

Our funds delivered strong positive returns for October. Of course, the largest driver of underperformance across 2022 has been the speed and extent to which interest rates have been raised. This had a disproportionate share price impact on long-duration assets including Quality-Growth companies. Importantly this is not driven by any structural weakness within these firms. In fact, whilst they have historically been the first to fall during a significant market downturn, they also rise the quickest when markets recover. They then go on to outperform both high-growth and value cousins due to their powerful compounding earnings.

2022 has been disappointing, but not surprising. Russia’s war, soaring energy prices, Covid lockdowns, rising interest rates, and an exceptionally strong US Dollar initially hurt all stocks no matter their individual merits. The good news is these factors have only a short-term effect on **Quality-Growth** companies. Despite the gloom there is little enduring impact on their ability to generate wealth into perpetuity, which is to say the level, duration and risks to cash flows have not materially changed.

Patience & conviction rewards our investors as they dramatically increase the opportunity of our holdings’ stock prices to reflect their superior earnings growth. This works in both rising *and* volatile markets. Our efforts focus on identifying the best sustainable earnings and cash-flow growth companies matched with the benefits of our global megatrends.

Despite the macroeconomic backdrop, we expect our holdings to continue their earnings growth in 2022. The exceptionally strong US Dollar had knocked a few percentage points from these earnings yet are forecast to rise by an average of +9% in FY-23 and again in FY-24. Changes in the US dollar will wash out over the cycle and will again become a tailwind for many of our stocks.

	1 Month	3 Months	1 Year	2 Year	3 Years	5 Years	Rolling [∞] 5-Year	10 Years	Since Incep#
Insync Global Quality Equity Fund ^	5.77%	-3.57%	-18.29%	-0.18%	4.93%	9.37%	14.47%	13.05%	11.38%
Insync Global Capital Aware Fund*	5.22%	-4.04%	-19.78%	-2.68%	4.73%	9.04%	12.45%	10.62%	9.53%
MSCI ACWI (ex AUS) NTR (AUD)~	6.63%	-0.79%	-6.09%	9.79%	7.55%	9.17%	12.45%	13.46%	10.55%
Global Quality Equity Fund Out-Performance	-0.86%	-4.35%	-12.20%	-9.97%	-2.62%	0.20%	2.02%	-0.41%	0.83%
Global Capital Aware Fund Out-Performance	-1.41%	-4.83%	-13.69%	-12.47%	-2.81%	-0.13%	0.00%	-2.84%	-1.03%

Source: Insync Funds Management - Past Performance is not a reliable indicator of future performance. [∞]Stated objective of the Fund. *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

Net Zero Megatrend

We view *Energy Transition* to be among the most important megatrends affecting the investment landscape. Hydrogen is viewed as a key component of the world’s quest to reach ‘net zero’ and avoid the worst of climate change. Hydrogen demand projections call for a 10-20x increase vs current volumes. This requires trillions of dollars of investment. **Green hydrogen** is produced with renewable power such as wind and solar, enabling the full life cycle of hydrogen production and consumption to be carbon free.

It is one thing to identify a great megatrend but it’s another thing altogether to then match this with one or more quality companies that also possess sustainable earnings growth and a superior ROIC. There are many unprofitable companies participating in the *Energy Transition* megatrend but we consider these to be of a more speculative nature.

Our research identified industrial gas companies to be strongly positioned as they are very profitable businesses and have unique domain expertise in hydrogen and CCUS technology (Carbon Capture, Usage and Storage). The Industrial Gas market has undergone significant consolidation in the last 20

years, comprising just 3 global majors: Linde, Air Liquide and Air Products. As a result of the oligopoly style industry structure, they have delivered steady sustainable volume growth over time with consistent pricing gains. Population, GDP and industrialization of middle income markets provide a solid basis for future growth.



Whilst being an attractive energy replacement for many key industrial needs, hydrogen can be difficult to handle safely and cost-effectively. Industrial gas companies possess significant domain and IP expertise in hydrogen and are heavily involved in both traditional and *Energy Transition* uses of hydrogen. We believe they hold prime position as key project integrators in the build out of green hydrogen infrastructure, providing decades of growth investment potential.

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Risk Measures – Global Quality Equity Portfolio^

	1 Year	3 Years	5 Years
Standard Deviation	19.78%	17.30%	15.39%
Tracking Error	9.18%	8.72%	7.82%
Information Ratio	-1.32	-0.30	0.10
Sharpe Ratio	-0.93	0.27	0.60
Batting Average	25.00%	47.22%	55.00%

Risk Measures – Global Capital Aware Fund*

	1 Year	3 Years	5 Years
Standard Deviation	18.99%	16.36%	14.51%
Tracking Error	8.96%	9.45%	8.46%
Information Ratio	-1.52	-0.30	-0.01
Sharpe Ratio	-1.05	0.28	0.58
Batting Average	25.00%	47.22%	50.00%

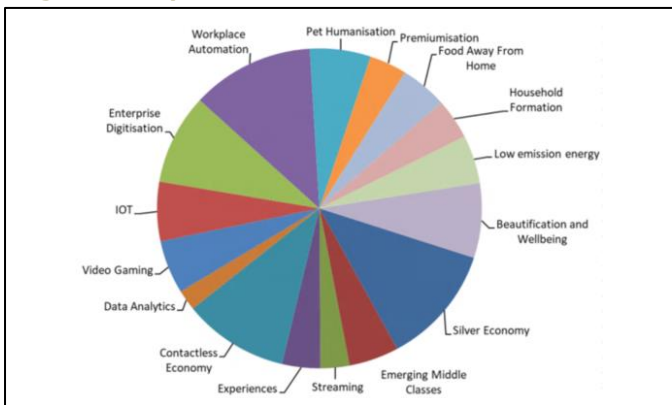
Capture Ratios – Global Quality Equity Portfolio^

	3 Years	Since Incep [#]
# Index Positive Months	20	97
# Index Negative Months	16	60
Up Market Capture	1.24	0.99
Down Market Capture	1.53	0.87
Capture Ratio	0.81	1.14

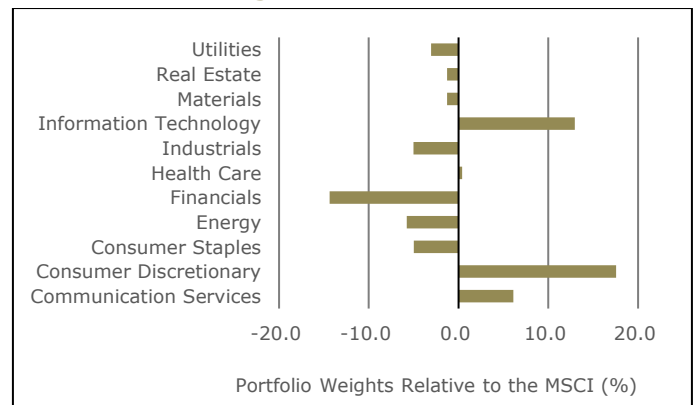
Capture Ratios– Global Capital Aware Fund*

	3 Years	Since Incep [#]
# Index Positive Months	20	97
# Index Negative Months	16	60
Up Market Capture	1.15	0.85
Down Market Capture	1.41	0.80
Capture Ratio	0.82	1.06

Megatrend Exposures



Portfolio Sector Weights vs MSCI



Top 10 Active Holdings

Stock	%
KLA Corp.	4.3%
Visa	4.1%
Ulta Beauty	3.6%
LVMH	3.6%
Nintendo	3.4%
Air Products & Chemicals Inc.	3.2%
Roche Holding	3.1%
Qualcomm	3.0%
Tractor Supply Company	2.9%
CDW Corp/DE	2.9%

Key Portfolio Analytics

	Portfolio	Index
Forward PE	17.93	14.14
Forward PCF	16.36	16.06
ROIC	32.12	15.19
Market Cap (USD Bln avg)	311.33	42.23
Market Cap (USD Bln median)	110.36	15.72
Std deviation (ex ante)	19.43	16.96
Interest Cover	158.66	61.24
Total Debt to Ebitda	1.72	3.30

Key Fund Information

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

Disclaimer

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