BEULAH CAPITAL

# International Equities Portfolio

Quarterly Fact Sheet | June 2021

**L3, 163 Eastern Rd, South Melb VIC 3205**
**T** +613 9270 9170 **F** +613 8080 5983
**W** beulahcapital.com

**Beulah Capital Pty Ltd**
**ABN** 72 079 169 127
**AFSL** 330951

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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 % | 5 years % | Incept % |
|---|---|---|---|---|---|---|
| Portfolio Return | 10.08 | 9.93 | 26.56 | 25.80 | 24.17 | 20.43 |
| MSCI World ex-Aust. Index | 9.33 | 16.25 | 27.50 | 14.50 | 14.73 | 12.28 |
| *Relative Performance* | *+0.75* | *-6.32* | *-0.94* | *+11.30* | *+9.44* | *+8.15* |

***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 % |
|---|---|
| Aptiv PLC | 6.09 |
| DSV A/S | 5.89 |
| Danaher Corp | 5.78 |
| Zebra Technologies Corp | 5.70 |
| CAE Inc | 5.70 |
| Partners Group Holding AG | 5.61 |
| Intuitive Surgical Inc | 5.26 |
| Synopsys Inc | 5.11 |
| Intercontinental Exchange Inc | 5.08 |
| MercadoLibre Inc | 4.72 |
| **Total** | **54.94** |

*Holdings as at 30 June 2021*

## Portfolio Commentary

Global equity markets rose in the second quarter of 2021. Economic data have continued to improve around the world, particularly as vaccination rates in Europe and the United States rise and lockdown restrictions are eased.

However, investors have closely monitored whether recent inflationary and wage pressures are likely to be transitory or more prolonged and how quickly supply chain disruptions can be resolved.

The pace of the economic rebound and potential inflationary pressures may also dictate how soon central banks begin tightening monetary policy. Growth stocks outperformed value stocks over the quarter.

During the quarter, the portfolio outperformed its benchmark, the MSCI World ex Australia Index, as stock selection in the Health Care, Financials and Industrials sectors contributed to relative results.

A couple of the portfolio's US-based Health Care stocks contributed to relative performance on strong quarterly earnings, including robotic surgical systems manufacturer Intuitive Surgical, Inc. and medical technology company Danaher Corp. Intuitive Surgical is seeing a rebound in surgeries following a drop-off during the pandemic, while Danaher reported strong growth across its life sciences and diagnostics businesses in the first quarter, due in part to demand to COVID-19 related demand.

In the Financials sector, Partners Group Holding AG, a Switzerland-based alternative asset manager, contributed, as performance fees increased due to robust performance in its overall portfolio. The company has also seen sustained positive inflows as institutional investors continue to allocate funds to alternative assets.

In the Industrials sector, DSV Panalpina A/S boosted relative performance following a strong set of financial results for the first quarter. The Denmark-based logistics services provider saw robust revenue growth across its sea and airfreight businesses, as freight rates rose strongly. Profitability also improved after the full integration of recent acquisition Panalpina. The company announced another acquisition that we expect should further enhance its exposure to Asia.

In the Information Technology sector, Canada-based Shopify, Inc., an e-commerce solutions provider, aided relative performance amid sustained demand for its services, given the growth in e-commerce over the past year. Although e-commerce growth may decelerate somewhat as people start to shop at physical stores again, Shopify has continued to expand deeper into payments and fulfillment to further drive growth over the longer term.

Conversely, security selection in the Consumer Discretionary sector curbed relative results. China-based tutoring services provider TAL Education Group detracted from relative performance as regulatory uncertainty continued. Chinese policymakers have reportedly been looking at ways to reduce the burden on students through limits on after-school tutoring. We remain comfortable with

## Portfolio Commentary (cont.)

the company's position in the tutoring market and expect that any potential industry consolidation that comes from stricter rules would benefit the larger industry players like TAL Education. Elsewhere, Latin American online marketplace operator MercadoLibre, Inc. detracted from relative returns. The company has continued to see strong use of its platform and greater adoption of its payments and shipping services.

In Industrials, Verisk Analytics Inc., a US-based risk analysis firm, detracted from relative results after a mixed first-quarter earnings report. Although the company's insurance business has remained strong, pressure on its energy business has continued given the near-term uncertainties facing the sector.

Elsewhere, US-based CoStar Group, Inc., a commercial real estate data and marketplace operator, hindered relative returns despite robust growth across its business in recent quarters.

Other detractors during the quarter included US-based Health Care holding Humana Inc. The managed care company has seen robust membership growth and improved profitability in recent quarters, and during June announced an acquisition to further expand into home health care.

In terms of sector allocations, an overweight in Information Technology and a lack of exposure to Utilities contributed to relative returns. An overweight in Industrials and lack of exposure to Communication Services curbed relative performance. Regionally, security selection in the United States and Europe contributed to relative results, while exposure to emerging markets detracted from relative returns.

## Outlook

The fight against the pandemic is likely to continue to sway global equity markets over the second half of the year, as investors watch how quickly people can be vaccinated and whether new variants affecting the unvaccinated can be better contained. Much of the recent economic data have been encouraging, and higher vaccination rates in the United States, Canada and parts of Europe are allowing governments to ease restrictions to varying degrees, which we expect should further support global growth over the rest of the year.

Getting more people vaccinated will be crucial in eventually ending the pandemic. Overwhelming evidence has emerged that the vaccines developed for COVID-19 are highly effective, even against the emerging variants, like the Delta variant, and should offer protection for long enough to help overcome the virus as more people become vaccinated globally. Furthermore, vaccine manufacturing looks to us like it can be ramped up to produce enough doses to vaccinate the world's population over the course of 2021 and into 2022.

In the developed world, after a slower start, we are seeing vaccination rates begin to ramp up sharply in Europe and Canada, following the United States, United Kingdom, and Israel which up to now have done a better job getting their populations vaccinated. Parts of Asia have lagged, after having done an admirable job containing the spread of the coronavirus in 2020. How quickly vaccination rates ramp up will be a key determinant, in our view, of how quickly these countries' economies—and as a result, the global economy—can return to normal.

Even as the economic trends have improved in recent months, it is still unclear to us as to when the global economy can get back to pre-pandemic levels. Recent global fiscal stimulus efforts and a potential US infrastructure bill should provide greater support over time. Additionally, we are keeping an eye on potential inflationary pressures and the recent rise in bond yields as potential headwinds for stock markets.

We believe our strategy of investing in high-quality companies tied to long-term secular growth trends should continue to perform well over an entire market cycle. We have seen the acceleration of trends such as e-commerce adoption and cloud computing during the pandemic, and we expect these trends to continue long after the pandemic is over. Furthermore, those companies in areas like autonomous driving, cybersecurity and clean technology should remain a bright spot over the longer term.

We continue to advocate that a focused yet highly diversified portfolio, with an emphasis on well-managed companies that have solid competitive advantages and good growth prospects, can provide investors with excellent outcomes over the longer term—during both uncertain and certain times.