Emerging Market economic growth, with the consumer staples we own, to out-perform over time (we accept market preferences will swing to and fro in the interim).

**Remember!** 'Catastrophe protection' is included in the unit price returns delivering you peace of minds that other funds can't.