

Jan-19 **+3.28 %**  
Latest 12 Months **+4.52 %**

### Key Points:

- Boutique Sydney-based fund manager established in 2009 with an investment team of 3, with additional input from the CEO who is responsible for all operational, risk and compliance management.
- The Global Capital Aware Fund invests in a concentrated portfolio of 15-30 stocks, targeting exceptional, large cap global companies with a strong focus on valuation and downside protection.
- Portfolio selection is driven by a core strategy of investing in companies with sustainable growth in dividends, high returns on capital, positive free cash flows and strong balance sheets.
- Emphasis on limiting downside risk through extensive company research, the ability to hold cash and long protective index put options.
- Positive longer-term track record against cash and in line with the MSCI (\$A) benchmarks, with limited drawdowns.
- The Fund is open to wholesale & retail investors via a PDS dated July 2018.

### Management Company Overview:

Insync Fund Managers is a boutique Sydney-based investment manager established in mid-2009 by Monik Kotecha, whose prior career and experience commenced in 1991 with the Abu Dhabi Investment Authority (ADIA), one of the largest Sovereign Wealth Funds in the world. In 1994, he was recruited by BT Investment Management in Sydney for 5 years, including a period based in their US offices, before joining Investors Mutual (IML) in 1999, spending 8 years working as a Senior Portfolio Manager with IML's founder Anton Tagliaferro.

Born in Kenya, Kotecha moved with his family to the UK aged 6 where he was educated and received a joint honours degree in Law and Accounting from Cardiff University, following which he worked for Deloitte's in London. He then completed a Master's degree in Shipping Trade and Finance prior to joining the ADIA as a pan European analyst.

Kotecha left IML in 2007 to establish his own funds management operation and track record. His previous experience led him to focus on investing in global companies, an area he felt was generally under-developed by fund managers and investors in Australia. He established Insync in 2009 in association with David Lee from DWL Financial Services, a Sydney-based financial advisory firm, with whom Insync shared office and administrative support functions in Sydney's CBD till September 2016.

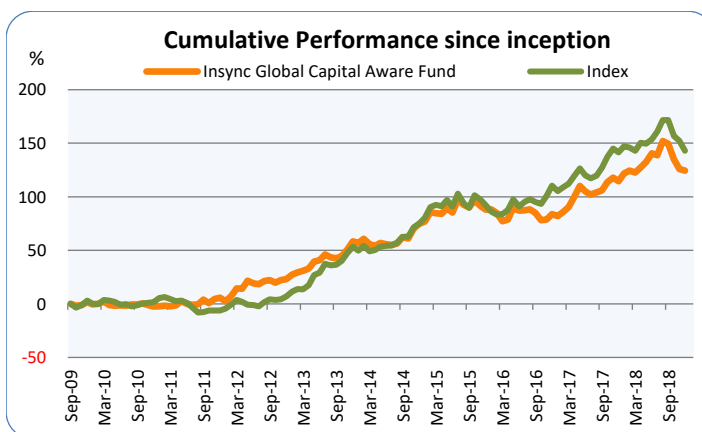
Kotecha is supported by a Portfolio Manager, John Lobb and an Equity Analyst, Peter Wong. In March 2017, John Lobb joined



| Key Performance Statistics           | Insync | Index* |
|--------------------------------------|--------|--------|
| Jan-19                               | 3.28   | 4.64   |
| Annualised Return                    | 9.42   | 10.51  |
| Latest 3 Months                      | -1.36  | -1.01  |
| Latest 6 Months                      | -2.92  | -2.55  |
| Latest 12 Months                     | 4.52   | 2.82   |
| Latest 24 Months p.a.                | 12.83  | 11.29  |
| Latest 36 Months p.a.                | 7.15   | 10.93  |
| Latest 60 Months p.a.                | 8.11   | 11.16  |
| % Positive Months                    | 58.04  | 60.71  |
| Best Month                           | 6.98   | 8.15   |
| Worst Month                          | -5.83  | -5.46  |
| Largest Drawdown                     | -10.98 | -13.59 |
| Average +ve Return                   | 2.57   | 2.74   |
| Average -ve Return                   | -1.67  | -2.00  |
| Annualised Standard Deviation        | 9.13   | 9.81   |
| Downside Deviation (Since Inception) | 5.02   | 5.66   |
| Sharpe Ratio (Since Inception)       | 0.74   | 0.79   |
| Sortino Ratio                        | 1.26   | 1.29   |

\*Index is AFM Global Equity adjusted since Fund's Inception

Insync as the Portfolio Manager bringing over 27 years of experience to the Insync team. Prior to joining Insync, he was with Orion Asset Management since January 2003, where he held several different positions, with the most recent one as a Portfolio Manager for global and long-short equities fund. Other



| Performance - Net of Fees (%) |       |       |       |       |       |       |       |       |       |       |       |       | Insync Global Capital Aware Fund |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------------------------------|
| Year                          | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   | YTD                              |
| 2019                          | 3.28  | -     | -     | -     | -     | -     | -     | -     | -     | -     | -     | -     | 3.28%                            |
| 2018                          | 3.32  | 1.19  | -0.69 | 2.06  | 2.22  | 3.51  | -0.78 | 5.59  | -1.03 | -5.83 | -3.78 | -0.74 | 4.56%                            |
| 2017                          | -0.94 | 2.10  | 2.40  | 5.20  | 4.90  | -2.30 | -1.50 | 1.02  | 0.85  | 3.75  | 2.03  | -1.55 | 16.78%                           |
| 2016                          | 0.22  | -1.84 | -4.12 | 0.74  | 6.31  | -1.45 | 0.20  | 0.50  | -1.75 | -3.80 | 0.40  | 2.76  | -2.24%                           |
| 2015                          | 1.34  | 4.89  | -0.52 | -0.42 | 2.96  | -2.19 | 6.61  | -2.56 | -1.30 | 3.54  | -2.60 | -1.88 | 7.59%                            |
| 2014                          | -0.86 | 2.39  | -3.00 | -0.98 | 1.70  | -0.72 | -0.50 | 0.80  | 3.82  | -0.65 | 5.66  | 2.58  | 10.38%                           |
| 2013                          | 3.29  | 1.70  | 1.17  | 1.63  | 4.84  | 0.91  | 3.87  | -1.95 | -0.62 | 1.47  | 4.36  | 4.90  | 28.47%                           |
| 2012                          | -3.23 | 4.37  | 6.98  | -0.04 | 6.53  | -2.08 | -0.78 | 2.53  | 0.83  | -2.03 | 2.02  | 0.80  | 16.43%                           |
| 2011                          | 0.09  | 0.69  | -0.58 | 0.81  | 3.95  | -2.36 | -0.97 | 0.44  | 4.47  | -3.14 | 3.79  | 1.25  | 8.43%                            |
| 2010                          | -1.83 | 0.42  | 2.04  | -3.17 | -0.48 | 0.38  | -0.48 | 1.35  | -0.12 | 0.86  | -1.48 | -1.27 | -3.82%                           |

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previous roles held by Lobb included an Assistant Portfolio Manager at Bankers Trust Australia, a small cap specialist, and later as a Joint Portfolio Manager of industrial equities at Citigroup Global Asset Management, and various roles at Credit Suisse Global Asset Management. Lobb holds a BA Economics majoring in Accountancy and Finance from Macquarie University and a Diploma from the Securities Institute of Australia.

Wong joined Insync in 2009 and has nine years' industry experience after graduating from Macquarie University. At Insync, Wong assists the research team with company research, stock screening and database management.

Lyndsey Douglas is responsible for the Marketing and Communications for Insync, overseeing content, communications with clients and industry, media relations and digital platforms. Douglas has been a journalist, communications manager, public relations lead, social media strategist and digital content creator for a variety of companies in a broad range of sectors ranging from property to agriculture, financial services to franchising.

Investment Specialist Grant Pearson is responsible for Distribution Strategy and has 30 years of managerial and executive experience in the funds management industry. His roles in the past included Senior Vice President for Merrill Lynch International, Head of Advice for AMP, National Sales Head for ING and Head of Investments for ABN AMRO. At Insync, Pearson contributes to the company's strategy, philosophy and distribution.

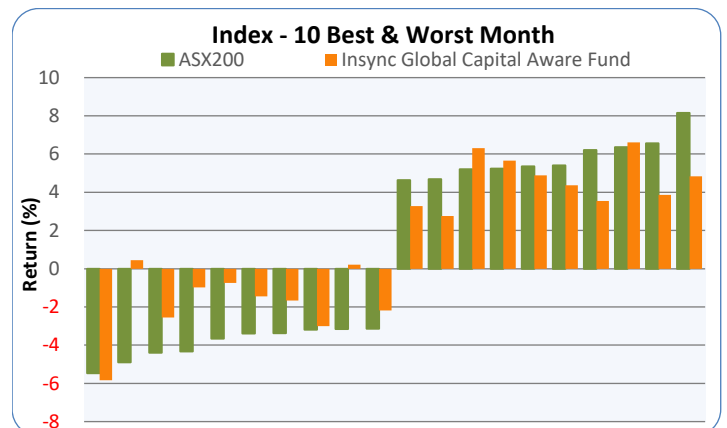
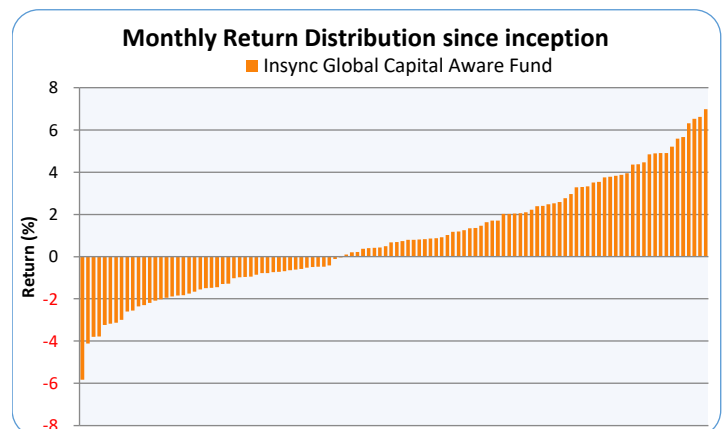
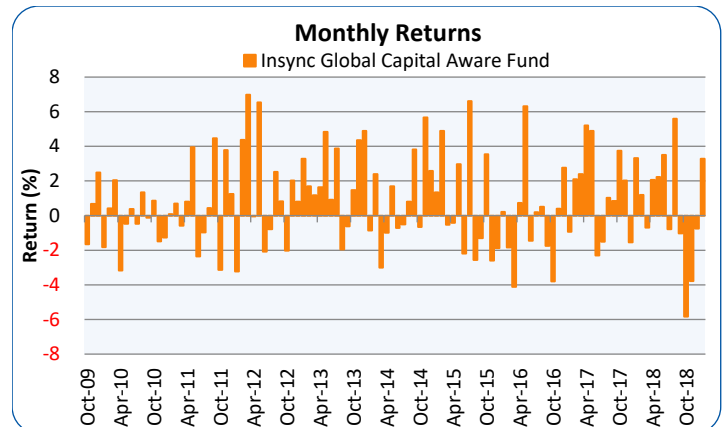
Insync's CEO/CFO and operations director, Garry Wyatt, has 36 years in senior corporate management roles including with WMC, Tooheys, and United Distillers. Wyatt is also responsible for all operational, administrative and compliance functions, leaving the investment team to focus on strategy and portfolio. Wyatt also provides insight to the investment team as a result of his extensive commercial experience in the resources and beverage industries.

### Investment Strategy & Style: "Concentrated Global Large Cap"

Insync's Global Capital Aware Fund (the "Fund") is a concentrated, long only equities strategy investing in 15 to 30 large cap (\$2 billion and above) global companies. Current average market cap of stocks in the portfolio is \$US100bn. These are selected for their ability to consistently increase shareholder value based on return on invested capital (ROIC), and a strong track record of expanding dividends.

The broad thesis behind the Fund's strategy and portfolio construction is that companies which have shown a consistent ability to provide outstanding value for shareholders and increased dividends will continue to provide excellent returns to investors over the long term.

The result is a portfolio consisting of global "brand name" companies which have a strong management team and a long track record of dividend growth, and/or share buy-backs, leading to high shareholder returns. Insync place greater emphasis on dividend growth than a high dividend yield, believing the former



### Performance Review

- Since inception the Fund has returned annually 9.42% versus 10.51% for the MSCI World ex-AUS Index.
- The Manager's ability to preserve capital is demonstrated by the Fund's positive performance over the periods March to June 2010 and April to Sept 2011 when the S&P500 and the ASX200 both fell over 10%.
- For January, the Fund returned +3.28% after fees and protection compared to the MSCI World ex-AUS Index's return of +4.64%.

leads to share price appreciation while the latter sometimes reflects a lack of future growth.

Although long only, the Fund has two attributes designed to provide protection in negative markets: Firstly, it can hold cash to vary market exposure at the Manager's discretion. Secondly, the Manager buys insurance against market volatility by

purchasing out of the money exchange traded put options over major market indices.

Both are designed to provide downside protection and are adjusted depending on the macro environment and the current price of put options. The options are generally 10 to 15% out of the money with 12 months to expiry. Once purchased they are generally resold or rolled up or forward six months prior to expiry to reduce the time decay (Theta) cost. The Manager estimates that the use of these options significantly reduces down side risk at a historical cost to performance of approximately 2% per annum in a rising market.

### Investment Process

Insync's investment process can be broadly broken into two distinct but complementary parts: Firstly a series of quantitative filters using Bloomberg's database of all global companies, and secondly a detailed qualitative analysis of the remaining targets, including company visits and interviews with management.

#### 1. Quantitative Filters:

The Fund's portfolio is constructed from a global universe of approximately 40,000 companies. Extensive screening using a series of fundamental filters reduces the investable universe to those companies meeting specific criteria. These screens include market capitalisation, liquidity constraints, price volatility and changes to earnings forecasts, reducing the available universe to around 120 - 140 stocks. This selection is further narrowed using a series of models. This measure compound growth of dividends over the previous 5 years, dividend growth forecasts for the next and following 3 years (or greater), a high return on capital employed, return on equity and free cash flows.

Additional screens also check the degree of overlap of companies and sectors which adds to a conviction ranking. Application of these filters leads to a final cut of around 40 to 50 potential investments which are then ranked based on total return and balance sheet strength.

#### 2. Qualitative Analysis:

Data from the quantitative screening process, plus company meetings and presentations provide the basis for the second stage of fundamental analysis.

Focusing on absolute rather than relative valuations to assess downside risk, the team consider three major tools to value each potential investment.

**i. Discounted Dividend Model:** The primary thesis of Insync's investment strategy revolves around selecting those companies which are expected to pay increasing future dividends.

Insync invest in dividend growth stocks with a global reach and presence to reflect their view that few companies consistently compound shareholder wealth over the long term.

Kotecha believes that growth in dividends and growth in capital are "joined at the hip" and thus is distinctly different from investing in high dividend yield businesses where there may be little or no dividend growth.

**ii. Implied Growth Model:** To calculate how much future earnings growth is required to justify the current share price.

**iii. Free Cash Flow:** High levels of free cash flow after all operating expenses and capex not only indicate a company's financial strength, but also the ability to expand. Insync prefer this measure to the more widely used P/E ratio.

The final portfolio typically consists of 15 to 30 companies which exhibit consistent dividend growth, excellent management credentials and long term market expansion potential.

### Portfolio Construction and Risk Limits

Portfolio construction is governed by individual stock limits, sector limits and sector diversification. Currency risk is actively managed between 0% and 100% with the average expected to be around 50%.

Single stock positions are limited to 10% of the portfolio and based on a conviction ranking process range from an initial allocation of 1-2% through to the upper limit of 10%. Sub-sector concentration is limited to 30% although the stock selection process tends to create biases towards certain sectors and geographic regions.

Emerging market exposure is limited to 30%. There are no hard country exposure limits. As many of the stocks in the portfolio are active globally their earnings are equally well diversified.

There are no short positions but the portfolio may have variable cash levels, or hold index put options to hedge overall risk.

The Fund's style appears similar to other concentrated, large cap, global funds. However, on closer examination there are significant "tilts" to the portfolio which are designed to reduce volatility. Cyclical such as airlines, steel or commodities are generally avoided, in addition to telecoms or utilities which might have high payout ratios or are structurally challenged.

### Portfolio Risk Management

Insync's selective focus on large, liquid companies with strong business models and financial strength assists in minimizing downside volatility. Absolute risk management is enhanced by the ability to increase cash levels at the Manager's discretion. In addition, the fund implements derivative protection strategies via put options over the Global Equity. Protective inputs are used to insure the portfolio against market risk and assist in reducing significant downside risk.

Currency risk is actively managed based on in-house dynamic mean revision models and, to a lesser degree, macroeconomic analysis. Management expects that through the cycle currency hedging should be around 50%.

### Operational Risk and Management

Insync has detailed procedures/compliance manuals covering the following: Compliance Arrangements; Organizational Expertise—Processes; Control of Financial Transactions; Non-Financial Resources; Risk Management and Research; and Benefits. Other areas include Code of Conduct, Insider Trading Policy and Electronic Communication Policy. The COO is responsible for ensuring all above procedures are adhered to and for ensuring risks are minimised. He is assisted by the auditors, legal advisers and a compliance consultant.

The Compliance function is assisted by Business Operations and Compliance Systems (BOCS). BOCS reviews systems, policies and procedures and work practices to ensure compliance meets AFS licensing conditions and obligations.

The Compliance Committee comprises Wyatt, Kotecha and Roger Campbell from BOCS, and meets regularly. The CEO completes a detailed quarterly Compliance Questionnaire covering all aspects of regulatory requirements as well as operational and IT risk management.

Insync has put in place a sign-off of risk limits independently of the investment team. The RE sends the sign-off directly to the Compliance Officer confirming that all relevant risk controls have been met.

At inception Insync expected to have a retail investor base and therefore appointed a specialist external Responsible Entity (RE), Select Fund Services, to provide RE services including compliance. The Administrator, FundBPO, provide external pricing verification. The RE is also involved in the selection of external service providers and monitoring their performance.

All trading orders and portfolio details are transmitted daily to the RE and Administrator providing both order verification and back up/remote access. The IT recovery systems have been tested in the last 12 months.

Operational key person risk is managed by ensuring that all back office functions are out-sourced to reputable third parties. At an individual level the CEO's functions would initially be managed by Peter Wong, who has accounting experience, as well as by the Fund's Auditor Moore Stephens.

Key person investment risk is focused on Kotecha, however typical for a boutique firm of this size and structure of the portfolio. The risk relates more to the ongoing management of the portfolio, which is offset by the Fund's size and the liquidity of the global large cap stocks.

### Investor Relations and Marketing

Lyndsey Douglas is responsible for marketing and is the point of contact for investors. The Fund has issued a retail PDS dated 27 September 2013.

The Manager provides a two-page monthly performance report which provides commentary and exposure details for the five major investments, along with geographic and industry composition of the portfolio.

### Structure, Terms and Fees and Compliance

Wyatt and Kotecha are the company's directors and the executive team holds approx. 75% of the company shareholding.

The Insync Global Capital Aware Fund is an Australian based Unit Trust open to wholesale and retail investors. Insync Funds Management Pty Limited (ABN 29 125 092 677) holds AFS License 322 891. All counterparties and providers of back office functions are well known and widely used across the industry.

| Insync Global Capital Aware Fund |                                      |
|----------------------------------|--------------------------------------|
| Fund Type                        | Australian Unit Trust                |
| Strategy                         | Global long only with put protection |
| Domicile                         | Australia                            |
| Investor Type                    | Wholesale & Retail                   |
| Min. Investment                  | \$10,000                             |
| Additional Investment            | \$1,000                              |
| Buy/Sell spread                  | 0.20%/0.20%                          |
| Management Fee                   | 1.34% including fund expenses        |
| Performance Fee                  | Nil                                  |
| Hurdle                           | RBA cash rate +2%                    |
| High Water Mark                  | Yes                                  |
| Min. Term                        | Daily                                |
| Redemption Notice                | Daily                                |
| Inception Date                   | Oct-09                               |

### Service Providers

**Responsible Entity:** OneVue RE Services

**Custodian:** BNP Paribas

**Administrator:** FundBPO

**Auditor:** Pitcher Partners

**Executing Broker:** Morgan Stanley

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**This Report is valid till March 2019**