# December 2024 Monthly Update

**The best back-to-back returns since the 1990s** for global equity markets with the MSCI index returning 29.8% in 2024 on the back of 21.6% in 2023. This was largely driven by U.S. stocks which now constitute 67% of the MSCI, and in particular the 'Magnificent 7' companies. These select few are valued greater than the next seven biggest nations' index weightings combined. Overall the "Mag 7" drove more than half of the S&P 500's returns, and similarly for the MSCI.

**This degree of concentration posed near-term challenges** for Quality Growth equity strategies. Despite strong absolute gains in many of our portfolio's holdings, large price moves concentrated around a few stocks resulting in benchmarks disproportionately reflecting their returns over all others. This dynamic led to an environment where many Quality Growth companies with robust earnings growth were not yet rewarded with proportional rises in their stock prices; an occurrence reminiscent of the lead-up to the 2000 tech bubble.

**History shows** that periods of concentration are often followed by a broader market rebalancing that's akin to an elastic band in tension then releasing. Our disciplined valuation approach ensured that we prudently managed risk by trimming highly overvalued positions, maintained diversification, and retained high-quality businesses that are poised for sustainable long-term earnings growth. Since 2009, this approach continues to deliver superior outcomes over time for our investors.

| | 1 Month | 3 Month | 1 Yr | Rolling 3-Yr Av | 3 Yrs | **Rolling∞ 5-Yr Average** | 5 Yrs | Since Incep# |
|---|---|---|---|---|---|---|---|---|
| **Global Quality Equity Fund ^** | 0.53% | 8.75% | 20.76% | 12.05% | 5.15% | **13.02%** | 11.26% | 12.83% |
| **Global Capital Aware Fund*** | 0.35% | 8.19% | 18.76% | 11.79% | 3.57% | **12.13%** | 10.60% | 11.01% |
| MSCI ACWI (ex AUS) NTR (AUD)~ | 2.82% | 1115% | 29.81% | 11.86% | 11.27% | 12.13% | 12.98% | 12.12% |
| | | | | | | | | |
| Global Quality Equity Fund Out-Performance | -2.29% | -2.39% | -9.05% | 0.20% | -6.12% | 0.89% | -1.72% | 0.71% |
| Global Capital Aware Fund Out-Performance | -2.47% | -2.47% | -11.05% | -0.07% | -7.70% | 0.00% | -2.38% | -1.10% |

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, and Put options and 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

## Staying Grounded

Many equity markets are trading close to their highest levels in 25 years. Combined with exceedingly high expectations of Trump's administration delivering significant economic outcomes, 2025 may prove turbulent.

His ambitious agenda of ending inflation, slashing taxes, widespread deregulation, and boosting economic growth presents significant challenges. Structural headwinds with entrenched programs (e.g. Social Security, Medicare, Medicaid) and defense spending, limits fiscal flexibility. They account for nearly half of the US federal budget leaving little room to meet ambitious spending cut targets without substantial political compromise.

Political divergences on key issues such as immigration and healthcare policy will challenge consensus action. Even if alignment occurs, navigating Congress's intricate and slow-moving legislative processes poses additional hurdles.

Historically these dynamics have stymied meaningful reforms, and despite House majorities this latest situation is unlikely to be an exception.

For investors, prioritising long-term structural growth outcomes over near-term speculative predictions is less risky. Companies aligned with global megatrends (secular growth drivers) that also offer sustainable returns on invested capital, are well positioned to weather near term price volatility. Thus, Insync investors aren't highly exposed to the risky task of macro forecasting because we select businesses with resilient fundamentals and competitive advantages.

In an era of political unpredictability and rapid technological progress, Insync's disciplined attention to quality, valuation, and structural growth ensures that portfolios remain resilient and well-positioned for long-term success, irrespective of what may or may not occur in 2025.

**The scoreboard:**

**Outperformed** the MSCI **6** out of the past **8** years
Gross Monthly Returns (31/12/2024)

Global Quality Equity' (AUD/Gross in %)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2024 | 5.00 % | 6.60 % | 0.70 % | -5.20 % | 1.60 % | 1.52 % | 2.33 % | -1.36 % | -3.25 % | 2.67 % | 5.93 % | 0.60 % | 23.04 % |
| 2023 | 4.60 % | 2.10 % | 6.30 % | 2.69 % | 0.76 % | 3.53 % | 1.80 % | 1.04 % | -3.63 % | -1.16 % | 5.00 % | 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 % | -3.59 % | 4.88 % | 6.08 % | -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 % | -2.76 % | 6.87 % | 4.32 % | 7.47 % | -1.67 % | -0.75 % | 4.95 % | -0.24 % | 39.93 % |
| 2018 | 3.56 % | 1.67 % | -3.70 % | 2.89 % | 2.78 % | 3.90 % | -0.46 % | 5.84 % | -0.73 % | -6.71 % | -3.25 % | -2.83 % | 5.37 % |
| 2017 | -0.83 % | 2.90 % | 2.93 % | 5.67 % | 6.07 % | -2.79 % | -1.25 % | 1.35 % | 1.11 % | 4.62 % | 2.21 % | -1.41 % | 22.10 % |

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 % | -1.24 % | 0.83 % | 3.63 % | 4.31 % | 2.82 % | 29.80 % |
| 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 % | -0.38 % | -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 % | 26.85 % |
| 2018 | 2.10 % | -0.47 % | -0.51 % | 2.35 % | -0.14 % | 1.81 % | 2.40 % | 3.56 % | 0.43 % | -5.36 % | -1.31 % | -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 8 years but also each year the return was higher than the 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' Quality Equity Fund' to enable fairer comparison to typical international funds*