



SQM
RESEARCH

InSync Global Quality Equity Fund

This report has been prepared for financial advisers only



Superior

January 2020

INTRODUCTION

Key Principles

The underlying principles of the assessment process are to:

- identify the long term commercial potential of the Responsible Entity/Investment Manager;
- evaluate management's capabilities, previous performance in the specific industry and the stability of the organisation;
- evaluate identified markets (domestic and international existence, stability and growth potential);
- benchmark key performance assumptions and variables against industry peers;
- weigh up the relevant risks of the Responsible Entity/Investment Manager;
- assess structure and ownership;
- determine if the Responsible Entity/Investment Manager is structured in such a way as to protect investor's interests; and
- allow an opinion to be formed regarding the investment quality of the Responsible Entity/Investment Manager.

Assessment

SQM Research conducts a detailed site inspection of the projects/properties within the Responsible Entity's/Investment Manager's managed funds.

The site assessment considers the following areas:

- sustainability of the site for the purpose intended;
- management skills, qualifications, capabilities and experience; and
- associated property risks and their management.

Star Rating*

Investment products are awarded a star rating out of a possible five stars and placed on the following websites: www.sqmresearch.com.au

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This advice will not take into account you, or your clients, objectives, financial situation or needs and will not be provided in respect of any other financial products. Accordingly, it is up to you and your clients to consider whether specific financial products are suitable for your objectives, financial situations or needs.

Report Date: 30 January 2020

Star Rating *	Description	Definition	Investment Grading
4½ stars and above	Outstanding	Highly suitable for inclusion on APLs <i>SQM Research believes the Fund has considerable potential to outperform over the medium-to-long term. Past returns have typically been quite strong. Product disclosure statement (PDS) compliance processes are of a high-calibre. There are no corporate governance concerns. Management is extremely experienced, highly skilled and has access to significant resources.</i>	High Investment grade
4¼ stars	Superior	Suitable for inclusion on most APLs <i>SQM Research considers the Fund has substantial potential to outperform over the medium-to-long term. Past returns have tended to be strong. PDS compliance processes are high-quality. There are no material corporate governance concerns. Management is of a very high calibre.</i>	High Investment grade
4 stars	Superior	Suitable for inclusion on most APLs <i>In SQM Research's view, the Fund has an appreciable potential to outperform over the medium-to-long term. Historical performance has tended to be meaningful. PDS compliance processes are strong. There are very little to no corporate governance concerns. Management is of a high calibre.</i>	High Investment grade
3¾ stars	Favourable	Consider for APL inclusion <i>SQM Research concludes the Fund has a moderate potential to outperform over the medium-to-long term. Past performance has tended to be reasonable. Management is experienced and displays investment-grade quality. There are no corporate governance concerns, or they are of a minor nature.</i>	Approved
3½ stars	Acceptable	Consider for APL inclusion <i>In SQM Research's view, the potential for future outperformance in the medium-to-long term is somewhat uncertain. Historical performance has tended to be modest or patchy. Management is generally experienced and capable. SQM Research has identified weaknesses which need addressing in order to improve confidence in the Manager.</i>	Low Investment grade
3¼ stars	Caution Required	Not suitable for most APLs <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is very uncertain. Historical returns have tended to be disappointing or materially below expectations. PDS compliance processes are potential substandard. There are possible corporate governance concerns. Management quality is not of investment-grade standard.</i>	Unapproved
3 stars	Strong Caution Required	Not suitable for most APLs <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is unlikely. Historical performance has tended to be unacceptable. There may be some material corporate governance concerns. SQM Research has a number of concerns regarding management.</i>	Unapproved
Below 3 stars	Avoid or redeem	Not suitable for most APL inclusion	Unapproved
Event-driven Rating		Definition	
Hold		<i>Rating is suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks.</i>	
Withdrawn		<i>Rating no longer applies. Significant issues have arisen since the last report date. Investors should consider avoiding or redeeming units in the fund.</i>	

* The definitions in the table above are not all encompassing and not all individual items mentioned will necessarily be relevant to the rated Fund. Users should read the current rating report for a comprehensive assessment.

CONTENTS

Summary	2
Fund Summary	3
SQM Research's Review and Key Observations	3
Strengths of the Fund	6
Weaknesses of the Fund	6
Other Considerations	6
Key Changes Since the Last Review	6
Investment Process & Portfolio Construction	7
Investment Process Diagram	7
Process Description	7
Corporate Governance/Business Strategy	11
Key Counterparties	11
Parent Company	11
Investment Manager / Fund Manager	11
Responsible Entity	11
Management Risk	12
Funds Under Management (FUM)	12
Distribution	12
Management & People	13
Investment Team	13
Staffing Changes	14
Key Investment Staff	14
Remuneration and Incentives	15
Product Features - Fees & Redemption Policy	16
Buy / Sell Spread	16
Ongoing Fees	16
Performance Fees	16
Overall Fees	16
Quantitative Analysis	17
Quantitative Insight	17
Return and Risk	20
Asset Allocation & Risk Parameters	22

SQM Rating 
Superior. Suitable for inclusion on most APLs.

Fund Description	
Fund Name	InSync Global Quality Equity Fund
APIR code	ETL5510AU
Asset Class	International Equities
Management and Service Providers	
Fund Manager	InSync Funds Management
Responsible Entity	EQT Responsible Entity Services Limited
Custodian	BNP Paribas
Fund Information	
Fund Inception Date	1-Jul-18
Fund Size	\$13.2 million
Return Objective (as per PDS)	Outperform MSCI All Country World ex-Australia Net Total Return Index in AUD over rolling 5 year periods
Internal Return Objective	n/a
Risk Level (per PDS)	Medium to High
Internal Risk Objective	n/a
Benchmark	MSCI All Country World ex-Australia Net Total Return Index in AUD
Number of stocks/positions	20-35
Fund Leverage	0%
Turnover	Approximately 25%
Top 10 Holdings Weight	47.9%
Investor Information	
Minimum Application	\$10,000
Redemption Policy	Daily
Distribution Frequency	Annually
Investment Horizon (per PDS)	Five or more years
Currency Hedging Policy	Unhedged
Management Fee	0.98%
ICR – latest	n/a
Buy Spread	0.20%
Sell Spread	0.20%
Performance Fee Rate	No performance fee

SUMMARY

Fund Summary

Description

The **Insync Global Quality Equity Fund** executes a conservative stock selection strategy from a select pool of exceptional global companies. The Global Quality Equity Fund adopts the **same investment philosophy and stock selection approach** as the Insync Global Capital Aware Fund but does not purchase index put options for downside protection. Insync (the Fund Manager) believes that investing with a strong focus on capital preservation will lead to superior returns over time. The portfolio will typically hold one or two leading stocks within each “Megatrend” identified by Insync’s research. These stocks must meet strict qualitative and quantitative criteria. The Fund’s objective is to outperform the MSCI All Country World ex-Australia Net Total Return Index over rolling 5 year periods.

The Fund is structured as an open-ended unlisted registered managed investment scheme.

Fund Rating

The Fund has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
4.00 stars	Superior	Suitable for inclusion on most APLs	High Investment Grade

SQM Research’s Review & Key Observations

1. People and Resources

About the Manager

Insync Funds Management Pty Ltd (**Insync**) is the Investment and Fund Manager. Established in July 2009, Insync is a global equity specialist based in Sydney, Australia. Controlling shareholders are Monik Kotecha and Garry Wyatt who are active directors of the Company.

Size and Resources of the Fund Management Company

Insync has been growing since 2009, with a modest team that aims to provide a differentiated offer to clients and grow funds under management.

Insync have an experienced national sales manager working alongside a business development manager for the institutional market, adding to the firm’s resources. This marketing team enables the investment personnel to concentrate on managing the portfolios and have dedicated experienced distributors to focus on generating consistent fund flows.

The investment team calls upon the extensive industry experience of Insync’s CEO (Garry Wyatt). He provides insights which complement the qualitative and quantitative work they perform. Additionally the distribution team contribute qualitative input to the formulation of megatrends, market positioning of the fund’s style and leverage their considerable contacts (built over 30 years) in refining and developing the fund proposition.

Investment Team

Mr Monik Kotecha and Mr John Lobb are the designated Portfolio Managers. Mr Kotecha is the final decision-maker. He extensively consults with the team on the investment merits and risk assessment of each stock, position size and impact on the overall risk of the portfolio. Mr Kotecha is Insync’s Chief Investment Officer, and has over 28 years of funds management experience in international and Australian equity markets, having worked in London, New York and Sydney. Mr Lobb’s efforts focus on idea generation, analysis and the portfolio construction cycle.

Recently joining the team as a Senior Investment Analyst is Mr. Mark Haet, a seasoned analyst and portfolio manager with over 32 year’s experience in the financial markets.

In conjunction with regular daily, weekly and monthly team meetings, there are ongoing ad hoc discussions to share information and debate strategies. A collaborative process is implemented to ensure the flow of communication. Key person risk is **material but manageable**, with low staff turnover.

2. Investment Process and Philosophy

Investable Universe

The fund’s investable universe is initially derived from the identification of 10-15 megatrend ideas. The team screens for these megatrend ideas from the starting position of the MSCI ACWI Index, which is comprised of 2,500 stocks. Through the application of screening factors such as Market Capitalisation, Return on Invested Capital (ROIC), and strong balance sheet, the universe is reduced to approximately 150-250 stocks. The screening emphasis on high quality and exposure to megatrends tends to bias the universe towards long-established, large capitalisation stocks.

Process / Philosophy / Style

The concept of “megatrends” is at the core of the investment process as a key source of stock selection ideas. The Fund pays close attention to the portfolio-level allocation and overlap of stocks across each megatrend.



Insync defines a megatrend as follows:

“**Global megatrends** are seismic shifts in demand which are powerful in magnitude and enduring in duration. They result from a convergence of different underlying trends including technology, innovation, demographics, social attitudes and lifestyles. In a rapidly changing global environment, megatrend analysis is critical for companies seeking to drive sustainable growth and remain relevant as competition increases and new ideas disrupt entire industries. Correctly identifying global megatrends provides important tailwinds to individual stocks and sectors. It provides a runway of assured growth for companies benefitting from them.”

Idea generation is a critical part of Insync's investment process due to the highly-concentrated, low-turnover nature of the Fund. The aim is to invest in a small number of new companies each year so prioritizing research is an important first step in the process. Before committing to researching a new idea, certain key criteria need to be met:

- High and sustainable ROIC
- At least one megatrend that provides a runway of growth for the company
- Valuations that are reasonable
- A clear initial “variant hypothesis” that suggests the investment is potentially mispriced by the market on a longer-term basis

Insync's greater focus is on absolute valuation rather than relative valuation. This assists the Fund manage downside risk. The Fund employs three key tools to assess the valuation of a business: **Proprietary ROIC Derived Evaluation, Free cash flow (FCF) yield** and an **implied growth model**. ROIC Derived Evaluation is the more dominant valuation method. Relative valuation is observed to understand how the market has priced the business over time.

Risk Management

Risk management permeates the investment process, from stock selection through to portfolio construction.

The team investigates the relationship between the stocks in the portfolio using correlation/co-variance analysis and exposure to different macroeconomic factors. The team additionally aims to gain diversification across different megatrends. This is plotted and tabled as a 'heat map' on a stock by stock basis across a set of characteristics.

3. Portfolio Characteristics

Portfolio Turnover

The fund employs a low turnover portfolio with a concentrated number of stocks, and consequently does not trade frequently. Turnover of the portfolio is expected to stay around the 25% per annum observed in previous years. On average, the fund expects to completely exit six stocks and enter six stocks each year.

Liquidity

Liquidity is not an issue at this FUM size, particularly since the Fund's natural focus tends to be on liquid large-cap stocks.

Leverage

The Fund does **not** employ direct leverage (through borrowing by the Fund) **or** economic leverage (through the use of derivatives).

4. Performance & Risk

Return Objective & Performance

The return objective stated in the PDS is that the Fund aims to “outperform the MSCI All Country World ex-Australia Net Total Return Index in Australian Dollars over rolling five year periods”.

The Fund's formal benchmark is the MSCI ACWI ex-Australia Net Return Index.

Over the twelve months to Nov-2019, the Fund returned 33.85% (after fees) compared to 22.64% for the benchmark. This is an outperformance of 11.21%.

Fund Excess Returns %: Half-yearly (net of fees)



Length of Track Record

Note: The performance data used in the quantitative assessment of the underlying Fund has been derived on a spliced basis i.e. returns from **November 2009 to July 2018** are derived from the returns of the InSync Global Capital Aware Fund, **after removing the effect of the put-option protection**. Returns from **August 2018 onwards** represent the actual returns of the InSync Global Equity Fund.

The **spliced performance data** used for the Fund has a history of 10.1 years.

Risk Objective

The Fund's PDS states that the risk level of the Fund is "medium to high".

The Fund's **volatility** (standard deviation of monthly returns) over the **year to Nov-2019** was 12.25% compared to a peer average of 11.71% and 11.35% for the benchmark.

Drawdown Experience

Drawdown Size (peak-to-trough)			
	Fund	Bench	Peers
Average	-3.01%	-3.77%	-4.20%
Number	19	17	16

Drawdowns have **on average** been better than the benchmark and the peer average.

Correlation to Australian Equities

The Fund's rolling three-year correlation with the ASX300 has been displaying fluctuations within a broad-based uptrend over the last three years.

Over the life of the Fund, the rolling 3-year correlation has averaged 20.10% with a high of 63.54% and a low of -30.94%.

FUM (Funds under Management) / Capacity

The Fund is approximately \$3.0 million in size at Nov-2019.

The Manager believes that the capacity for this strategy is in the order of \$14.7 billion.

Fund Performance to 30 November 2019 (% p.a.)							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund ¹	4.62	2.50	16.52	33.85	20.18	13.65	13.42
Benchmark ²	4.37	7.08	14.96	22.64	15.35	12.41	12.28
Peer Average	4.71	6.41	13.82	22.87	15.20	12.10	11.62
Alpha	0.25	-4.59	1.56	11.21	4.82	1.24	1.15

1. Assumes dividend reinvestment. Returns 1 year and longer are annualised. Return history starts Nov-2009

2. Benchmark: MSCI ACWI Ex Australia NR AUD

Over the same time frame, the peer group's 3-year rolling correlation has ranged from a low of 1.61% to a high of 61.17% and averaged 39.30%.

5. Other Features

Fees and Costs	Fund	Peer Avg
Management Fee (% p.a.)	0.98%	1.06%
Expense Recovery (% p.a.)	Nil	-
Performance Fee (%)	Nil	5.00%
Buy Spread (%)	0.20%	0.17%
Sell Spread (%)	0.20%	0.17%

Management Fee

- Expressed as a percentage rate per annum of the Fund's Net Asset Value ("NAV")
- Calculated daily and paid to the Manager monthly.
- Including GST and impact of RITC (Reduced Input Tax Credit)

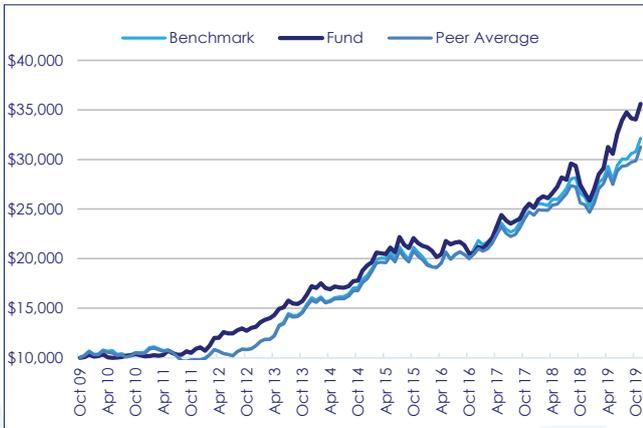
Performance Fee:

The Fund does not charge a performance fee.

Governance

The Board of Directors of the Responsible Entity, Equity Trustees (EQT) consists of **six independent directors (including the Chairman)** from a total of **seven** members. SQM Research prefers the inclusion of independent members on the Board of Directors – it is a meaningful way to enhance governance oversight. EQT's Compliance Committee Charter requires that the Committee shall comprise at least three members **all of whom (including the Chairman) are independent non-executive directors** of EQT, with a quorum of two members required to attend a meeting. SQM Research views independence in a RE oversight body such as the Compliance Committee as a strong and favourable factor in Fund governance.

Growth of \$10,000



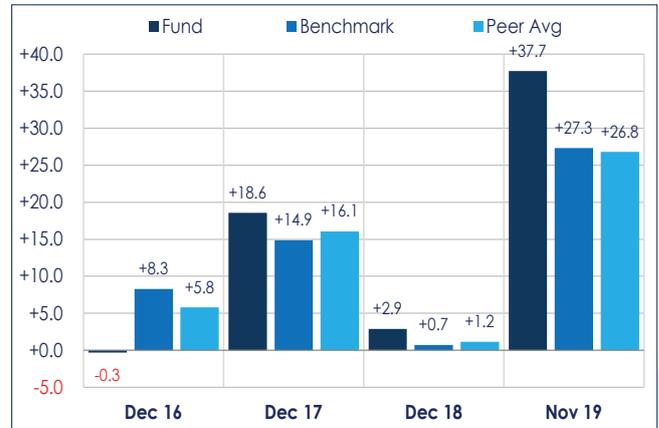
Strengths of the Fund

- The investment team have considerable experience in funds management and equity investing which have been bolstered by the addition of Mr. Mark Haet.
- The Fund has displayed solid defensive characteristics in the face of equity market distress.
- Assessing the longer-run history of the Insync Capital Aware Fund returns stripped of fees, costs, hedging and cash drag **in conjunction with** the shorter track record of the Insync Global Quality Fund indicate that the Manager's pure stock selection skills add material value
- The Fund displays a low correlation with other funds in its sector category, suggesting it would blend well and bring diversification benefits when incorporated with other such funds.
- It is competitively priced for a large-cap International Equity fund.

Weaknesses of the Fund

- The Fund's track record is quite short, having begun in July 2018. It is not tested over multiple investment cycles.
- It is small in size and needs to grow to cover its early-stage fixed expenses. Insync advise there are signs of growing interest in the Fund among its prospect network.

Annual Returns



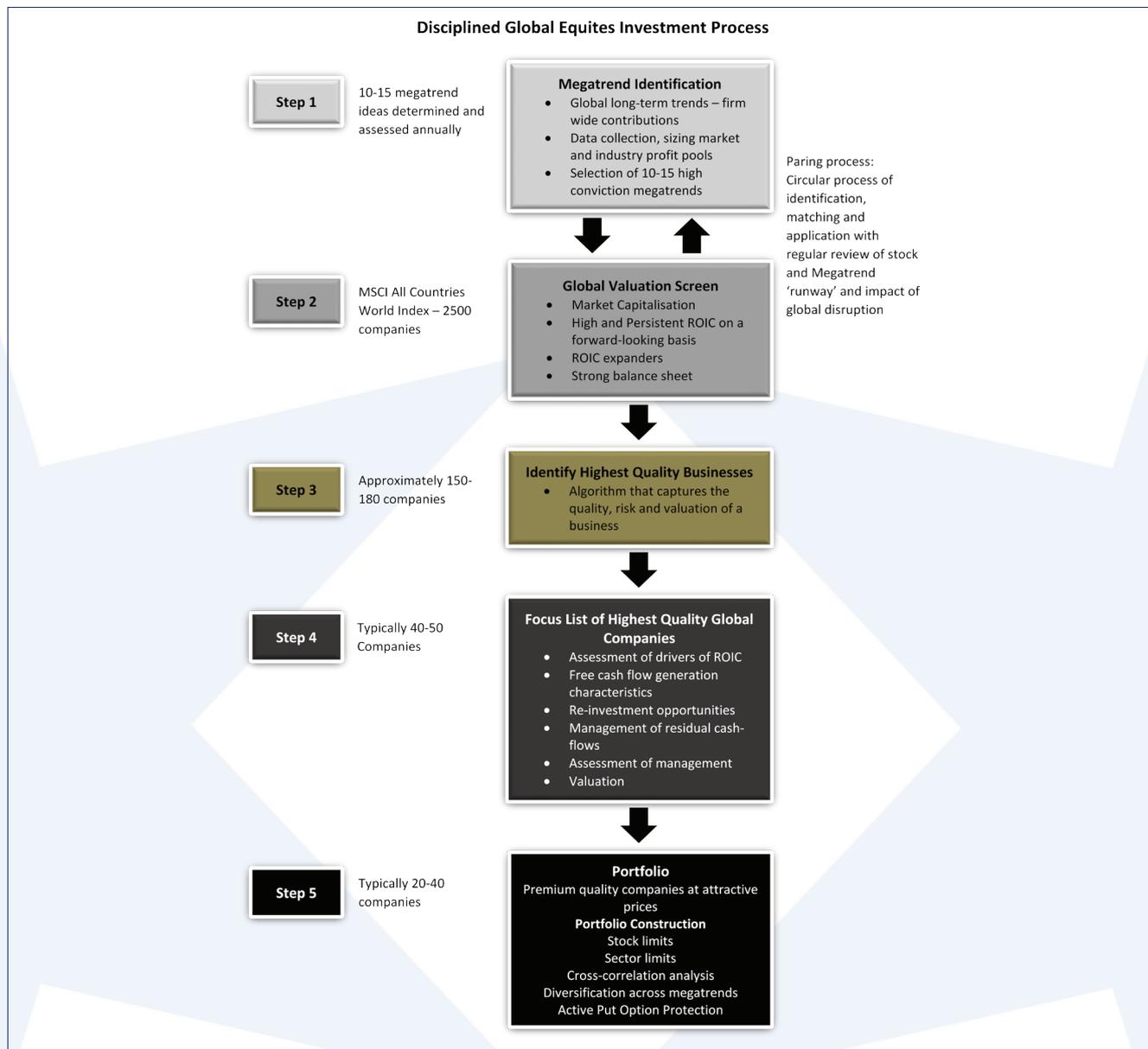
Other Considerations

- The Fund is not designed to provide regular, consistent income – the focus is on total risk-adjusted returns.
- Insync actively manages currency exposures, with the flexibility to hedge 0-100% of the fund's overseas exposure back into Australian dollars using a mean-reversion approach.

Key Changes since the Last Review

- This report is an inaugural review.

Investment Process Diagram



Process Description

Universe

Investable Universe The fund's investable universe is initially derived from the identification of 10-15 megatrend ideas. The team screens for these megatrend ideas from the starting position of the MSCI ACWI Index, which is comprised of 2,500 stocks. Through the application of screening factors such as Market Capitalisation, Return on Invested Capital (ROIC), and strong balance sheet, the universe is reduced to approximately 150-250 stocks.

Investment Process

Top-down or bottom-up The investment process is predominantly individual bottom-up stock selection.

Investment Process

Research and
Portfolio
Construction
Process**Idea Generation**

Idea generation is a critical part of Insync's investment process due to the highly-concentrated, low-turnover nature of the Fund. The aim is to invest in a small number of new companies each year so prioritizing research is an important first step in the process. Before committing to researching a new idea, certain key criteria need to be met:

- High and sustainable ROIC
- At least one megatrend that provides a runway of growth for the company
- Valuations that are reasonable
- A clear initial "variant hypothesis" that suggests the investment is potentially mispriced by the market on a longer-term basis

The Fund differentiates between the commonly understood definition of thematic and Insync's concept of megatrends. A megatrend runs for much longer time periods and include substantive industry and economic support. The primary characteristics are: persistency, disruption, and being long-term in nature – usually a decade plus.

The concept of megatrends is at the core of the investment process and is a key source of stock selection ideas. The Fund pays close attention to the portfolio-level allocation and overlap of stocks across each megatrend.

Initial Screen

The universe of circa 200 investable companies is monitored with an internally developed screen which draws data from Bloomberg. The Fund is particularly interested in assessing free cash flow yield, EV to EBITDA, ROIC, accruals, gross margins, EBITDA margins, net margins, asset turnover, leverage and buybacks. The screen calculates the delta (rate of change) of comparable half-yearly sales, EBIT margin, ROA and earnings revisions to alert the team to the possibility of underlying problems. The screen provides a comparison between the portfolio and the universe of investible securities across all these metrics. The purpose of this process is to question the names and position sizes within the portfolio regularly and to highlight candidates for portfolio inclusion. The screen is reviewed bi-weekly.

Security Selection (Research & Screening Process)

Insync's greater focus is on **absolute valuation** rather than relative valuation. This helps the Fund manage downside risk. The Fund employs three main tools to assess the valuation of a business: proprietary ROIC derived Evaluation, free cash flow (FCF) yield and an implied growth model. ROIC derived Evaluation is the more dominant valuation method. Relative valuation is observed to understand how the market has priced the business over time.

1. **ROIC derived Evaluation:** As high returns on capital tend to be more stable than revenue and operating profits, Insync utilise a DCF model that employs ROIC as the core input in assessing the valuation of the business.
2. **Free Cash Flow Yield:** Companies that generate free cash flow are in a strong position to grow their business and dividends without requiring external funding. Insync invests in companies that are trading on a higher free cash flow yield than the local government bond. A higher free cash flow yield compared to government bonds (the "risk-free rate") can be a signal the company is trading at an attractive valuation. Investing in a high-quality company with growing cash flows is more attractive than the steady cash flows received from a bond. Free cash flow yield allows a meaningful comparison against both other stocks and fixed income assets. The critical element to using this metric effectively is to adjust properly for the **difference in risk** between a stock and the relevant bond.

Research and Portfolio Construction Process

...continued

3. **Implied Growth Model:** Insync uses proprietary implied growth models to calculate the extent to which future earnings, cash flow and dividend **growth** is captured in stock's current share price. An educated value judgement is then made about how achievable or otherwise the implied growth rates look, given the strength and expected duration (sustainability) of the company's business franchise.
4. **Relative Valuation:** The **relative** valuation of the company to its peer group and the market in general is evaluated and considered. It assists in understanding the market's current view on a company and identifies any variant perception there might be between the market and the Insync view.

Portfolio Construction

The portfolio construction process involves a **balance between high conviction and diversification**. The size of the position is determined by the level of conviction held for each stock.

The companies with the most predictable earnings and/or higher ROIC are awarded the highest quality rank. This is then combined with an assessment of valuation.

This is shown in the matrix below. Companies with the most predictable earnings, and less risk of a significant fall in earnings, can have a position size of 5-10%, provided there is a high degree of undervaluation. Companies that have a lower quality ranking can only have a maximum weight of 3-5%, provided there is a sufficient degree of undervaluation.

Ranking	Degree of Undervaluation	Predictability in Earnings	Maximum Stock Weight
1	>20%	High	5-10%
2	>20%	Medium	3-5%
Initial Position	Fair value	High/Medium	1-2%

Portfolios are continuously monitored by the investment team at regular meetings. Ad hoc meetings are also held, particularly around significant event risks.

Buy and sell targets are reviewed on a weekly basis as are stop loss limits. Weekly team meetings concentrate on short-term individual stock developments. The team reviews the multi-factor screening models to assess any significant movements in the universe which require a reassessment of an individual stock holding or the possibility of researching a new idea.

The team has monthly investment strategy meetings which cover macroeconomics, portfolio structure, sector trends, political and market developments. As a complement, the team uses numerous tools to assess portfolio structure and risks including Bloomberg risk management models, a cross-correlation matrix and a macro risk management factor matrix.

Sell Discipline

Sell levels are established following an assessment of the quality of the business model, the sustainability of ROIC, the company's ability to grow free cash flow and the stock's level of valuation. As Insync portfolios are concentrated, transactions must be carefully considered and are undertaken only when the addition or deletion of a stock improves the portfolio's overall quality and valuation. Buy/Sell decisions are based on the same principle. Positions are trimmed or sold when:

- A stock's free cash flow yield is too low
- The quality of the company declines due to deteriorating ROIC or poor allocation of capital

Research and Portfolio Construction Process

...continued

Stop loss limits are employed and monitored. The rationale is to ensure that the Fund does not fall into a 'value trap'. A soft limit and a hard limit are used in the process.

The **soft limit** is either a 15% fall from the 12-month high, or purchase price if bought in the past 12 months, prompts a review of the investment thesis.

The **hard limit** is a 25% fall from the 12-month high, or purchase price if bought in the past 12 months, leads to an automatic sell. Once sold the stock is reviewed to consider whether it still meets the quality investment universe. If not then it is removed from the universe. If it remains in the universe it has the potential to re-enter the portfolio.

Risk Management

On the question of risk, the philosophy and process aim to provide downside protection in the shorter term. The risk controls that aim to ensure sufficient diversification of the portfolio and protect against absolute loss of capital include:

Portfolio Risk Control	Limits in Portfolio
Individual stock weight	0 - 10%
Individual GICS Industry weight	0 - +30%
Emerging markets	0 - 30%
Cash	0 - 5%
Stop/Loss Limit – Soft (relative)	15% from 12-month peak
Stop/Loss Limit – Hard (relative)	25% from 12-month peak

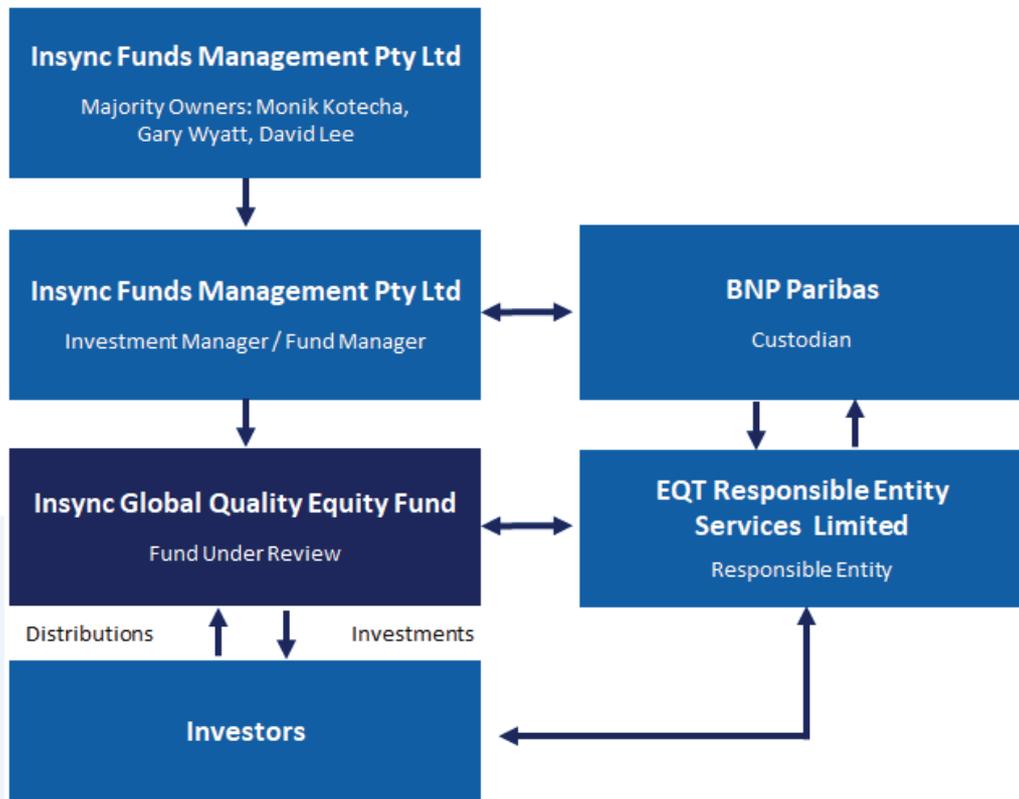
Trading/Implementation

Trade Execution

Trades are placed by the Portfolio Manager, typically with instructions to buy at the Volume Weighted Average Price (VWAP). Brokerage is allocated based on good execution, access to company management and conferences.

Insync maintains a best execution policy for all trading activity. Market conditions along with factors that are transaction-specific and broker-specific determine how a trade is executed and the appropriate counterparty for a given trade.

Key Counterparties



Parent Company

There is no parent company. Controlling shareholders are Monik Kotecha and Garry Wyatt who are active directors of the Company – Insync Funds Management Pty Ltd.

Investment Manager / Fund Manager

Insync Funds Management Pty Ltd is the Investment and Fund Manager. Established in July 2009, Insync is a global equity specialist based in Sydney, Australia.

Responsible Entity

Equity Trustees (EQT) is a financial services company headquartered in Melbourne. Established in 1888 and listed on the Australian Securities Exchange (ASX) in 1985, EQT provides a range of products and services to a diverse client base including fund managers, managed funds, superannuation funds, and financial planning. Equity Trustees acts as Responsible Entity or Trustee for over 80 major Australian and international investment managers.

The Board of Directors of the Responsible Entity (RE) consists of **seven** directors, **six** of whom are independent, including the Chairman.

The Board's principal responsibility regarding EQT's Responsible Entity activities is to ensure the company has adequate systems of internal controls and appropriate monitoring of compliance activities.

The Equity Trustees Board Charter (May-2018) mandates that the Board adhere to the following principles:

- The Board will comprise an appropriate number of directors of whom a majority are independent non-executive directors and ordinarily reside in Australia.
- The Board will be led by an independent chair who is not the same person as the Managing Director.
- Directors, collectively, are to have the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.
- The Board assesses at least annually whether its Directors are independent
- Board meetings are to take place at least quarterly.
- Two members of the Board form a quorum.

Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management performance deterioration of key counterparties could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Fund or associated entities.

Based on the materials reviewed, SQM Research believes that Insync and associated key counterparties are highly qualified to carry out their assigned responsibilities. Management risk is rated as low.

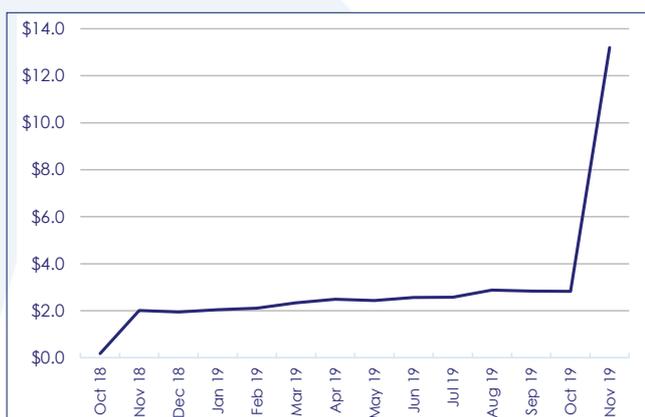
Funds under Management (FUM)

The Fund is approximately \$3.0 million in size at **Nov 2019**.

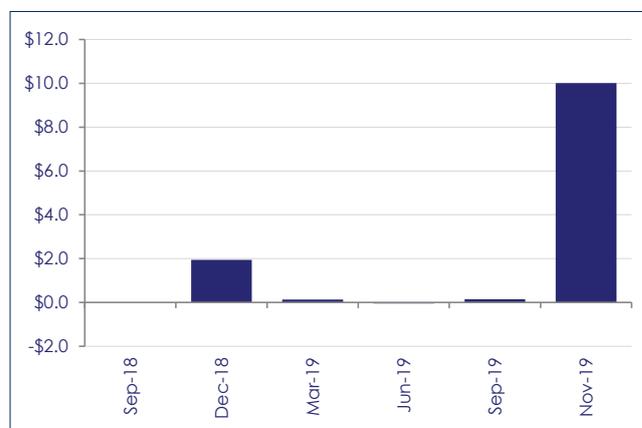
Date	FUM	Net Flows \$m*
Dec-18	\$1.9	\$1.95
Mar-19	\$2.3	\$0.14
Jun-19	\$2.6	-\$0.04
Sep-19	\$2.8	\$0.15
Nov-19	\$13.2	\$10.01

* estimated

FUM for Fund Under Review (\$million)



Quarterly Net Flows (\$million)



Distributions

The Fund has discretion in choosing the frequency of distributions. Distributions occur on an annual basis, subject to the availability of distributable income. In a scenario where the Fund's realised losses and expenses exceed income in a distribution period, the Fund may elect not to make a distribution during that time.

Distribution Date	Distribution CPU	Unit Price \$	Distribution %
Jun-19	7.60	\$1.139	6.67

A General Note on Distributions for Managed Funds

The Responsible Entity of a Managed Fund will provide for a regular schedule of distributions, such as monthly/quarterly/semi-annual or annual. This is subject to the Fund having sufficient distributable income. The official total distributable income available to pay to investors is determined or the period of that Fund's financial year. By distributing the net taxable income of the Fund to investors each year, a Fund itself should not be liable for tax on its net earnings.

If a Fund makes distributions more frequently than once over the financial year, those distributions will be based on estimates of the distributable income for that distribution period. The final total amount of distributable income available for passing on to investors can only be calculated after the close of the financial year, based on the Funds taxable income for that year.

If the total distributions a Fund pays out exceeds total taxable income for that particular financial year, the excess amount may be treated as a return of capital rather than income. This will possibly have tax implications for the investor.

Due to the considerations outlined above, there may be periods in which no distributions are made or a Fund may make additional distributions

A Fund's ability to distribute income is determined by the performance of the Fund and general market conditions. Accordingly, there is no guarantee a Fund will make a distribution in any distribution period.

Name	Responsibility/Position	Location	Years at Firm	Years in Industry
Monik Kotecha	Chief Investment Officer	Sydney	9.9	28.0
John Lobb	Portfolio Manager	Sydney	2.7	30.0
Mark Haet	Senior Investment Analyst	Sydney	1.0	32.0
Peter Wong	Investment Analyst	Sydney	9.9	12.0
Garry Wyatt	Chief Executive Officer	Melbourne	9.9	21.0

Investment Team

Mr Monik Kotecha and Mr John Lobb are the designated Portfolio Managers. Mr Kotecha is the final decision-maker. He extensively consults with the team on the investment merits and risk assessment of each stock, position size and impact on the overall risk of the portfolio. Mr Kotecha is Insync's Chief Investment Officer, and has over 28 years of funds management experience in international and Australian equity markets, having worked in London, New York and Sydney. Mr Lobb's efforts focus on idea generation, analysis and the portfolio construction cycle. He assists with the risk management function and drives the research in collecting and analysing industry data in conjunction with the rest of the team.

Recently joining the team as a Senior Investment Analyst is Mr. Mark Haet, a seasoned analyst and portfolio manager with over 32 years' experience in the financial markets. He brings a wealth of knowledge and expertise to the Insync team.

Chief Executive Officer, Mr Garry Wyatt, has held senior financial positions with several major companies including United Distillers Group, David Brown Gear Industries, Tooheys (Victoria) and WMC before joining David W. Lee & Associates Pty Ltd in 2009.

In conjunction with regular daily, weekly and monthly team meetings, there are ongoing ad hoc discussions to share information and debate strategies. A collaborative process is implemented to ensure the flow of communication. Key person risk is **material but manageable**, with low staff turnover.

Meeting Schedule

The table below shows regular meetings that form an important part of the overall process.

Meeting	Purpose	Frequency	Participants
Daily Meeting	Discuss significant stock specific news, industry news, significant stock price action and company results.	Daily	Chief Investment Officer, PM, Analysts
Weekly Team Meetings	Short-term individual stock developments, buy/sell targets are reviewed as are stop loss limits. Multi-factor screening models are reviewed to assess any significant movements in the universe which require reassessment of an individual portfolio holding or an opportunity to research a new idea.	Weekly	Chief Investment Officer, PM, Analysts
Monthly Investment Strategy Meetings	Cover macroeconomics, portfolio structure, megatrends, sector trends, political and market developments. Multiple tools are used to assess the portfolio structure and risks including Bloomberg risk management models, cross correlation matrix and a macro risk management factor matrix.	Monthly	Chief Investment Officer, PM, Investment Counsel, Analysts
Ad Hoc Meetings	Organised in response to any significant event risks	Ad Hoc	Chief Investment Officer, PM, Analysts

SQM Research believes the practice of constant communication and the broad-based inclusion of team members in decision-making is a vital ingredient to the success of the process. Interactive peer review and collaboration across a tightly knit group of experienced investors will likely make the best use of their combined intellectual property and shared history.

Staffing Changes

Departures			
Date	Name	Responsibility	Reason for Departure
31-Oct-16	Nitesh Patel	Investment Analyst	Pursue new opportunity
30-Apr-17	Yu Ming Cawthorn	Business Development Manager	Pursue new opportunity

Additions / Hires			
Date	Name	Responsibility	Reason for Departure
01-Jan-17	John Lobb	Investment Analyst	Portfolio Manager - Orion Asset Management
01-Jul-16	Tony Breen	Institutional Sales	Director - Sorrento Capital
09-May-18	Damen Purcell	National Manager Distribution	Head of Retail Clients - RF Capital
01-Dec-18	Mark Haet	Senior Investment Analyst	Portfolio Manager - Ellerston Capital

SQM Research observes that the levels of investment experience and company tenure are strong across the investment team. The size and nature of staff turnover are not an issue of concern, in SQM's view.

Key Investment Staff

Monik Kotecha – Chief Investment Officer / Portfolio Manager

Insync's Chief Investment Officer, Mr Kotecha, has over 28 years of funds management experience in international and Australian equity markets and has worked in London, New York and Sydney. This included over 7 years as a Senior Portfolio Manager at Investors Mutual Limited, 5 years with BT Funds Management Limited and 3 years with the Abu Dhabi Investment Authority.

Mr Kotecha was a Senior Portfolio Manager of the Australian Share Fund at Investors Mutual Limited and a key member of the Investment Team which was awarded Fund Manager of the Year Australian Equities in 2002 & 2003 by Money Management. Before this, he was the lead portfolio manager for over 5 years at BT Funds Management Limited on various international equity funds and spent some time as a member of the asset allocation team. He spent the first few years in funds management as a Pan European Equity analyst at the Abu Dhabi Investment Authority in London.

Garry Wyatt – Chief Executive Officer / Investment Counsel

Insync's Chief Executive Officer, Mr Wyatt, has held senior financial positions with several major companies including United Distillers Group, David Brown Gear Industries, Tooheys (Victoria) and WMC before joining David W. Lee & Associates P/L in 2009. He has a Bachelor of Economics degree and is an Associate of the Institute of Chartered Accountants in Australia.

Mr Wyatt brings a wealth of corporate experience across a range of important business functions including financial and process control disciplines, project and operational management, business and strategic planning and internal audit. As most of the operational activities at Insync are outsourced, he uses his extensive commercial experience to provide valuable input and insight to the investment team.

John Lobb – Portfolio Manager

Mr Lobb started his career in 1989 as assistant portfolio manager for Bankers Trust Australia based in Sydney. In 1994 he joined Citigroup Global Asset Management where, as a small cap specialist, he advanced to portfolio manager of industrial equities and joint manager of the balanced fund. Mr Lobb moved to Credit Suisse Global Asset Management in 1997 researching and analysing industrial equities culminating in the development, marketing and management of the Australian equity small cap fund.

In January 2003 he moved to Orion Asset Management at its inception. Contributing to the management of the ASX300 Fund, Mr Lobb served as Lead portfolio manager of the small cap Australian Equities fund. From 2011, he was also a portfolio manager on the global, long-short equities fund focused on Asia. He remained at Orion until February 2014.

Mr Lobb has a BA Economics majoring in Accountancy and Finance from Macquarie University and a Diploma from the Securities Institute of Australia.

Mark Haet – Senior Investment Analyst

Mr. Haet has over 32 years of fund management experience in international equity markets. This includes experience as a portfolio manager at Ellerston Capital, QBE Insurance, Kingdon Capital and BT Funds Management.

Mr. Haet began his career at Prudential Assurance in 1986 as an Australian equities analyst. In 1994, he moved to BT Funds Management, managing a Latin American equity portfolio for 4 years, before working for Kingdon Capital, a \$3bn+ hedge fund from 1998-2002 in New York. Here he managed their Latin American and EEM portfolios.

Mr. Haet then moved to QBE Insurance, managing their UK equity portfolios for 2 years, before joining Ellerston Gems long short fund where he spent 13 years as a portfolio manager. His primary focus was on US equities.

Mr. Haet has 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.

Peter Wong – Investment Analyst

Mr Wong graduated from Macquarie University with a Commerce degree in 2007. He worked for a boutique financial advisory firm in Sydney as a research assistant and was involved in many aspects of the investment process. These included reviewing clients' Managed Discretionary Account (MDA) share portfolios, analysing companies and producing research reports for the senior investment team.

Remuneration and Incentives

Insync has an overall compensation philosophy that aligns individual awards with client success.

Total compensation for investment staff includes base salary and incentive compensation as follows:

Base salary or Base salary/Discretionary Bonus - is based on an individual's experience and responsibilities.

Incentive compensation or Long-term incentives - Insync's policy remunerates investment team members through a combination of salary and a performance-based bonus providing the potential to earn more than what a large institutional based fund manager would pay over time. The bonus is aligned to the performance of the clients and over time will represent a sizeable portion of total compensation.

Insync encourages equity take-up by all key staff including the investment team. Insync is in the process of finalising a formal equity participation scheme for long-term staff retention for key investment team members.

Salaries are reviewed annually in conjunction with a review of key tasks, objectives and deliverables (performance review) and to industry norms and the size of equity position held.

SQM Research believes remuneration in the form of firm equity and client-focused performance bonuses act as strong incentives for optimising staff engagement, retention and productivity. The intention (and SQM believes, the effect) is to align staff performance with client and shareholder objectives. It focuses on the customers' needs and medium to long-term results.

Fees

Fees and Costs	Fund	Peer Avg
Management Fee (% p.a.)	0.98%	1.06%
Expense Recovery (% p.a.)	Nil	-
Performance Fee (%)	Nil	5.00%
Indirect Cost Ratio ICR (% p.a.)	no data	1.08%
ICR Date: no data		
Buy Spread (%)	0.20%	0.17%
Sell Spread (%)	0.20%	0.17%

Other Features	Fund	Peer Avg
Redemptions	Daily	-
Distributions	Annually	-
Minimum Investment	\$10,000	\$116,667
1-Year Investment: round Trip Cost	1.38%	1.40%

Buy/Sell Spread

This spread represents the difference between the application price and the withdrawal price of the Fund, a reflection of transaction costs relating to the underlying assets.

Ongoing Fees

The management fee includes GST and is net of any applicable Reduced Input Tax Credits (RITC).

The management fee is calculated daily and paid to the Manager monthly.

Performance Fees

The Fund does not charge a performance fee.

Overall Fees

1-year Investment: Round Trip Cost.

If held and redeemed within 12 months, total costs would amount to **1.38%** of investment in the Fund.

This figure includes the management fee, expense recovery (when disclosed) and the buy/sell spread. It does **not** consider rebates or negotiations or any potential **performance fee**.

SQM Research observes that the Fund management fee is 0.98% p.a., which is 8 basis points lower than the peer group average of 1.06% p.a.

QUANTITATIVE ANALYSIS

IMPORTANT NOTE: The inception date for the InSync Global Equity Fund is July 2018. Therefore, the track record of the Fund is insufficient to draw any meaningful conclusions regarding its performance characteristics. The performance data used in the section below is derived from a spliced history i.e. returns from November 2009 to July 2018 are derived from the returns of the InSync Global Capital Aware Fund, after removing the effect of the put-option protection. Returns from August 2018 onwards represent the actual returns of the InSync Global Equity Fund. The Underlying Fund's performance shown in this report is benchmarked against the MSCI All Country World Index ex-Australia.

Risk/Return Data to 30 November 2019							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund ¹	4.62	2.50	16.52	33.85	20.18	13.65	13.42
Benchmark ²	4.37	7.08	14.96	22.64	15.35	12.41	12.28
Peer Average	4.71	6.41	13.82	22.87	15.20	12.10	11.62
Alpha	0.25	-4.59	1.56	11.21	4.82	1.24	1.15

Metrics	1-Year	3-Year	5-Year	Inception
Tracking Error (% p.a.) - Fund	6.23	5.46	5.49	6.56
Tracking Error (% p.a.) - Peer Average	5.50	4.91	4.98	4.53
Information Ratio - Fund	1.80	0.88	0.23	0.18
Information Ratio - Peer Average	0.13	0.06	-0.03	-0.01
Sharpe Ratio - Fund	2.63	1.67	1.06	1.10
Sharpe Ratio - Peer Average	1.95	1.31	0.93	0.85
Volatility - Fund (% p.a.)	12.25	11.01	11.04	9.57
Volatility - Peer Average (% p.a.)	11.71	10.33	10.93	10.32
Volatility - Benchmark (% p.a.)	11.35	9.58	10.11	9.70
Beta based on stated Benchmark	0.93	1.00	0.95	0.76

1. Assumes dividend reinvestment. Returns 1 year and longer are annualised. Return history starts Nov-2009
2. Benchmark: MSCI ACWI Ex Australia NR AUD

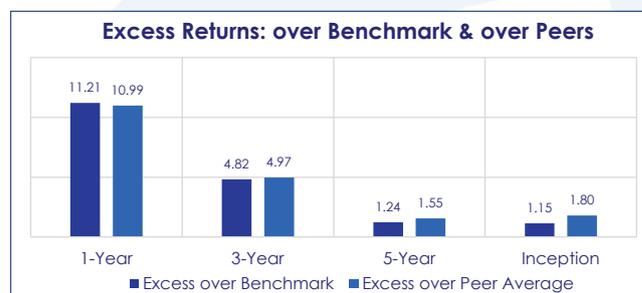
Quantitative Insight¹

Note: Unless otherwise stated, all return and risk data reported in this section are after-fees and for periods **ending Nov-2019**.

Returns



Excess Returns (Alpha)

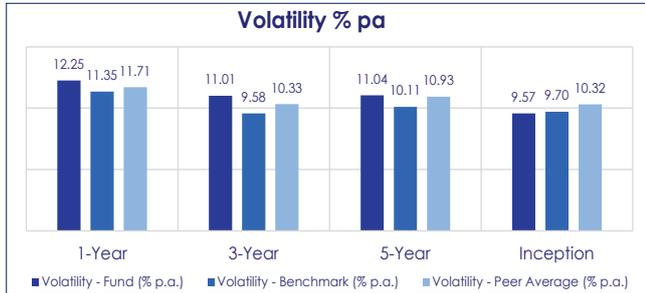


The Fund has displayed strong performance across all periods when compared with benchmark and peers.

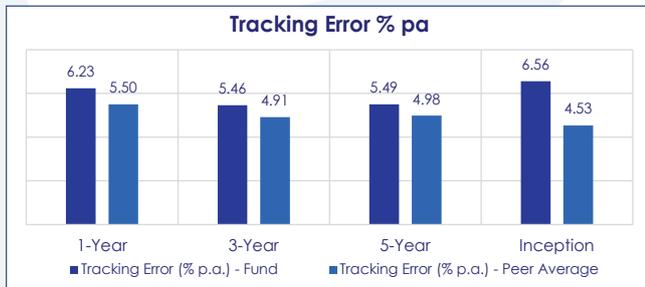
The **return outcomes** as described above are consistent with the PDS objective, and are in line with SQM's expectations for the Fund relative to its fee level and volatility.

1. Note: Sharpe and Information Ratios are not reliable comparison tools in periods where both the Fund and its peers/benchmark record a negative result

Risk



The Fund's **volatility** (standard deviation of monthly returns) has tended to be moderately higher than benchmark and peers, barring the volatility since inception, which was lower than benchmark and peers.



The Fund's **tracking error** (standard deviation of monthly excess returns) has tended to be higher than benchmark and peers.

The **risk outcomes** as described above regarding volatility and tracking error are in line with the PDS statements about risk and SQM's expectations for this Fund.

Drawdowns

Drawdown Summary			
Drawdown Size (peak-to-trough)			
	Fund	Bench	Peers
Average	-3.01%	-3.77%	-4.20%
Number	19	17	16
Best	-0.70%	-3.81%	-4.08%
Worst	-12.64%	-13.30%	-13.39%
Length of Drawdown (in months)			
	Fund	Bench	Peers
Average	4.9	5.4	5.6

Length of Drawdown = time from peak to trough and back to previous peak level

Drawdowns have **on average** been moderately better than the benchmark and the peer average, with a faster recovery rate.

Snail Trail

The snail trail chart and tables below show the combination of the Fund's rolling 3-year excess returns and rolling 3-year excess volatility.

There are **86** observations in total.

The two tables below display the distribution of these observations and their overall frequency across the risk/return quadrants.

Snail Trail Distribution			
Frequency	Lo-Vol	Hi-Vol	Total
Hi-Return	22	13	35
Lo-Return	30	21	51
Total	52	34	86
% of Total	Lo-Vol	Hi-Vol	Total
Hi-Return	25.6%	15.1%	40.7%
Lo-Return	34.9%	24.4%	59.3%
Total	60.5%	39.5%	100.0%

86 rolling 3-year observations

In assessing a snail trail it is important to note the following:

Q1 upper left-hand quadrant - higher return than the Fund's market index with lower volatility (less risk). This is the optimal position.

Q2 upper right-hand quadrant - higher return than the Fund's market index with higher volatility (more risk). This can often be a desirable position depending on the attractiveness of the Sharpe ratios produced in this zone. It is important to note that in the case of inflation or cash-style benchmarks, the Q1 top left-hand quadrant is unachievable as it is not possible to deliver lower volatility than what is virtually zero for the benchmark. In such cases, the Q2 zone is the optimal position.

Q3 lower left-hand quadrant - lower return than the Fund's market index with lower volatility (less risk). Less than ideal, and Sharpe ratios can assist in assessing the risk/return trade-off in this zone.

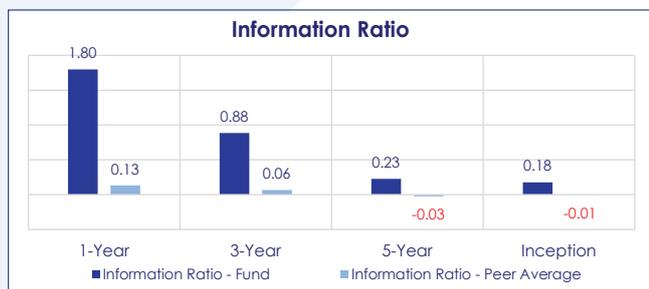
Q4 lower right-hand quadrant - lower return than the Fund's market index with higher volatility (more risk). The least desirable outcome.

Consistency

The more "bunched together" the cluster of dots, the more consistent is the performance. A second indicator of consistency is the trail's nomadic nature. Trails that roam across multiple quadrants over time are indicating **low consistency** in the Fund's risk return profile. The quadrant that **contains the bulk** of the Fund's snail trail is likely to be more representative of the Fund's risk/return characteristics and identity.



Risk-Adjusted Returns



The Fund's risk-adjusted returns (as measured by Sharpe and Information ratios) have been materially higher than the benchmark and peer average.

Correlation

	Correlation	Min	Max	Avg
3 yr rolling S&P/ASX 300	-30.94%	63.54%	18.69%	
3 yr rolling MSCI World	47.50%	94.19%	79.45%	

86 data points

Nov-09 to Nov-16	Market	3 years	Inception
Bloomberg AusBond Composite 0+Y TR AUD	Aust Bonds	26.05%	24.39%
S&P/ASX 300 TR	Aust Stocks	60.16%	27.43%
BBgBarc Global Aggregate TR Hdg AUD	Global Bonds	13.84%	2.13%
MSCI World Ex Australia NR AUD	Global Stocks	87.20%	78.72%

There is a significant correlation of the Fund's returns with the S&P ASX300 index and a strong correlation to global equities.

Tail Risk

*(The analysis in the following table looks at the **tail risk performance relationship of the Fund to the ASX300**, a practice that SQM has set as common across asset classes in Fund reviews. This approach recognises that for the large bulk of financial planner clients, their key traditional asset class **risk** regarding **size** and **volatility** is to Australian equities. Exploring that relationship is useful regardless of the asset class of the Fund itself, as it is helpful to understand how a Fund has acted in times of Australian equity market stress in terms softening or exaggerating the negative performance experienced at such times.)*

The table below details the **ten largest negative monthly returns** for the ASX 300 **since the inception of the Fund**. This is compared to the Fund's performance over the same ten months.

Extreme Market Returns vs Fund Return Same Month
Index: S&P/ASX 300 TR From: Nov-09 to Nov-19

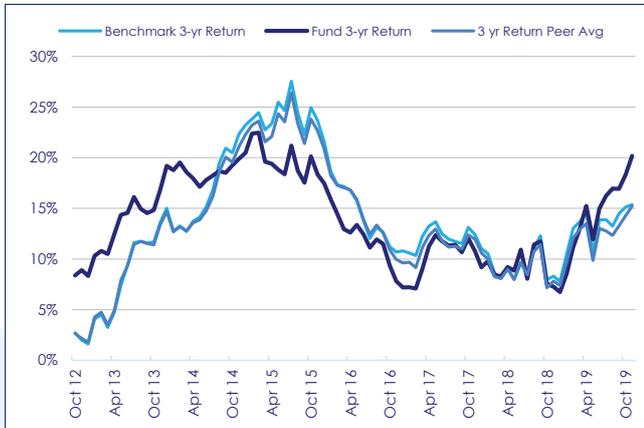
Rank	Date	Market	Fund	Difference
1	Aug-15	-7.70%	-3.50%	4.20%
2	May-10	-7.54%	-0.47%	7.07%
3	May-12	-6.74%	4.78%	11.52%
4	Sep-11	-6.28%	3.46%	9.73%
5	Jan-10	-6.17%	-1.84%	4.33%
6	Oct-18	-6.16%	-6.50%	-0.34%
7	Jan-16	-5.45%	-0.51%	4.94%
8	Sep-14	-5.37%	3.04%	8.41%
9	Jun-15	-5.32%	-2.17%	3.15%
10	May-13	-4.54%	4.52%	9.06%
TOTALS		-61.25%	+0.82%	+62.08%

Tail Risk Observations:

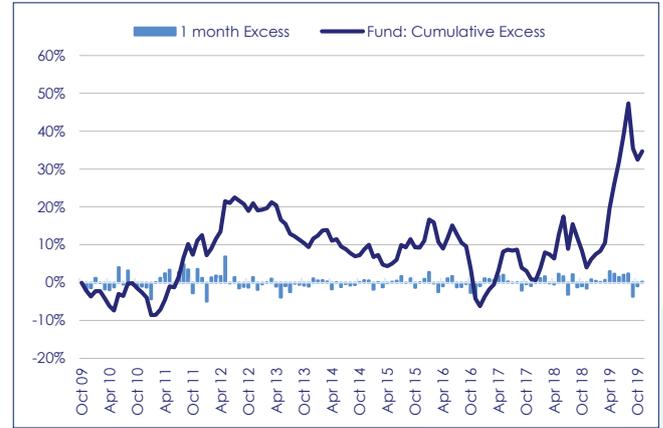
- The correlation of the Fund's returns to the ASX300 returns over the span of tail risk equity market extremes is +30.6%.
- The Fund posted 4 positive returns compared to the 10 negative returns of the Australian stock market.
- The sum of returns over those 10 months was -61.25% for the ASX 300 and +0.82% for the Fund, a difference of +62.08%.
- These figures point to **high defensive characteristics** of the Fund in the face of extreme equity tail risk.

Return and Risk

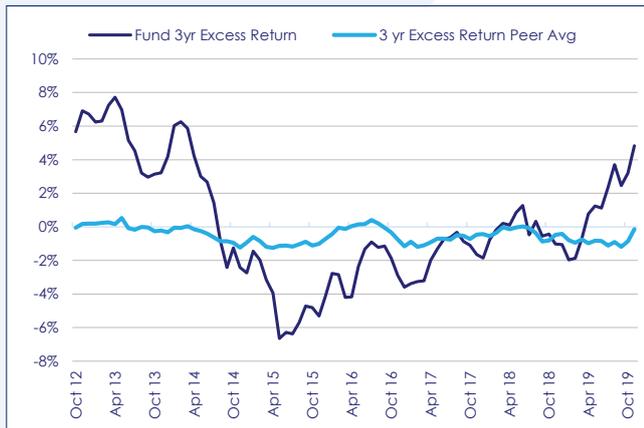
Rolling Returns



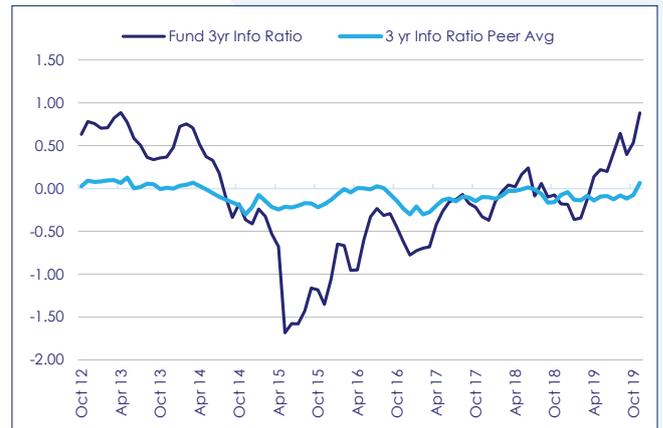
Cumulative Excess Returns



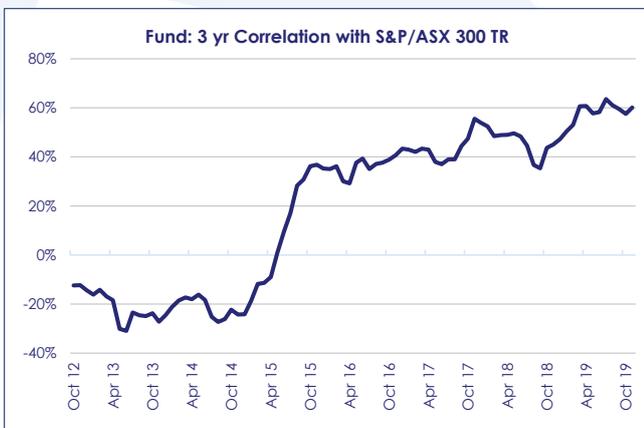
Rolling Excess Returns



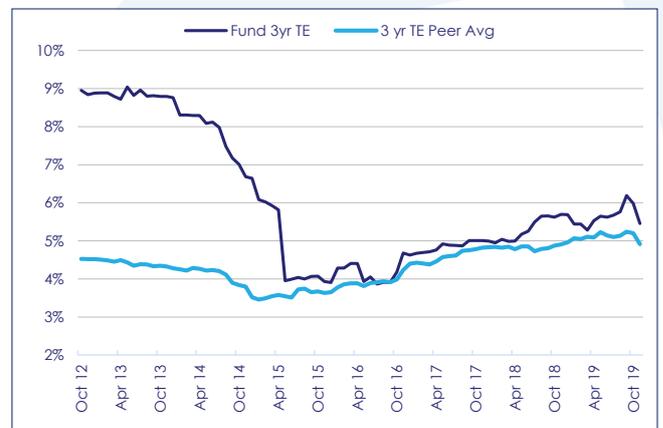
Rolling Information Ratio



Rolling Correlation to ASX300

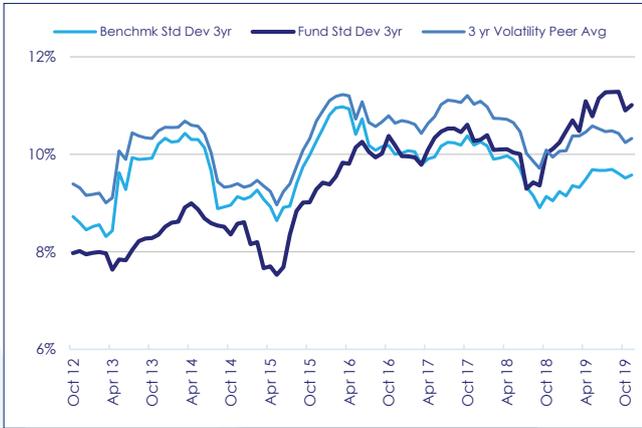


Rolling Tracking Error

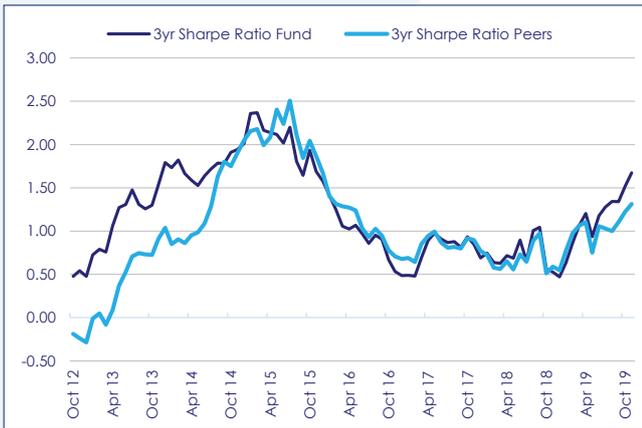


Return and Risk

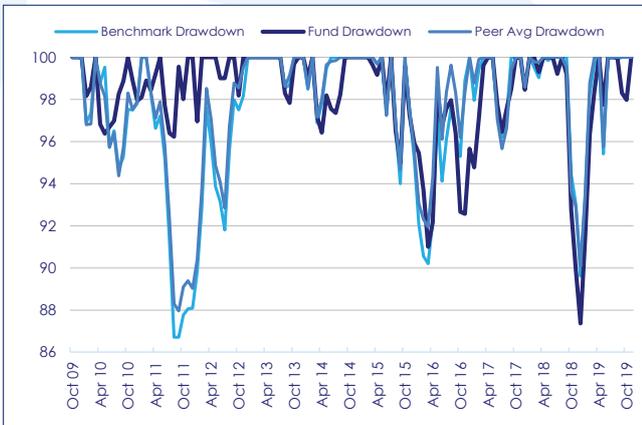
Rolling Volatility



Rolling Sharpe Ratio



Drawdowns



ASSET ALLOCATION & RISK PARAMETERS

The table below outline limits on the Fund's asset allocation and other risk parameters: -

Fund Constraints	Permitted Range or Limit
Individual stock weight	0 - 10
Individual GICS industry weight	0 - +30
Emerging markets	0 - 30
Cash	0 - 5
Stop/Loss Limit - Soft	15%
Stop/Loss Limit - Hard	25%

The Fund's history of asset allocation, sector, country weights and other portfolio metrics are detailed below:

Equity Sector	Average Weight	Max Weight	Min Weight	as as Aug-19
Financials	5.9%	11.4%	0.0%	6.2%
Information Technology	21.0%	41.6%	2.3%	40.6%
Health Care	18.4%	34.4%	5.0%	13.1%
Consumer Discretionary	11.3%	20.2%	2.7%	13.5%
Consumer Staples	33.1%	73.3%	4.0%	9.9%
Energy	-	0.0%	0.0%	0.0%
Materials	2.4%	2.6%	2.1%	0.0%
Industrials	3.5%	8.1%	1.3%	2.0%
Communication Services	12.9%	24.2%	2.9%	14.7%
Utilities	-	0.0%	0.0%	0.0%
Real Estate	5.5%	5.5%	5.5%	0.0%
Cash	-	0.0%	0.0%	0.0%

Geographic	Average Weight	Max Weight	Min Weight	as at Aug-19
Australia	4.4%	5.2%	3.0%	5.2%
USA	53.4%	69.0%	34.2%	63.8%
Japan	0.0%	0.0%	0.0%	0.0%
UK	20.2%	31.9%	4.8%	4.9%
France	8.0%	10.7%	3.4%	0.0%
Germany	4.5%	7.8%	1.6%	7.4%
Belgium	2.8%	5.4%	0.6%	0.0%
Sweden	2.0%	2.2%	1.8%	0.0%
China	3.8%	4.7%	2.7%	4.1%
Spain	3.4%	4.6%	1.8%	4.1%
Israel	2.5%	3.1%	1.7%	0.0%
Canada	3.0%	4.0%	2.1%	0.0%
Switzerland	9.9%	19.1%	2.0%	2.5%
Hong Kong	7.8%	7.8%	7.8%	0.0%
Brazil	0.0%	0.0%	0.0%	0.0%
Ireland	5.4%	10.5%	1.8%	5.1%
Netherlands	4.2%	7.1%	2.7%	2.9%

Currency	Average Weight	Max Weight	Min Weight	as as Aug-19
AUD	4.4%	5.2%	3.0%	5.2%
USD	61.4%	79.4%	37.0%	71.4%
EUR	9.7%	16.8%	3.0%	14.4%
GBP	20.0%	31.9%	4.8%	4.9%
CHF	10.4%	19.1%	3.3%	0.0%
RUB	0.0%	0.0%	0.0%	0.0%
SEK	2.0%	2.2%	1.8%	0.0%
JPY	0.0%	0.0%	0.0%	0.0%
CNY	0.0%	0.0%	0.0%	0.0%
HKD	4.6%	7.8%	2.7%	4.1%

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SQM
RESEARCH

Address:

Level 16, 275 Alfred Street
North Sydney, New South Wales, 2060

Contacts:

Louis Christopher 02 9220 4666
Rob da Silva 02 9220 4606

Analyst:

Rob da Silva

Central Contacts:

Phone 1800 766 651
Email: info@sqmresearch.com.au
Web: www.sqmresearch.com.au