

BEULAH CAPITAL

# International Equities Portfolio

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Quarterly Fact Sheet | March 2020

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## Investment Approach

Our strategy is based on a fundamental bottom-up stock analysis to identify and select quality growth companies with sustainable business models and proven management teams, focused on the creation of shareholder return.

### INVESTMENT STRATEGY

Concentrated Approach – Franklin Templeton’s investment team focus on risk-adjusted returns, rather than benchmark-relative returns. Therefore, we achieve a portfolio of unconstrained, high quality companies.

The portfolio’s focused approach and fundamental research requires the team develop a high level of conviction in every investment.

## Universe

This portfolio will hold the equity securities of approximately 20 different companies. No single security will exceed 10% of the market value of the total portfolio at the time of purchase

The portfolio may be invested in countries that are not included in the MSCI World ex-Australia Index up to 20% of the market value of the total portfolio value at the time of purchase

### INVESTMENT CATEGORY

International Shares

### MINIMUM INITIAL INVESTMENT

\$50,000 on a standalone basis

### MINIMUM SUGGESTED TIME FRAME

7+ Years

## Performance

International Equities Portfolio					
	3 Months %	6 Months %	1 Year %	3 Years %	Incept %
Portfolio Return	-1.23%	7.15%	21.38%	21.45%	15.34
MSCI World ex-Aust. Index	-9.00%	-5.13%	4.44%	9.94%	8.31
Relative Performance	+7.77%	+12.28%	+16.94%	+11.51%	+7.03

### Performance Notes

1: As of 30 June 2017. Performance shown is net of Investment Management Fee but before Platform fee

2: Past performance is not an indication of future performance

3: Returns and holdings will vary between investors given the nature and timing of beneficial ownership under a SMA structure

4: Returns greater than 12 months are annualized

5: Inception date is 30-11-2015

## Top 10 Stock Holdings

Company	Allocation %
Regeneron Pharmaceuticals	6.10
Danaher Corp	6.05
Intercontinental Exchange Inc	5.70
Visa Inc	5.54
CoStar Group Inc	5.50
TAL Education Group	5.49
Umicore SA	5.49
Verisk Analytics Inc	5.40
Koninklijke DSM NV	5.21
DSV Panalpina A/S	5.13
<b>Total</b>	<b>55.61</b>

Holdings as at 31 March 2020

## Portfolio Commentary

Global equity markets fell in volatile trading during the first quarter. After a strong start to the year, markets plunged rapidly on fears about the continued spread of the coronavirus and how deep the resulting economic damage would be from efforts to contain it. Central banks stepped in to provide liquidity and many governments unveiled unprecedented stimulus programs aimed at cushioning the impact of the shutdown of many sectors of the economy. Energy markets were also in focus, as a price war between Saudi Arabia and Russia sent oil prices plunging.

During the quarter, the portfolio fared better than its benchmark, the MSCI World ex Australia Index, as stock selection in the Industrials, Health Care and Information Technology sectors boosted relative returns. While the growth style continued to perform well overall, the portfolio performed better during the first part of the quarter, as over the latter part of the period more defensive growth companies came to the fore.

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Several Industrials stocks bolstered relative performance, including US-based commercial real estate data and information provider CoStar Group, Inc. and US-based risk information provider Verisk Analytics, Inc. During the quarter, CoStar announced the acquisition of a digital apartment marketplace company to further improve its product offering. We expect demand for Verisk's products and services to remain steady despite the more uncertain global economic environment.

US-based biotechnology company Regeneron Pharmaceuticals, Inc. contributed in the Health Care sector following a better-than-expected fourth-quarter earnings report, which showed growth in its macular degeneration and eczema drugs. We expect Regeneron's existing products to continue to contribute to revenue growth in the medium term and believe the company has a strong pipeline, which can further bolster its growth over the longer term. Regeneron is also examining potential antibodies to treat COVID-19.

In the Information Technology sector, Canada-based e-commerce software and services provider Shopify contributed to relative returns on strong demand for its applications to help online retailers. With many bricks-and-mortar retailers closed during the coronavirus outbreak, e-commerce activity is expected to increase, which should benefit the company. Moreover, Shopify's recently launched fulfilment services may also boost growth.

In the Consumer Discretionary sector, TAL Education Group, a China-based tutoring services provider, boosted relative returns. Despite the negative impact of the coronavirus outbreak on the company's in-person classes, its online tutoring business is likely to benefit and TAL may be able to take market share from smaller tutoring operations that have been forced to close during the outbreak.

Other consumer-oriented names struggled in the more uncertain market and economic environment. Global auto parts manufacturer Aptiv PLC weighed on relative performance, as the coronavirus outbreak and the efforts to limit

its spread has decreased auto production. Moreover, the expected decline in economic activity is likely to depress demand for new cars for some time. However, we expect continued high demand for Aptiv's components that are used in active safety and infotainment systems, as these systems become more common in new cars.

The portfolio's bank stocks, Signature Bank, based in the United States, and KBC Groep NV, based in Belgium, weighed on relative performance in the Financials sector. The probable economic recession and the drop in global interest rates is likely to put pressure on their businesses in the near term. However, we would highlight that these banks are strongly capitalised and well positioned to weather the downturn in lending activity and potential rise in bad debts.

Elsewhere in the sector, Swiss alternative asset manager Partners Group Holding AG curbed relative returns given the market volatility. However, over the longer term, we expect institutional investors to continue to invest in alternatives, as they look for yield in a zero-interest rate environment.

In the Materials sector, Belgium-based Umicore SA, a clean technology materials company, curbed relative returns, as the drop in electric vehicle production due to the coronavirus lockdowns weighed on the stock. We expect that over the longer term, increased electric vehicle production and the need for cleaner emission vehicles should support demand for Umicore's battery materials and catalysis businesses.

In terms of sector allocations, a lack of exposure to Energy supported relative performance, while a lack of exposure to the defensive Consumer Staples sector dented relative performance. Regionally, security selection in North America boosted relative returns, while stock selection and an overweight in Europe detracted.

## Outlook

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We continue to carefully monitor the spread of the coronavirus and remain in close contact with our portfolio companies to understand the impact the economic disruption is having on their businesses. While we remain confident in the long-term prospects of our holdings, we will take any needed actions in the interest of the portfolio as the situation continues to develop.

We are doing everything possible to consider how best to position the portfolio for the second half of 2020 and the road back to normalisation. In the long run, we believe companies that have sustainable business models, accomplished management teams and can benefit from strong underlying structural growth trends — like e-commerce growth, cloud computing or autonomous driving — should add value.