

BEULAH CAPITAL

# International Equities Portfolio

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Quarterly Fact Sheet | September 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	5.58	26.86	35.93	25.67	19.38
MSCI World ex-Aust. Index	3.78	9.94	4.30	11.20	9.55
<i>Relative Performance</i>	<i>+1.80</i>	<i>+16.92</i>	<i>+31.63</i>	<i>+14.47</i>	<i>+9.83</i>

### 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 Panalpina A/S	6.21
Danaher Corp	5.82
Aptiv Plc	5.81
Salesforce.Com Inc	5.63
Costar Group Inc	5.38
Intercontinental Exchange Inc	5.37
Tal Education Group	5.30
Verisk Analytics Inc	5.25
Intuitive Surgical Inc	5.10
Koninklijke DSM NV	5.08
<b>Total</b>	<b>54.96</b>

Holdings as at 30 September 2020

## Portfolio Commentary

Global equity markets rose during the third quarter. Markets rallied in July and August as a weaker US dollar, continued fiscal and monetary support as well as positive corporate earnings bolstered stocks.

However, markets turned more volatile in September amid concerns that rising coronavirus cases in Europe, the United States and emerging markets could lead to new lockdowns.

Economic data had previously been more encouraging after spring lockdown restrictions eased and businesses began to reopen. The inability of US policymakers to reach a deal on more fiscal stimulus also dampened sentiment late in the quarter.

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

US Health Care stocks Danaher Corp., a medical equipment company, and Intuitive Surgical Inc., a robot-assisted surgery system manufacturer, contributed to relative performance, supported by a gradual resumption in the routine medical procedures that had been put on hold during the pandemic. Furthermore, Danaher has seen strong demand for its diagnostic tools due to the COVID-19 pandemic, as well as for its life sciences tools as drug companies rush to commercialise a vaccine.

In the Industrials sector, Denmark-based logistics firm DSV Panalpina A/S supported relative returns after a stellar earnings report. In addition to the cost savings it continues to achieve integrating Panalpina, DSV saw a temporary jump in air freight pricing during the second quarter. US-based CoStar Group, Inc., a commercial real estate data and analytics firm, also contributed following relatively resilient quarterly financial results. CoStar reinstated its financial guidance, suggesting it is confident that growth will remain robust despite the economic uncertainty.

In the Information Technology sector, US-based customer-management software company salesforce.com, Inc. boosted relative performance, following a strong quarterly earnings update as its enterprise customers continued to embrace digitisation. Salesforce.com also raised its third-quarter guidance. We believe that growth at salesforce.com should remain durable regardless of the economic environment, as digital transformation remains a top strategic priority for global companies.

Conversely, security selection in Financials and Information Technology weighed on relative performance.

In Financials, US-based Signature Bank and Belgium-based bank KBC Groep NV detracted from relative returns. Concerns about the health of New York's apartment market due to the global pandemic have weighed on Signature's share price. The bank is well capitalised, however, and any potential increase in bad debts should be manageable.

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Similarly, low interest rates and weaker growth in many of its European markets have hung over shares of KBC Groep. Also in the sector, Switzerland-based alternative asset manager Partners Group Holding AG hampered relative performance. Despite the recent share price weakness, we expect Partners Group to see strong inflows over the longer term as more institutional investors allocate money toward alternative investments given low global interest rates.

In the Health Care sector, US-based biotechnology company Regeneron Pharmaceuticals Inc. dented relative performance. Nevertheless, Regeneron's second-quarter earnings were strong, as sales of its macular degeneration treatment have remained robust during the pandemic. We also expect the company's pipeline of potential new products, including a potential treatment for COVID-19, to drive growth over the longer term.

Industrials stock CAE Inc., a Canada-based flight simulator manufacturer and services company, hindered relative performance due to the sharp drop-off in commercial aviation activity. We believe the current crisis will accelerate the outsourcing of pilot training, and CAE's training services for business jet pilots continue to be underappreciated.

Sector allocations boosted relative performance, with a lack of exposure to Energy and an overweight in Industrials contributing. An overweight in Financials detracted from relative returns. Regionally, stock selection in Europe and the United Kingdom bolstered relative returns. Security selection in Canada and the United States detracted.

## Outlook

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As we look forward to the end 2020 and into 2021, it remains clear to us that central banks and fiscal stimulus will be key to keeping equity markets stable. Markets have broadly re-rated higher in the past few months and valuations are now at a level where we believe consolidation is needed, particularly as we see the potential for ongoing COVID-19 outbreaks to dampen economic activity.

Corporate earnings are likely to remain modest across most sectors, and while we have seen companies perform better than feared, a return to higher growth levels are at least a year away, in our view. In the meantime, we continue to believe that growth-oriented companies should remain in favour with investors. While we have seen suggestions that a rotation to value is just around the corner, we believe we would need to see sustained improvement in oil prices and higher interest rates first, given the tilt toward Energy and Financials in the value benchmark.

We continue to advocate that a focused, yet highly diversified portfolio with an emphasis on well-managed companies that have durable competitive advantages and good growth prospects can provide investors with excellent outcomes during both certain and uncertain times. The level of uncertainty in the next few quarters could well be high, but our research-focused investment approach will remain unchanged.