BEULAH CAPITAL

International Equities Portfolio

Quarterly Fact Sheet | September 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

beulah

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	3.91	14.38	24.55	25.88	23.99	20.25
MSCI World ex-Aust. Index	3.99	13.69	27.76	13.29	15.18	12.47
Relative Performance	*-0.08*	*0.69*	*-3.21*	*12.59*	*8.81*	*7.78*

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 %
Partners Group Holding AG	5.82
Aptiv Plc	5.76
Intuitive Surgical Inc	5.68
Danaher Group	5.63
DSV A/S	5.57
Zebra Technologies Corp	5.54
Synopsys Inc	5.54
CAE Inc	5.52
Salesforce.com	5.20
Verisk Analytics Inc	5.12
Total	**55.38**

Holdings as at 30 September 2021

Characteristics

Metric	Portfolio	Benchmark
Market Cap (A$m)	126,367	477,441
Number of Issuers	19	1,495
Return on Equity	15.75%	17.85%
PEG Ratio	2.40x	1.12x
3-5 Yr EPS Growth	17.45%	16.72%
Forward PE Ratio	39.96x	19.04x

Quarterly Review

Global equity markets edged down during the third quarter on mixed underlying results, as a selloff in September erased earlier gains. Over the period, many investors priced in the potential for the US Federal Reserve to begin tapering stimulus sooner than previously expected. Late in the quarter, persistent inflation, more hawkish central bank messaging and a continued regulatory crackdown in China all affected investor sentiment.

During the quarter, the portfolio marginally underperformed its benchmark, the MSCI World ex Australia Index, as stock selection in the Consumer Discretionary, Financials and Information Technology sectors curbed relative results.

In Consumer Discretionary, TAL Education Group, a China-based tutoring services provider, held back relative results. The stock fell following the Chinese government's announcement of strict new rules that would bar for-profit companies from offering tutoring in core school subjects and would make tutoring companies register as non-profits. As a result of these regulatory changes, we exited our position. Elsewhere in the sector, global auto parts manufacturer Aptiv PLC weighed on relative returns. The COVID Delta variant has caused disruptions in global supply chains, including shutdowns of some auto factories. Aptiv expects these headwinds to ease somewhat in the second half of 2021.

In the Information Technology sector, Canada-based Shopify, Inc., an e-commerce solutions provider, weighed on relative results. Shopify faced headwinds at the end of the period when investors shifted to value stocks on the back of hawkish commentary from central banks and rising US 10-year bond yields. We maintain our optimistic outlook on the long-term prospects for Shopify's platform, which will likely benefit from increased merchant openness to digital commerce, in our view. Elsewhere in the sector,

Quarterly Review (cont.)

shares of US-based Visa Inc. fell after the company announced fiscal third-quarter results that were largely encouraging but came up short in cross-border transactions, as a result of ongoing COVID-related travel restrictions.

In Health Care, US-based health care provider Humana Inc. detracted from relative performance, due to investor uncertainty about the Delta variant's effect on patients seeking care for non-COVID health care issues. Humana has seen robust membership growth and improved profitability in recent quarters, and during June announced an acquisition to further expand into home health care. As we move past 2021, we expect pandemic-related uncertainty to dissipate as we believe business segments will normalise, even if COVID lingers.

In Industrials, CAE Inc., a Canada-based flight training provider and flight simulator manufacturer, held back relative returns. Quarterly results for CAE reflected a slow recovery in select regions including Europe and Asia, although levels of activity in the US were high. Broadly, the company's margins were in line with our expectations, and we believe the backdrop for CAE will continue to improve coming out of the pandemic as air travel recovers. Conversely, security selection in the Industrials, Health Care and Materials sectors contributed to relative performance. Industrials stock Verisk Analytics Inc., a US-based provider of risk information services, contributed to relative returns. The strong performance came after an upbeat earnings report that showed robust results from its insurance business and growth in its energy business, as consulting revenues began to improve.

In Health Care, medical technology company Danaher Corp. boosted relative performance. Danaher continues to see strong growth across its life sciences and diagnostics businesses, due in part to COVID-19-related demand. The company has also increased its full year guidance. Elsewhere in the sector, US-based robotic surgical systems manufacturer Intuitive Surgical, Inc. buoyed relative returns. The company gained on results that beat expectations across the board, fueled in part by growth in China.

In Materials, Netherlands-based multinational chemicals and life sciences company Koninklijke DSM NV helped relative results after it announced an acceleration of its transformation into a pure-play nutrition business. In our view, this strategic move is value accretive. Additionally, DSM has benefited from consumer interest in vitamins and health products during the COVID pandemic. The company is developing several promising new agriculture and food-related products, with potential for significant revenues in the coming years.

In Information Technology, US-based cloud customer relationship management firm salesforce.com Inc. and US-based Synopsys, Inc., a semiconductor design firm, contributed to relative results. Salesforce.com saw its shares rise after boosting its revenue forecast for the current fiscal year and providing an outlook for next year that exceeded analysts' estimates. We continue to believe its multi-cloud platform should enable growth over the long term. Synopsys gained after reporting strong fiscal third-quarter results, driven by continued high demand for advanced semiconductor chips.

In terms of sector allocations, an overweight in Industrials curbed relative returns while a lack of exposure to Consumer Staples and an overweight in Health Care contributed. Regionally, exposure to emerging markets and a lack of exposure to Japan detracted. Security selection in both Europe and North America buoyed relative performance.

Outlook & Strategy

Growth stocks outperformed their value counterparts in July and August as equity markets reached new highs, but that trend reversed in the September downturn. In the end, growth finished the quarter down less than value. The market's choppiness over the quarter also saw little distinction in returns among sectors.

Investor attention became riveted to the fixed income markets in the third quarter, as several developments signaled potential challenges. Of note were US Federal Reserve (Fed) Chairman Jerome Powell's comments on tapering, worrying inflation data, and the revelation that a Chinese real estate developer may be hurtling toward default.

Outlook & Strategy (cont.)

Toward the end of the quarter, Powell indicated that the Fed would begin soon to gradually reduce its monthly asset purchases, though he specified no date. Since June of 2020, the Fed has been buying US$ 120 billion of bonds per month, which has served to keep the longer end of the curve cheaper than it otherwise would be. The short end has been held down by a 0.25% discount rate and a very generous repurchase program. A shift toward monetary tightening would likely see the Fed reducing its asset purchases into 2022, with possible hikes in the discount rate occurring in the middle of next year. Markets often begin to wobble on news of monetary tightening, which can cause headwinds for equities.

Bond investors also lost sleep over recent data that showed US inflation rising at an annual rate of 4.3%, the highest since 1991. One factor complicating the market's response is a lack of certainty. No consensus has been reached on whether we're seeing the start of an inflationary spiral or are simply enduring a temporary rise resulting from pandemic-induced supply chain issues. Supply constraints on everything from labor to semiconductor chips have led to wage and price pressure throughout the global supply chain. While bond prices are roughly where they were six months ago, they will likely suffer if higher inflation appears to be more than transitory.

The third major trouble spot hanging over the bond market, especially the corporate and high yield sectors, is the ongoing saga of Evergrande, a Chinese real estate developer with more than US$300 billion in liabilities. The company has acknowledged cash flow issues and indicated that it may not be able to pay some of its creditors. Due to the company's opaque financials and complex conglomerate structure, the severity of the situation is difficult to assess. To date, Evergrande has kept current on its US dollar payments due, but it has deferred several yuan-denominated coupons. Adding to the uncertainty are mixed signals from Chinese regulators on whether they will act as a backstop if needed. Parts of the bond market have been rattled, as investors speculate as to whether the failure will be contained, as in the case of hedge fund Long-Term Capital Management, or if it might unleash a tidal wave like the fall of Lehman Brothers.

With a sudden and significant rotation into value in the final weeks of the quarter, coupled with some stock-specific headwinds, our strategies posted mixed results to end the quarter. Several of the portfolios' Materials and Information Technology holdings supported relative performance, as holdings have benefitted from idiosyncratic reasons including, but not limited to, company-specific strategic business decisions (Materials) and strong demand for cybersecurity solutions and semiconductors (Information Technology). Select entertainment companies and Financials holdings also performed well during the quarter. Declining COVID-19 cases and increasing vaccination rates in Europe were promising developments for the live entertainment industry, while Financials stocks benefitted from robust deposit growth and harvesting of private assets.

Conversely, stock selection in the Consumer Discretionary sector had a negative impact on relative performance across all portfolios, as draconian regulatory restrictions from the Chinese government adversely affected our China-based after-school tutoring holding. As a result of these regulatory changes, we exited our position.

With vaccination rates still rising and new drugs to treat COVID-19 showing promise, the end of the pandemic may soon be in sight. As we emerge from its economic impact, including the effects on global supply chains, working environments and business practices, markets will likely continue to exhibit the "one step forward, one step back" behavior that characterized the third quarter. Moreover, the tug of war between value and growth stocks will almost certainly continue, in our view, but we continue to see long-term opportunities in growth stocks.

Our portfolio continues to be fundamentally driven and thus reasonably positioned for the coming uncertainty. 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. Those companies in areas like autonomous driving, cybersecurity, ecommerce, cloud computing and clean technology should remain a bright spot over the longer term. We believe that a focused yet highly diversified portfolio, with an emphasis on well-managed companies that have robust competitive advantages and good growth prospects, can provide investors with excellent outcomes over the longer term.