

Sep-21 **-5.58 %**  
Latest 12 Months **+13.25 %**

### Key Points:

- Boutique Sydney-based fund manager established in 2009 with an investment team of 4, 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 20-40 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 high past and future Returns on Invested Capital (ROIC) and the persistence of high ROIC, with future growth supported by global megatrends.
- Emphasis on limiting downside risk through extensive company research and 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 at the age of 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.

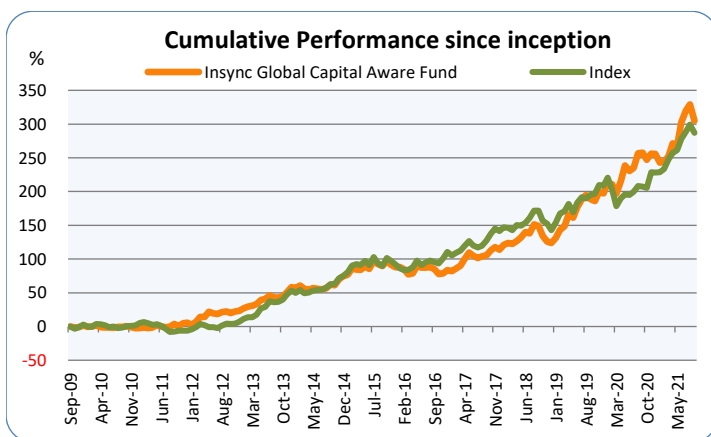
Kotecha is supported by a Portfolio Manager, John Lobb, Senior Investment Analyst, Mark Haet, and an Equity Analyst, Peter Wong. In March 2017, John Lobb joined Insync as the Portfolio



Key Performance Statistics	Insync	Index*
Sep-21	-5.58	-3.04
Annualised Return	12.37	11.94
Latest 3 Months	0.63	2.42
Latest 6 Months	15.01	11.41
Latest 12 Months	13.25	25.99
Latest 24 Months p.a.	18.47	14.55
Latest 36 Months p.a.	17.63	12.54
Latest 60 Months p.a.	16.98	14.68
% Positive Months (Since Inception)	59.03	62.50
Best Month	9.56	8.15
Worst Month	-5.83	-8.07
Largest Drawdown (Since Inception)	-10.98	-13.59
Average +ve Return	2.97	2.82
Average -ve Return	-1.78	-2.07
Annualised Standard Deviation (Since Inception)	10.30	10.18
Downside Deviation (Since Inception)	5.22	5.97
Sharpe Ratio (Since Inception)	0.97	0.94
Sortino Ratio (Since Inception)	1.81	1.52

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

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 previous roles held by Lobb included an Assistant Portfolio Manager at Bankers Trust



Performance - Net of Fees (%)		Insync Global Capital Aware Fund											
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-3.70	0.40	2.39	5.42	-1.05	9.56	4.23	2.26	-5.58	-	-	-	13.86%
2020	5.31	-0.79	-4.38	6.16	7.40	-2.39	1.36	6.52	0.27	-3.01	2.62	-0.07	19.71%
2019	3.28	5.29	1.97	7.24	-1.90	6.02	4.07	2.44	-2.21	-0.89	4.54	-0.61	32.77%
2018	3.32	1.19	-0.70	2.06	2.22	3.51	-0.77	5.59	-1.03	-5.83	-3.78	-0.74	4.58%
2017	-0.94	2.05	2.37	5.19	4.85	-2.32	-1.50	1.02	0.85	3.75	2.03	-1.55	16.58%
2016	0.23	-1.84	-4.12	0.74	6.31	-1.45	0.17	0.49	-1.75	-3.80	0.42	2.76	-2.26%
2015	1.34	4.90	-0.53	-0.42	2.97	-2.20	6.61	-2.56	-1.30	3.55	-2.60	-1.88	7.59%
2014	-0.86	2.39	-3.00	-0.98	1.70	-0.72	-0.50	0.81	3.81	-0.65	5.66	2.58	10.36%
2013	3.29	1.70	1.17	1.63	4.84	0.92	3.87	-1.95	-0.62	1.47	4.36	4.90	28.46%
2012	-3.23	4.37	6.98	-0.04	6.53	-2.08	-0.78	2.53	0.83	-2.04	2.02	0.80	16.41%
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%
2009	-	-	-	-	-	-	-	-	-	-1.66	0.68	2.48	1.47%

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

In July 2019 Mark Haet joined the team as Senior Investment Analyst. Mark has 32 years of funds management experience in international equity markets. He has worked in both New York and Sydney. This includes 24 years of being portfolio manager at Ellerston Capital, QBE Insurance, Kingdon Capital, and BT Funds Management.

Mark holds a Bachelor of Arts in Economics, magna cum laude, from Duke University. He is also a CFA and an Associate of the Securities Institute of Australia.

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.

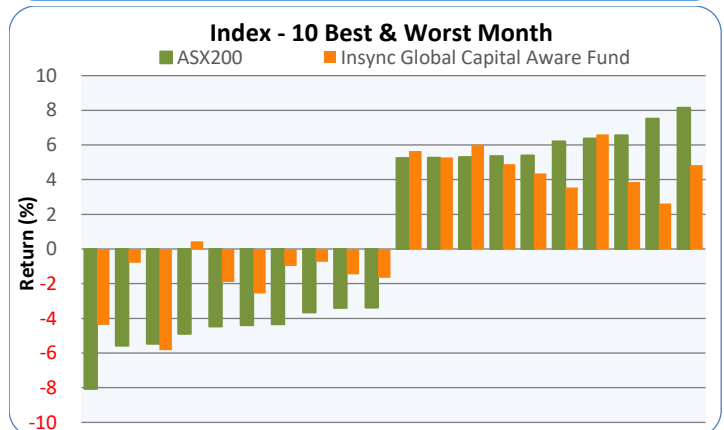
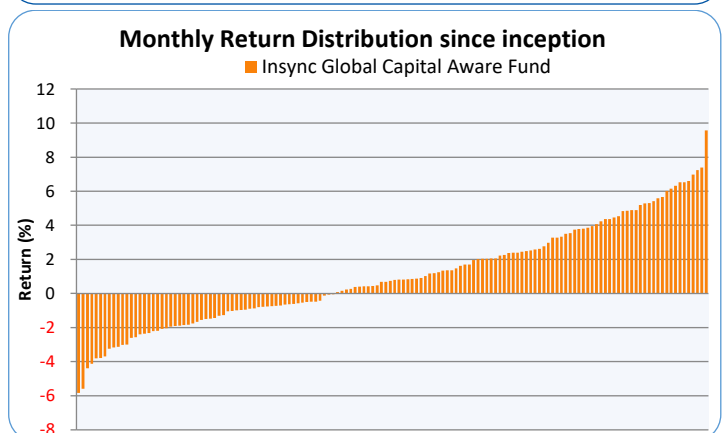
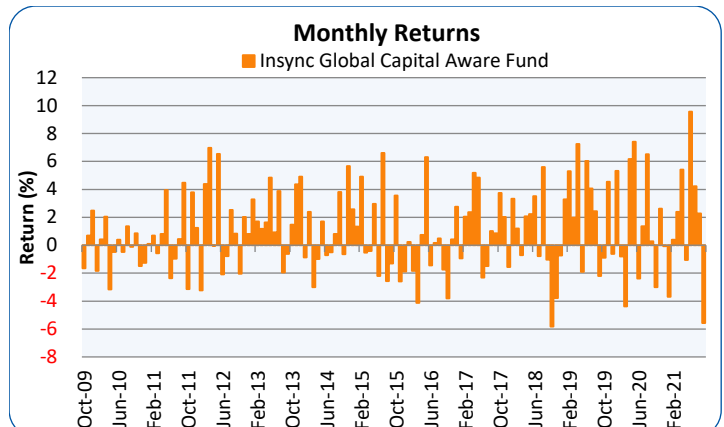
### Investment Strategy & Style: "Concentrated Global Large Cap"

Insync's Global Capital Aware Fund (the "Fund") is a concentrated, long only equities strategy investing in 20 to 40 large cap (\$2 billion and above) global companies. Current average market cap of stocks in the portfolio is \$US50bn. 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 generate a high Return On Invested Capital (ROIC) and are benefiting from long runways of growth via global megatrends 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 leads to share price appreciation while the latter sometimes reflects a lack of future growth.

Although long only, the Fund is designed to provide protection in negative markets: In addition to managing a high quality portfolio of stocks, the Manager buys insurance against market volatility by purchasing out of the money exchange traded put options over major market indices.



### Performance Review

- Since inception the Fund has returned 12.37% annually vs. 11.94% for AFM's Global Equity 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%.
- In September 2021, the Fund returned -5.58% after fees and protection compared to AFM's Global Equity Index's return of -3.04%.

This process is designed to provide downside protection and is 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 around 150-170 companies which meet specific criteria. These screens are as follows:

Profitability	High return on capital
Balance sheet	Strong balance sheet – flexibility to take advantage of growth opportunities
Shareholder friendly	Owner manager approach – growth in dividends and/or buybacks
Valuation	Trading at a discount to Insync's assessed valuation

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.

#### 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 20 to 40 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 hold index put options to hedge overall risk.

The Fund's style may appear 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. 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

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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, Mainstream Fund Services Pty Ltd, 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 Pitcher Partners.

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

Tony Breen oversees institutional sales. He has extensive experience across a range of functions in the investment management industry having served, inter alia, as a portfolio manager and a distributor. This includes 12 years at Deutsche Asset Management in institutional sales in local, regional and global roles.

On leaving Deutsche, Tony established a third-party marketing and consulting firm which includes representing investment managers to Australian institutional investors. He commenced representing Insync Fund Managers in July 2016.

Insync provide a monthly performance report which includes commentary and exposure details for the five major investments, along with geographic and industry composition of the portfolio. The Fund has issued a retail PDS dated 01 July 2018.

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	1.30% including fund expenses
Performance Fee	Nil
Hurdle	N/A
High Water Mark	N/A
Min. Term	Daily
Redemption Notice	Daily
Inception Date	Oct-09

### Service Providers

**Responsible Entity:** EQT Responsible Entity Services Limited

**Custodian:** BNP Paribas

**Administrator:** Mainstream Fund Services Pty Ltd

**Auditor:** Pitcher Partners

**Broker:** Top brokers include major global brokerages as well as specialist houses including Morgan Stanley, UBS, Baader Bank and Strategas Research

### 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.



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This enables investors or their advisors to understand the objective and processes behind each fund's strategy, and structure and operations of the management company. When used in conjunction with the quantitative comparison of the fund's key performance and risk indicators (KPI's) included in each Fund Review, the reader is in a better position to make an informed decision regarding the suitability of the fund for individual investor's requirements.

#### **AFM Fund Reviews are updated every month:**

Out of date research is potentially inaccurate research. Not only can a fund's performance and risk profile change over the course of the year (typically the cycle for much of the managed fund research available) but so can operational details and investment personnel. Each AFM Fund Review contains an expiry date, and each fund manager is not permitted to distribute out of date reviews.

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**This Report is valid till November 2021**