BEULAH CAPITAL

International Equities Portfolio

Quarterly Fact Sheet | December 2019

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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	8.49	15.30	48.56	24.13	16.70
MSCI World ex-Aust. Index	4.26	9.11	27.97	13.79	11.38
Relative Performance	+4.23	+6.19	+20.59	+10.34	+5.32

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 %
Umicore SA	6.57
Shopify Inc	5.92
Danaher Corp	5.88
Intercontinental Exchange Inc	5.66
DSV A/S	5.60
TAL Education Group	5.47
Verisk Analytics Inc	5.39
MercadoLibre Inc	5.24
Visa Inc. Class A	5.18
CoStar Group Inc	5.16
Total	**56.07**

Holdings as at 31 December 2019

Portfolio Commentary

Equity markets spiked higher in the fourth quarter of 2019, with the MSCI World Index increasing 8.6% in US dollar terms. While we did see some relief on geopolitical and macroeconomic issues during the quarter, the magnitude of the spike was hard to rationalize, in our view. Global equity markets, as measured by the MSCI World Index, ended the decade at record highs and were about 9% above the last high seen in early September 2018. The rally in the fourth quarter was broad based, with Information Technology and Health Care sectors pacing the advance. Three of the four so called FANG stocks (Facebook Inc., Apple Inc., Netflix Inc. and Google Inc.) achieved new share price highs by the end of the year, driving the gains in the Information Technology sector. Netflix has come under significant competitive pressure in 2019 and could be dropped from the fabled grouping in 2020, in our view. In the Health Care sector, we saw a continuation of the recent rebound as few companies made new highs in the period.

One explanation for the stronger equity markets in the fourth quarter was the increased potential for the United States and China to agree to the first phase of a trade deal. As the quarter ended, the two sides announced that they would sign some level of agreement in January 2020. The expectation is that China will resume purchases of US agricultural products, and in return the United States will stop hiking tariffs. Details available at the end of the year suggest a deal of modest proportions, but, for now, a potential end to the tariff increases have reassured markets. A second positive in the quarter came from the United Kingdom, where elections finally led to a majority government with a clear mandate to exit the European Union. This new political landscape raised hopes that a Brexit deal would emerge in 2020.

Economic data have also remained largely positive. Gross domestic product growth and employment figures have been resilient despite the global weakness in manufacturing. And we believe the potential for a recession in 2020 has receded. Most economists now expect the growth cycle to continue to run, but growth is likely to remain modest at best.

From a regional perspective, emerging markets led the way over the quarter, with returns in the low teens, compared to the high single digit returns seen in most of the developed markets, as measured by their respective MSCI indices. We would note, however, that while developed markets finished the decade at record highs, emerging markets remained about 10% below the highs registered in January 2018. In conjunction with the spike in equity prices, global bonds sold off over the quarter, with the US 10-year Treasury note moving almost back to a 2% yield. German bond yields remained in negative territory but moved almost back to a zero yield. Currencies were quiet, with the only notable price action resulting in a slightly stronger British pound due to greater clarity around Brexit.

For the year, the MSCI World Index finished with a gain of 28.4% in US dollar terms. Again, US stocks paced the advance, while international equities lagged.

The MSCI EAFE Index rose a more modest, but still strong, 22.7% over the year, with European markets faring broadly better than their Asian counterparts. Growth stocks have also remained in favor, with the MSCI World Growth and MSCI EAFE Growth outperforming their value counterparts by more than 10 percentage points over the course of the year.

This advance has left equity markets broadly trading around what we consider to be relatively full valuation levels, but certainly still well below the levels seen at the peak of the technology bubble. We recognize that equity market averages do not reflect the underlying differentiation of the various constituent industries and companies, and as stock pickers we recognize that we are still finding companies that offer attractive multi-year growth opportunities and reasonable valuations. In our view, equities do look more reasonably valued when compared to fixed income markets, so long as central banks continue to leave their accommodative monetary policies in place and abundant global liquidity is available to support both asset classes.

During the quarter, the portfolio outperformed its benchmark, the MSCI World ex Australia Index, as both stock selection and sector allocations boosted relative performance. Security selection in the Consumer Discretionary and Materials sectors contributed. In the Consumer Discretionary sector, China based tutoring services provider TAL Education Group boosted relative performance, after posting positive quarterly financial results. The company reported strength in enrolments in its offline business and robust growth in its online business. Although the company continues to invest in its online offering, TAL suggested it was not planning heavy promotion to boost enrolments. Materials stock Umicore SA, a Belgium based clean energy materials company, supported relative performance, as concerns eased about the impact on its battery business of a temporary slowdown in the electrical vehicle market.

Conversely, stock selection in the Communication Services and Industrials sectors detracted. In the Communication Services sector, Japan based advertising, gaming and media company CyberAgent, Inc. detracted from relative results. The stock was weak, after CyberAgent's latest earnings report showed a rebound in margins in its gaming business, but a deterioration in advertising. In the Industrials sector, US based risk analysis firm Verisk Analytics Inc. and US based real estate data and analytics firm Co Star Group, Inc. weighed on relative performance following their respective earnings announcements. Verisk reported an acceleration in organic growth, particularly in its insurance and energy businesses, though margins were below expectations, as it continued to invest in future growth opportunities. CoStar's earnings came in largely as expected, but the company announced plans to invest in marketing for its multi-family platform, which while having a negative impact on profitability in 2020, could improve growth over the longer term.

Outlook

Although the economic outlook has turned more encouraging and we are seeing some greater clarity on issues like Brexit and the U S China trade conflict, new challenges are likely to become front and center in 2020. Stock markets will have to overcome a volatile US political landscape. Not only is it a presidential election year, but an impeachment trial is likely to get underway in the coming weeks. And geopolitical tensions could create new uncertainties. The US government assassinated a key Iranian general which could inflame already high tensions in the Middle East and set off a quarter of "risk on" and "risk off" trading based on how and when Iran decides to respond.

For our strategies, a good fourth quarter capped off what was a strong year overall. We benefited from the continued focus on growth companies and our overweight to in-favor areas of the market like Information Technology and Consumer Discretionary. While positioning relative to the market and within sectors was one factor in our outperformance in 2019, many of our individual holdings have continued to benefit from robust secular growth trends, such as the growing need for e commerce software and services globally. Backed by attractive growth trends and so lid execution, our holdings generally posted robust fundamental results in 2019. The global growth in e-commerce contributed to a strong performance in some of our Consumer Discretionary holdings as well.

While the overall results for the year were strong, we have not been complacent. In the final quarter, we reconsidered several of our key underperformers, exiting those positions where we felt the opportunity was no longer as compelling. In return, we added new positions that we believe should help to power our portfolios over the coming years.

With the economy continuing to hum along, but broad market valuations looking more full overall and new uncertainties emerging, we continue to focus on individual stocks which have sustainable business models, accomplished management teams and can benefit over the longer term from strong underlying structural growth trends like cloud computing or autonomous driving. Markets are likely to face new challenges in 2020 but individual stocks still look capable of powering ahead.