

# May 2024 Monthly Update

Insync produced another positive return for May. Since 2018, the underlying portfolio surpassed its benchmark in 5 out of 6 calendar years (see next page). Furthermore, both funds consistently achieved their objectives over five-year rolling periods after fees. These results show Insync's meticulous, data-oriented investment strategy consistently yields robust performance.

**AI-Earnings & Prices:** Whilst we have a high level of confidence in the growth in AI and its impact across most industries, there usually comes a point where valuations become excessive as investors become overly exuberant. In many instances valuations are now rising faster than earnings. And so we have trimmed our exposure to many of our AI based holdings in line with Insync's data driven approach. We believe now is the time for prudence as whilst valuations could become even more extended, once the tide turns stock price falls can be dramatic.

	1 Month	3 Month	1 Yr	Rolling 3-Yr Av	3 Yrs	Rolling <sup>o</sup> 5 Yr Average	5 Yrs	Since Incep#
<b>Insync Global Quality Equity Fund ^</b>	1.40%	-3.22%	19.41%	12.63%	8.34%	13.47%	12.25%	12.58%
<b>Insync Global Capital Aware Fund*</b>	0.90%	-3.53%	18.69%	11.99%	6.91%	12.20%	11.45%	10.79%
<i>MSCI ACWI (ex AUS) NTR (AUD)~</i>	1.61%	1.64%	20.31%	12.06%	10.63%	12.20%	12.69%	11.49%
<b>Global Quality Equity Fund Out-Performance</b>	-0.21%	-4.86%	-0.93%	0.58%	-2.29%	1.27%	-0.44%	1.09%
<b>Global Capital Aware Fund Out-Performance-</b>	-0.72%	-5.17%	-1.64%	-0.07%	-3.72%	0.00%	-1.24%	-0.70%

Source: Insync Funds Management - Past Performance is not a reliable indicator of future performance. <sup>o</sup>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

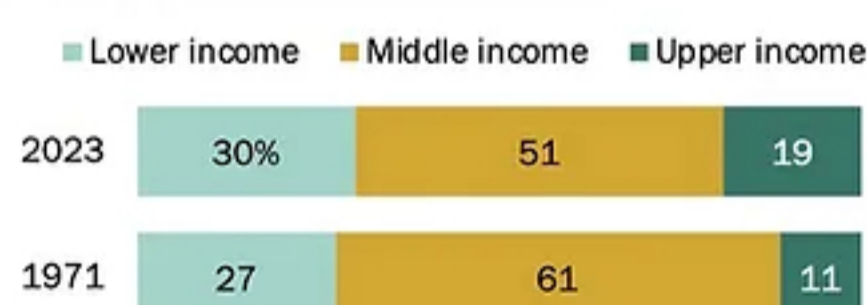
## Down-trading Megatrend

### Transformation of Consumer Behaviour

The growing bifurcation of wealth is significantly influencing consumer behaviour. More middle-class individuals are opting for affordable options as the gap between high and low-income earners widens. This shift is further fuelled by economic uncertainty, with concerns over inflation and potential recession driving consumers across all income levels to prioritize value-oriented purchases.

### Share of Americans in the middle class has fallen since 1971

% of U.S. population in each income tier



With inflation eroding purchasing power, many are trading down to maintain their standard of living. The depletion of excess savings accumulated during the pandemic adds to the risk of reduced discretionary spending. Spending priorities are also shifting.

Consumers are reallocating budgets to afford essentials or experiences they value more; whilst enhanced access to information via

technology enables better deals through price transparency and comparison based shopping tools. This cultural shift transforms bargain-hunting from being stigmatised to smart and savvy, influenced by economic conditions and evolving perceptions of value.

**Discount retailers** are capitalizing on this trend. Offering brand-name products but at reduced prices, they attract a diverse consumer base. In the US\$995 Bn US Apparel, Footwear, and Home market, off-price retailers hold a 7.8% share. The sector's long-term growth potential is substantial, with each 1% market share gain equating to approximately \$10B in revenue, signalling significant future market share opportunities.

Insync has invested in one of the most profitable discount retailers, boasting an extraordinary return on invested capital that's 3x higher than the average company in the MSCI Index.

This retail powerhouse not only thrives during economic downturns but also has a vast growth trajectory as discount retail continues to capture a larger share of total retail spending in good times too. With its robust performance and potential for sustainable earnings growth, this company is set to deliver impressive returns for years to come.

### The scoreboard:

Global Quality Equity Portfolio Gross Monthly Returns . Outperformed 5 out of the past 6 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%								5.59%
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%	-9.00%	-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%	4.48%	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%	2.33%	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%	2.69%	2.78%	3.90%	-0.46%	3.84%	-0.73%	-6.71%	-3.25%	-2.83%	5.37%

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%								11.86%
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%	3.90%	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%	26.83%
2018	2.10%	-0.47%	-0.31%	2.55%	-0.14%	1.81%	2.40%	3.66%	0.43%	-5.56%	-1.51%	-3.66%	0.69%

#### Observations:

- We delivered not just positive returns 5 from 6 years but also each year the return was higher than benchmark.
- 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