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July 2024 Monthly Update

Insync delivered solid positive results for the month and strong double-digit gains for the year. Benchmark underperformance for the month emanated from a market shift towards economically sensitive stocks that our process deliberately avoids. Since 2017 our portfolios outperformed their benchmarks in six out of seven years and is a testament to Insync's disciplined, data-driven approach (see page 2). Over five-year rolling periods, our funds continue to reliably meet their stated objectives after fees.

In July, the market experienced a rotation towards value based economically sensitive stocks, which have often experienced brief periods of outperformance since 2008. They are a normal and recurring part of market cycles. Small cap stocks and the interest rate sensitive REITs were some of the best performing sectors. This came after a period of strong returns in large-cap growth stocks, particularly tech stocks, earlier in the year. Contributing factors included softer U.S. inflation data and signs of a cooling labour market, leading to expectations of earlier Fed rate cuts. Whilst such rotations can lead to short-term underperformance for *Quality Growth* stocks, these periods don't often last. Our commitment to owning the highest quality, sustainable growth businesses remains' unchanged, as this focus has consistently proven to deliver strong returns over the long term.

	1 Month	3 Month	1 Yr	Rolling 3-Yr Av	3 Yrs	Rolling∞ 5-Yr Av	5 Yrs	Since Incep#
Insync Global Quality Equity Fund ^	2.17%	-5.02%	17.69%	12.53%	4.84%	**13.42%**	10.68%	12.69%
Insync Global Capital Aware Fund*	2.13%	-4.34%	16.85%	11.86%	3.43%	**12.16%**	10.01%	10.91%
MSCI ACWI (ex AUS) NTR (AUD)~	*3.92%*	*7.50%*	*20.86%*	*11.93%*	*10.03%*	*12.16%*	*12.34%*	*11.78%*
Global Quality Equity Fund Out-Performance	-1.75%	-2.48%	-3.17%	0.60%	-5.19%	**1.26%**	-1.65%	0.92%
Global Capital Aware Fund Out-Performance	-1.79%	-3.16%	-4.01%	-0.07%	-6.60%	**0.00%**	-2.33%	-0.87%

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

Emerging Middle Class Megatrend

The rise of **Guochao:** Refinement required

The era of blindly betting on Western brands to tap into China's burgeoning consumer market is over. Once considered no-brainers, global titans like L'Oreal, Nike and Starbucks are finding their footing increasingly precarious. Despite the allure of its growing middle class the dynamics at play are more nuanced than ever. New generation of Chinese consumers are flexing their economic muscle. No longer in favour of the imported cultural trends, and rising nationalism inside China.

Simply assuming that Chinese spending power will translate to Western profits is dangerous. When investing in such global brands, understanding how these nuanced drivers impact stock values and acknowledging that what worked yesterday may not hold sway tomorrow, is now crucial.

brands that once dominated their preferences they have rotated towards domestic brands that speak to their cultural identity and nationalist pride.

LVMH, a beacon of luxury with its **Sephora** chain, has had to slim down operations in China—a stark indicator of this shifting landscape. Domestic players, such as **Anta Sports**, are not only catching up but surpassing Western rivals like **Adidas** in market share. Meanwhile, coffee giant **Starbucks**, a symbol of Western lifestyle, is ceding ground to local competitors like **Luckin Coffee**, which captivates the market with aggressive pricing and expansive growth recently surpassing 20,000 stores. The same story echoes across most industries: global brands are no longer the default choice for Chinese consumers. Companies must now navigate a complex web of local preferences,

Source – Luckin Coffee website

Founded only in 2017, **Luckin Coffee** quickly challenged Starbucks in China with lower prices, discounts, and drinks tailored to Chinese tastes, like the coconut latte and collaborations with local brands. By aligning with the "Guochao" trend, Luckin appeals to younger, cost-conscious consumers and benefits from the preference for local brands. With 20,000 stores versus Starbucks' 7,000+, Luckin dominates China’s coffee market. Meanwhile, Starbucks reported an 8% revenue decline in its most recent results.

The scoreboard:

Portfolio Gross Monthly Returns . Outperformed 6 out of the past 7 years (versus benchmark)
Month by Month by Calendar year (31/12/2023) ^

Global Quality Equity' (AUD/Gross in %)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	5.80 %	6.80 %	0.70 %	-5.20 %	1.60 %	1.52 %	2.33 %						13.85 %
2023	4.60 %	2.30 %	6.30 %	2.69 %	0.76 %	3.53 %	1.80 %	1.04 %	-3.63 %	-1.16 %	5.98 %	2.95 %	30.25 %
2022	-6.86 %	-9.09 %	-2.08 %	-5.88 %	-3.32 %	-3.02 %	8.05 %	-4.57 %	-4.35 %	5.91 %	4.88 %	-5.31 %	-24.10 %
2021	-3.60 %	0.81 %	3.20 %	5.79 %	-0.84 %	10.03 %	4.44 %	2.77 %	-5.71 %	1.66 %	8.01 %	0.51 %	29.29 %
2020	5.40 %	-2.86 %	-8.59 %	4.88 %	6.98 %	-1.85 %	2.05 %	6.98 %	0.45 %	-3.01 %	3.80 %	0.23 %	14.05 %
2019	4.97 %	5.58 %	2.35 %	7.57 %	-2.26 %	6.82 %	4.32 %	2.42 %	-1.62 %	-0.23 %	4.99 %	-0.24 %	39.93 %
2018	3.56 %	1.67 %	-0.70 %	2.89 %	2.78 %	3.90 %	-0.46 %	5.84 %	-0.73 %	-6.71 %	-3.25 %	-2.83 %	5.37 %
2017	-0.83 %	2.96 %	2.93 %	5.67 %	6.07 %	-2.79 %	-1.25 %	1.35 %	1.11 %	4.62 %	2.21 %	-1.41 %	22.16 %

MSCI ACWI ex Aust Benchmark (AUD/Gross in %)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	3.87 %	5.97 %	2.94 %	-2.84 %	1.61 %	1.80 %	3.92 %						18.34 %
2023	3.07 %	1.58 %	3.87 %	2.83 %	1.10 %	2.88 %	2.39 %	1.17 %	-3.82 %	-1.09 %	4.29 %	1.74 %	21.61 %
2022	-1.80 %	-5.56 %	-1.44 %	-2.83 %	-0.79 %	-4.44 %	5.44 %	-2.01 %	-3.54 %	6.63 %	2.81 %	-5.17 %	-12.76 %
2021	0.11 %	1.39 %	4.40 %	2.90 %	1.31 %	4.52 %	2.88 %	3.11 %	-3.02 %	1.10 %	3.46 %	1.41 %	26.00 %
2020	3.82 %	-4.49 %	-8.64 %	3.43 %	2.91 %	-0.57 %	1.10 %	2.92 %	-0.08 %	-0.46 %	6.99 %	-0.10 %	6.05 %
2019	4.19 %	5.21 %	1.43 %	4.38 %	-4.58 %	5.22 %	2.10 %	-0.08 %	1.99 %	0.60 %	4.37 %	-0.35 %	26.65 %
2018	2.10 %	-0.47 %	-0.51 %	2.55 %	-0.14 %	1.81 %	2.40 %	3.66 %	0.43 %	-5.56 %	-1.51 %	-3.66 %	0.69 %
2017	-2.04 %	1.48 %	1.99 %	3.65 %	2.83 %	-2.60 %	-1.27 %	1.06 %	3.11 %	4.48 %	2.99 %	-1.44 %	14.84 %

Observations:

1. We delivered not just positive returns 6 from 7 years but also each year the return was higher than benchmark.
2. In 2022' the market punished high quality profitable growth companies severely versus the market overall. But the bounce back was strong in 2023.

Note: We show the long-only fund to enable fairer comparison to typical international funds

#Performance #Megatrends #SocialProofing