BEULAH CAPITAL

Australian Equities Income Portfolio

Quarterly Fact Sheet | June 2020

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Investment Approach

The portfolio aims to outperform the S&P/ASX 100 Accumulation Index over a rolling 5-year period.

INVESTMENT STRATEGY

The portfolio invests in a concentrated portfolio of securities in some of Australia's largest 100 ASX listed companies. The portfolio is constructed to provide both an income stream and long-term capital growth from an investment in 20 to 25 of Australia's largest companies.

Universe

This investment strategy provides access to some of Australia's largest listed companies generating consistent and above average dividend yields on an after tax (including franking credits) basis.

INVESTMENT CATEGORY
Australian Shares

MINIMUM INITIAL INVESTMENT
$50,000 on a standalone basis

MINIMUM SUGGESTED TIME FRAME
7 Years

Performance

For period ended 30 June 2020

Australian Equities Income Portfolio

	3 Months	6 Months	1 Year	3 Year	5 Year	Inception
Income Return	0.50%	2.57%	5.52%	6.21%	6.12%	6.01%
Capital Return	12.13%	-16.23%	-19.57%	-5.17%	-3.22%	2.78%
Portfolio Total Return	**12.63%**	**-13.66%**	**-14.05%**	**1.04%**	**2.90%**	**8.79%**
S&P/ASX 100 Accum Index*	15.98%	-10.70%	-7.84%	3.58%	5.12%	10.71%
Relative Return	*-3.35%*	*-2.96%*	*-6.21%*	*-2.54%*	*-2.22%*	*-1.92%*
Franking Credits	0.04%	0.83%	1.77%	2.01%	2.00%	2.05%
Portfolio Total Return (Incl. franking)	**12.67%**	**-12.83%**	**-12.28%**	**3.05%**	**4.90%**	**10.84%**

Performance Notes

1: All Benchmark and Model returns are calculated assuming dividends are reinvested
2: Returns greater than 12 months are annualised
3: Returns are calculated before transaction, portfolio and MDA fees as these differ pending what platform the investment is held
5: Returns and holdings may vary between investors given the nature and timing of beneficial ownership under an MDA structure
6: This document is for marketing purposes only
7: Past performance is not an indication of future performance
*8: *From 1 June 2018 the Australian Equities Income benchmark changed from the S&P/ASX 100 Industrials Accum Index to the S&P/ASX 100 Accum Index*
9. Inception date is 9 March 2012

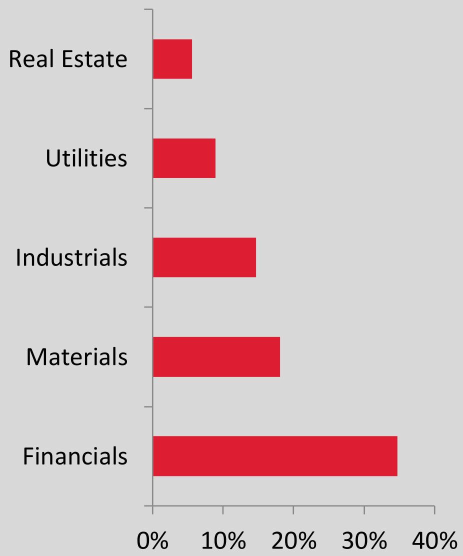
Franking Credits - Franking credits may be earned when a company pays a dividend. Where recoverable, these would represent a real return from the Portfolio.

Top 5 Stock Holdings

Company	Allocation %
Commonwealth Bank of Australia	7.07
Transurban Group	6.85
Stockland Group	5.57
Telstra	5.37
Westpac Bank	5.24
Total	**30.10**

Holdings as at 30 June 2020

Sector Allocation



Key Portfolio Features

Key Portfolio features	
1yr Fwd Portfolio Cash Yield	4.53%
1yr Fwd Portfolio Gross Yield	5.70%
1yr Fwd Portfolio P/E Ratio	30.10x
Percentage of cash held	6.45%

Top 5 Performers

Company	Contribution to performance %
Stockland	1.44
Fortescue Metals Group	1.32
Transurban Group	1.28
Tabcorp	1.08
Suncorp Group	0.99

Worst 5 Performers

Company	Contribution to performance %
Suncorp Group	0.02
Sydney Airport	0.07
Amcor PLC	0.08
QBE Insurance	0.11
Westpac Bank	0.36

Market & Economic Review

The June quarter began with an astonishing relief rally as the fear and panic experienced in March subsided. The rally continued throughout May and June and economies began to reopen after the spread of Covid-19 forced draconian shutdowns. As the quarter drew to a close, equities in many regions posted record gains. The US S&P 500 had its best quarter since 1998, while the Dow Jones Industrial Average had its best quarter since 1987. Closer to home, the S&P/ASX 200 returned over 16% even as dividends continued to be cut or deferred.

Looking back over the financial year (FY20), losses in domestic shares were the worst since FY12. CSL was a standout performer, followed by Wesfarmers and Woolworths. But, Afterpay was the biggest winner, soaring 143%. Compare this to Flight Centre and Webjet that lost two-thirds of their value, making losses in CBA and Telstra pale in comparison.

Perhaps the biggest shock in the quarter was in oil markets, which were briefly rocked by negative prices. When an important oil futures contract neared expiry in late April, many traders were faced with the prospect of taking delivery. This coincided with storage facilities already close to capacity and forced sellers to pay others to take physical possession. Elsewhere, gold extended its rally, closing out the best quarter in four years with uncertainty about the economic recovery and ultralow interest rates lifting demand for the safe haven metal.

Traditional fixed interest markets resumed more normal transmission as the extreme volatility, and in some cases complete market dislocation, dissipated thanks to broad-based intervention by central banks. Meanwhile, cash retained its capital preservation properties and produced a modest positive return, at least in Australia. In some parts of the world, investors must incur negative interest rates for banks to store their liquid wealth.

On the economic front, it was a familiar story around the globe. Retail sales, manufacturing and employment had rebounded strongly by quarter's end, though remained well below their pre-Covid-19 levels. The easing of monetary policy has prevented a health crisis from morphing into a liquidity crunch. Asset purchase programs were dramatically escalated, and this provided an enormous boost to financial markets.

Fiscal expansion also proved to be beneficial for economies as they recovered from widespread restrictions and lockdowns. Australia has seen the implementation of the JobKeeper scheme that has prevented the official unemployment rate from reaching double figures. JobSeeker payments (previously Newstart) have effectively doubled and this has placed money in the hands of those most likely to spend.

In the US, incomes have been supported by stimulus cheques and unusually generous unemployment benefits, though these are due to expire at the end of July. Finally, we note that China's recovery has thus far been slower than anticipated as the emerging giant is still heavily reliant on strong global activity to suck in its exports. This comes after March quarter real GDP experienced it first annual decline since the mid-1970s.

Portfolio Review

The Australian Equities Income Portfolio returned 12.63% in the June quarter, underperforming the ASX100 benchmark index which returned 15.98%. Performance against the index was impacted by weakness in the Portfolio's banking sector holdings, while Stockland and Fortescue were both strong performers during the quarter. Crown Resorts was removed from the Portfolio given the significant impact to the business from the extended Melbourne lockdown. While we expect Crown to perform well in the long term, we expect dividends to be significantly impacted in the short term.

Spark Infrastructure and Amcor were both new additions to the Portfolio in the June quarter. Both companies have significant defensive characteristics given the nature of the respective operations. Spark owns and operates essential regulated electricity assets, while Amcor is a global leader in the highly defensive packaging sector, supplying products for food, beverage, pharmaceutical, medical, household, and personal care markets. Both companies offer a circa 5% dividend yield, which in the current environment represents an attractive return compared to alternatives.

The current operating environment remains highly unpredictable and while the Portfolio is not immune to the economic slowdown caused by the Covid-19 pandemic, the diverse holdings should provide attractive income compared to other alternatives. While we see downside risks to dividends in the current environment, the 1 year forward grossed up yield for the portfolio stands at 5.70%. We also see the potential for a strong bounce back in earnings and dividends when the current outbreak in Australia, particularly Victoria is bought under control and a sense of normality is returned.

Outlook

The long-term outlook continues to be clouded by the potential for future outbreaks of Covid-19. In Melbourne, a new six-week lockdown was implemented in early July as the nation's second-most populous state struggled with rising cases involving community transmission. With Victoria comprising about 20% of Australian GDP, the latest restrictions will slow the pace of the recovery.

In the shorter term, we note that whenever there have been strong quarters (such as the one just gone by), these tend to be followed by another strong quarter. This is particularly true for the US market. Since 1950, the S&P 500 has risen every time, by an average of 9.5%, in the quarter following a quarterly gain of at least 15%. Australia's All Ordinaries index has risen 70% of the time, by an average of 10.8%, in the quarter following a quarterly gain of at least 15%.

Risks to the global recovery, however, are manifold. The US remains deeply divided and the November presidential election is unlikely to reduce internal tensions. Geopolitical issues between the US and China also continue to simmer with the trade war likely to escalate in 2021 and reverse the trend of globalisation that has dominated over recent decades. Global supply chains are being transformed as the pandemic has created fears about food security and pressure for domestic production of essential supplies.

In Emerging Markets, China will need to rely more heavily on consumer spending and domestic fixed investment to regain the momentum it lost earlier this year. Australia will be watching closely as this will place a floor under iron ore prices, particularly as Brazil is being decimated by the spread of Covid-19. On a positive note, China's business sector is becoming more optimistic about the economic outlook and we expect this to fuel strong employment growth.

Elsewhere, in Europe, a proposed recovery fund aims to provide support to some of the worst-affected countries, such as Italy and Spain, from countries such as Germany and France. This is important for the recovery of many southern European nations as the monetary union prevents them from increasing their competitiveness in both tourism and manufacturing via currency devaluations.

Perhaps the greatest certainty regarding the outlook is that interest rates will be lower for longer and central bank asset purchase programs will continue to weigh on bond yields. In addition, government debt will continue to grow and public sector spending will comprise a significantly larger share of the global economy.