Global Capital Aware - February 2025 Monthly Update

The **Insync Global Capital Aware Fund** outperformed the benchmark in February. The Fund's protection level increased in January due to stretched valuations — particularly in the U.S., where valuations have reached their highest levels since the dot-com bubble. This, combined with heightened uncertainty surrounding Trump's policies and the associated downside risks to the U.S. economy and earnings growth, led to a more cautious stance. Currently, the fund's protection level is approximately 40% of its notional equity exposure.

Tencent was the biggest contributor to the Fund's performance this month. After years of regulatory challenges, major Chinese tech firms like Tencent had become deeply undervalued, trading at widening discounts relative to their global peers. However, the DeepSeek breakthrough in developing high-performing large language models served as a strong reminder that China's technological gap with the U.S. was not as wide as previously perceived. Investor sentiment was further lifted by signs of regulatory easing, particularly following Chinese President Xi Jinping's symposium with prominent business leaders.

The biggest detractor this month was Alphabet as its quarterly results were slightly weaker than expected. The company reported Cloud revenue growth that fell short of market expectations. Despite the miss, the Cloud unit still delivered a strong 30% year-on-year growth, with the shortfall primarily attributed to capacity constraints. Alphabet remains well-positioned to expand on its AI strategy, with a robust pipeline of monetisation opportunities expected to drive future growth.

More broadly, global equities as measured by the MSCI AC World Index (AUD), declined 0.24% in February, weighed down primarily by weakness in the U.S. market. Volatility surged as investors struggled to keep up with a series of "on-and off" U.S. tariff announcements.

With uncertainty persisting, a risk-averse sentiment is likely to grip the U.S. market, particularly as stagflation concerns grow and investors become more cautious of potential risks to company earnings. January U.S. consumer prices rose more than expected, while consumer confidence saw its steepest decline in over three years, fuelling fears that economic growth may slow faster than anticipated.

Meanwhile, China – the main target of U.S. tariffs – rallied, driven by optimism over a more favourable regulatory environment for the private sector and strong government support for consumption. The Hang Seng composite Index surged 12.8% in local currency terms, reflecting renewed investor interest in Chinese equities. Europe was another bright spot with the MSCI Europe index advancing 3.5%. The potential for fiscal expansion following Germany's election outcome, and relative valuation discounts contributed to the rebound.

Despite the uncertainty brought by President Trump's policies, we remain confident in our selected megatrends within the portfolio. Most of our trends are driven by long-term secular forces, such as the accelerating demand for cybersecurity solutions and the ongoing shift toward experience-based spending, including travel. That said, we are closely monitoring regulatory risks, particularly their impact on sectors such as healthcare and technology in the U.S. We continue to actively manage our exposure, trimming positions in stocks where valuations appear stretched to ensure a balanced risk-reward profile for our investors.

Fund Performance[1]

	1 Month	3 Months	1 Year	Rolling 3 Year Average*	3 Years	Rolling 5 Year Average*	5 Years	Inception p.a.
Fund (%)	-0.04	4.18	9.71	11.55	10.97	12.05	10.46	11.16
Benchmark (%)^	-0.24	5.21	20.67	12.55	14.97	12.76	13.69	12.14
Active Return (%)	0.20	-1.03	-10.96	-1.00	-4.00	-0.71	-3.23	-0.98

^ Benchmark used - MSCI All Country World ex-Australia Net Total Return Index in Australian Dollars.
* The rolling average measures the average of all monthly-calculated, annualised, 3-year and 5-year returns.