

Markets continued to exhibit significant downside volatility as central banks rapidly raise interest rates to bring down inflation. This in particular impacts 'growth' companies, even the *highly profitable* ones that aren't as impacted by inflation – the type of companies that Insync holds. These forms of growth companies are delivering strong earnings today *and* are still poised to do so for many years into the future, even if economies contract in the near term. In times like these however markets are temporarily blinded to this reality, and so patience is required.

From an investors' perspective, the factual scoreboard across history points out that predicting future inflation is as much a fool's game as trying to guess when to be in or out of various industries, or even equities overall.

Over time, what we do know, is that **stock prices follow the earnings growth** of their businesses, thus this continues to be our core focus. Businesses with very high levels of sustained profitability, reinvesting into runways of growth backed by megatrends, deliver consistently superior earnings growth! Investors wanting a more certain way of growing their wealth must stand firm in times like now to benefit from this proven observation. It means riding out transient event-based situations, such as Russia's terrible war and the recovery from Covid's disruption to global markets. It also probably means turning off the news.

	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	10 Years	Since Incep#
Insync Global Quality Equity Portfolio ^	-3.39%	-11.05%	-24.55%	-8.68%	1.39%	8.57%	9.74%	13.28%	11.72%
Insync Global Capital Aware Fund*	-4.10%	-11.59%	-25.14%	-10.11%	-1.22%	8.14%	9.52%	10.49%	9.91%
MSCI ACWI (ex AUS) NTR (AUD)~	-0.79%	-4.99%	-10.65%	0.49%	10.49%	10.48%	9.84%	13.71%	10.78%
Global Quality Active Out-Performance	-2.60%	-6.06%	-13.90%	-9.17%	-9.10%	-1.91%	-0.09%	-0.43%	0.94%
Global Capital Aware Active Out-Performance	-3.31%	-6.60%	-14.49%	-10.59%	-11.71%	-2.34%	-0.32%	-3.22%	-0.88%

Source: Insync Funds Management - Past Performance is not a reliable indicator of future performance. *Represents net of fees and costs performance, assumes all distributions reinvested. ^Returns prior to July 2018 represent the underlying Insync Global portfolio (including cash) inclusive of a 0.98% p.a. MER. ~ MSCI All Country World ex-Australia Net Total Return Index in Australian Dollars. # Inception date 9/10/2009

Companies you own are doing well

We invest in businesses (not markets). They sell differentiated products, offer value added services and aren't particularly resource or input intensive.

They benefit from pricing power and very high margins, and so rising inflation has *less* of an impact. They enjoy high cash generation and rock solid balance sheets (low debt). This enables them to strengthen their businesses during times like now as their weaker competitors struggle or even collapse (e.g. **Estee lauder v Revlon**). In fact, some will earn even *more* income on their billions of cash reserves as interest rates rise.

A good number of the companies in the portfolio are down between 20% to 30% - for no fundamental reason. Many continue to post very strong sales and earnings, reporting growth between 10% to 15%. So, we're certainly not going to sell them because their stock price went down 30%. If anything, we want to own more.

A Adobe is a prime example. There are 3 reasons making it an excellent investment:

1. Consistently strong earnings growth
2. Structurally growing market
3. Powerful balance sheet.

Adobe is highly profitable. It has a very high **Return On Invested Capital**, with gross margins of 88%. It's a dominant force in the creative digital content industry with 50+% of the creative software market. Everyone is familiar with PDF, but the company's suite extends far deeper with professional creative Cloud products like InDesign, Illustrator and Premier Pro, amongst others. When you view an image, video, website, magazine or even an app, there's a good chance Adobe was involved.

Sales have grown by 75% (2018–2021), to \$15.78 Bn (USD) in 2021. Yet, there is still a very large, long runway of growth left. The total addressable market for its Creative Cloud products is \$63bn, and \$32bn for its document Cloud products. 92% of this comes from *existing* happy customers and their subscriptions.

We don't know if Adobe's stock price will fall further in the near term, and this doesn't trouble us. What we do know is that it is a dominant player in its industry with projected earnings compounding between 10%-15% p.a. This equates to superior and highly attractive earnings growth, followed of course by the eventual stock price rise. The current market price drop in Adobe drives a widening gap in its valuation versus its short term price.

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Risk Measures – Global Quality Equity Portfolio^

	1 Year	3 Years	5 Years
Standard Deviation	20.67%	16.42%	14.62%
Tracking Error	10.77%	8.96%	7.69%
Information Ratio	-0.85	-0.21	0.07
Sharpe Ratio	-0.42	0.50	0.65
Batting Average	33.33%	50.00%	53.33%

Risk Measures – Global Capital Aware Fund*

	1 Year	3 Years	5 Years
Standard Deviation	20.55%	15.66%	13.81%
Tracking Error	10.69%	9.76%	8.37%
Information Ratio	-0.99	-0.24	-0.03
Sharpe Ratio	-0.50	0.50	0.63
Batting Average	33.33%	50.00%	48.33%

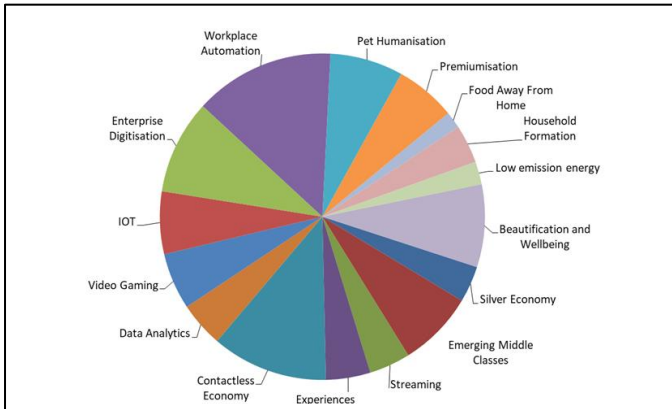
Capture Ratios – Global Quality Equity Portfolio^

	3 Years	Since Incep#
# Index Positive Months	22	95
# Index Negative Months	14	57
Up Market Capture	1.21	0.98
Down Market Capture	1.55	0.84
Capture Ratio	0.78	1.17

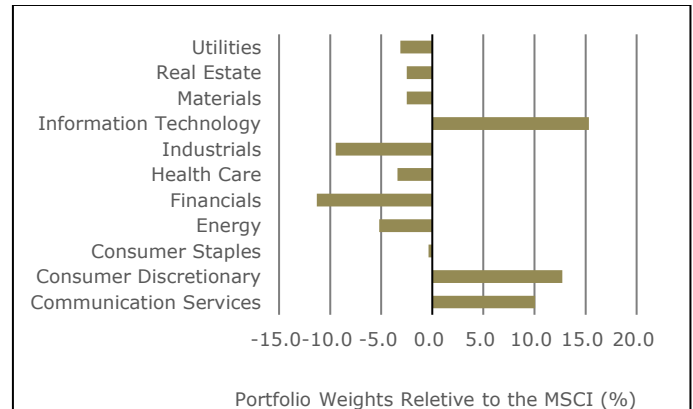
Capture Ratios– Global Capital Aware Fund*

	3 Years	Since Incep#
# Index Positive Months	22	95
# Index Negative Months	14	57
Up Market Capture	1.11	0.85
Down Market Capture	1.41	0.77
Capture Ratio	0.79	1.10

Megatrend Exposures



Portfolio Sector Weights vs MSCI



Top 10 Active Holdings

Stock	%
Qualcomm	3.9%
LVMH	3.5%
KLA Corp.	3.5%
Rightmove	3.5%
Nintendo	3.4%
Booking Holdings	3.4%
Accenture	3.3%
Visa	3.2%
Alphabet	2.9%
Adobe	2.9%

Key Portfolio Analytics

	Portfolio	Index
Forward PE	20.32	15.15
ROIC	56.80	15.22
Market Cap (USD Bln avg)	427.65	42.10
Market Cap (USD Bln median)	132.06	15.95
Std deviation (ex ante)	17.73	14.54
Interest Cover	165.34	66.64
Total Debt to Ebitda	1.51	3.12

Key Fund Information

	Insync Global Quality Fund^	Insync Global Capital Aware Fund*
Portfolio Managers	Monik Kotecha and John Lobb	
Inception Date	1 July 2018	7 October 2009
Management Fee	0.98%p.a. of the NAV	1.3%p.a. of the NAV
Performance Fee	Nil	Nil
Buy/Sell Spread	0.20% / 0.20%	0.20% / 0.20%
Distribution Frequency	Annually	Annually
APIR Code	ETL5510AU	SLT0041AU
Trustee	Equity Trustees Limited	

Disclaimer

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