

BEULAH CAPITAL

# International Equities Portfolio

---

Quarterly Fact Sheet | March 2021

L3, 163 Eastern Rd, South Melb VIC 3205  
T +613 9270 9170 F +613 8080 5983  
W [beulahcapital.com](http://beulahcapital.com)

Beulah Capital Pty Ltd  
ABN 72 079 169 127  
AFSL 330951



## 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 %	5 years %	Incept %
Portfolio Return	-0.13	8.89	38.14	24.95	22.83	19.31
MSCI World ex-Aust. Index	6.33	12.38	23.55	13.16	13.67	11.02
Relative Performance	-6.46	-3.49	+14.59	+11.79	+9.16	+8.29

### 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 %
DSV A/S	6.42
Zebra Technologies Corp	6.38
Partners Group Holding AG	6.01
Aptiv PLC	5.79
CAE Inc	5.76
Danaher Corp	5.27
Intercontinental Exchange Inc	5.17
Synopsys Inc	5.12
MercadoLibre Inc	4.69
Humana Inc	4.66
<b>Total</b>	<b>55.27</b>

Holdings as at 31 March 2021

## Portfolio Commentary

Global equity markets rose in the first quarter, on optimism about another major US fiscal stimulus plan, rising vaccination rates and expectations for a faster-than-expected global economic recovery. The brighter economic outlook also pushed up bond yields during the quarter.

The performance of underlying market sectors varied widely as rising bond yields, sparked by the greater economic optimism, prompted a move into more cyclical areas of the market that have lagged in recent years. As a result, growth stocks significantly underperformed value stocks.

During the quarter, the portfolio underperformed its benchmark, the MSCI World ex Australia Index, as the rotation to value stocks was a headwind for our strategy. Stock selection in the Consumer Discretionary and Industrials sectors detracted from relative performance.

In the Consumer Discretionary sector, TAL Education Group weighed on relative performance as recent results have shown an increase in marketing spending. Furthermore, after-class in-person tutoring has been suspended in Beijing, as the government looks to ensure compliance with recent regulations, which will also temporarily put pressure on the company's business. TAL Education's online business has seen robust growth during the global pandemic, and we expect in-person enrolments to climb once restrictions ease.

Elsewhere, Latin American online marketplace operator MercadoLibre, Inc. curbed relative returns, as many companies that have performed well throughout the pandemic began to underperform during the recent rotation into lagging areas of the market. Nevertheless, the company's business has remained robust, with consumers continuing to shop on its platform and make greater use of its payment and shipping services.

US-based Industrials stocks Verisk Analytics Inc., a risk information company, and CoStar Group Inc., a commercial real estate information provider, hindered relative returns. Verisk's latest results were mixed, due partly to weakness in its energy information and analytics business, while its insurance operations were more robust. CoStar's financials have been strong, but the company's stock was weak after it increased an offer to buy a residential real estate information company. CoStar later abandoned the bid in what we view as a disciplined move.

Conversely, stock selection in the Information Technology sector contributed to relative performance. Zebra Technologies Corp., a US maker of bar code scanners and printers, contributed to relative performance. Its strong fourth-quarter earnings report showed significant revenue growth, due to robust demand from small- and medium-sized businesses that are beginning to recover from the impact of the pandemic. Larger customers also continue to invest in Zebra's technology to better track and manage their assets and inventories.

*This report is for marketing purposes and provides general information only. It does not take into account the investment objectives, financial circumstances or needs of any person. To the maximum extent permitted by law, Beulah Capital Pty Ltd, its Directors and employees accept no responsibility for any loss or damage incurred as a result of action taken or not taken on the basis of information contained in the report or any omissions or errors within it. Before making any decision you should consider the latest Product Disclosure Statement or Financial Services Guide and assess whether the product and/or service is appropriate. It is advisable that you obtain professional financial, legal and tax advice before making any financial investment decision. Beulah does not guarantee the repayment of capital, the payment of income, or the performance of its investments.*

## Portfolio Commentary (cont.)

---

In the Industrials sector, Denmark-based logistics company DSV Panalpina A/S supported relative returns following a positive earnings report. We expect growth to remain strong, particularly as economic activity picks up over the course of 2021. DSV also has a strong balance sheet, which it can use to fund additional acquisitions to enhance its market position.

Partners Group Holding AG, a Switzerland-based alternative asset manager, buoyed relative results in Financials following the sharp rebound in financial stocks during the quarter. Partners Group is well positioned, in our view, to benefit from continued demand for private-equity assets from institutional investors over the longer term.

Global auto components manufacturer Aptiv PLC supported relative returns in the Consumer Discretionary sector. The company's components used in active safety features and vehicle electrification should be in strong demand over the longer term.

In terms of sector allocations, a lack of exposure to Energy and an overweight in Information Technology weighed on relative returns. A lack of exposure to Consumer Staples and an overweight in Industrials contributed to relative results. Regionally, security selection in North America and exposure to emerging markets detracted, while stock selection in Europe and a lack of exposure to Japan contributed.

## Outlook

---

In more recent months, the vaccine announcements and rising clarity around the likely path of economic activity has accelerated the rotation into Value and Cyclical parts of the market. Historically, when growth is strong but market momentum fading, equity returns have tended to slow, but remain positive for an extended period.

However, the bond market ructions that took place in February are a stark reminder of the importance of yields on relative performance. If history is anything to go by, rising risk-free rates and steeper yield curves tend to support continued outperformance of Cyclical and Value versus Defensives and Growth. While there is plenty of headroom for bond yields to move higher, it is equally true that above-average equity risk premiums could continue to fall. These effects tend to be negating, hence it is the speed of any moves that will determine the overall market impact.

As dormant expectations for inflation continue to re-emerge, investors will pay increasing attention to whether government spending might overheat economies and cause runaway inflation. If such a situation were to unfold, this could force central banks to raise interest rates sooner than predicted.

In the US, the output gap is likely to close over the foreseeable horizon. Since the beginning of the pandemic, the US government has enacted US\$5 trillion of spending, while US\$4 trillion of this will have been deployed by the end of 2021. Inflationary pressures are more likely to emerge there, particularly in specific areas of the supply chain. Lumber prices are steepening as a housing boom not seen since the mid-noughties continues to ramp up; and a wide range of semiconductors are in short supply with global demand easily outpacing manufacturers' ability to respond.

In Europe, the vaccine rollout is gaining pace and the Continent is on track for a full reopening by the end of the northern summer. The post-lockdown recovery is likely to be strong, led by a bounce in the services sector. Confidence is also rising in the UK market, where equity markets are overweight sectors such as materials and financials. These areas should strongly benefit from the likely reopening. Financials should also be boosted by the improvement in interest margins from yield-curve steepening.

Emerging Markets, including China, will be looking for signs of US dollar weakness and this remains the base case. However, investment flows into EM could be stifled by the slow vaccine rollout and unfolding health disaster in countries like India and Brazil, where Covid cases look to be out of control and more virulent mutations are being discovered.