

## BlueAlpha BCI All Seasons Fund – Quarter 3 2018

Asset allocation		Top 5 Domestic Holdings	Top 5 Global Holdings
Domestic Equity	51%	Naspers Sasol Richemont Old Mutual Anglo American	Apple Inc. MasterCard Facebook Tencent Broadcom
Global Equity	33%		
Cash	16%		

Performance* – Period	Fund Return	Benchmark (CPI +5%)	Sector Average	JSE SWIX
1 Year	6.3%	9.6%	2.3%	0.9%
3 Years (annualised)	6.0%	9.7%	5.2%	5.6%
5 Years (annualised)	8.7%	10.0%	6.7%	8.1%
10 Years (annualised)	13.7%	10.6%	9.9%	12.6%
Since Inception (annualised)	14.0%	10.9%	10.1%	13.4%

\*Performance is reported for A Class, net of fees

**Portfolio Manager: Uys Meyer / Gary Quinn**  
**Commentary for the Quarter ended 30 September 2018**

### Performance

For the quarter, the fund returned 3.1% vs. the JSE Swix (-3.3%). On a 12 month basis, the fund has also outperformed, returning 6.3% vs. the JSE Swix's 0.9%.

### Macro

The quarter saw new highs across US markets on the back of record earnings, despite trade concerns and rising US short rates. The biggest losers from rate increases have been Emerging Markets, as global investors rotate into safe-haven assets. The sell-off sees the 10-year SA Government Bond Yield at 8.8% at quarter-end and has caused the Rand to lose 6.1% against the USD (down 12.1% YTD). Besides global pressures, SA saw weak corporate earnings, with downside surprises from the likes of Shoprite and Tiger Brands. These earnings surprises indicate a weak local consumer, driven by weak job growth and rising fuel prices. It's too early to say if the Governments Jobs initiative will bear fruit but like many of Ramaphosa's initiatives they are all in the right direction.

### Domestic Equity

Specific stock performers were Old Mutual (+14.5% QTD), Sasol (+10.4% QTD) and Anglo American (+6.7% QTD). One of our biggest under-weights in the fund is MTN, which was also one of the largest contributors to the fund's performance. Our underweight in MTN was driven by its high valuation (17 forward PE at the start of the quarter) combined with a stagnant growth outlook. Changes over the quarter included buying BHP Billiton and Vodacom, continuing to increase exposure to Sasol, and selling out of both FirstRand and Mr Price.

### Global Equity

Direct global exposure makes up 33% of the total portfolio, but effective exposure to offshore assets is closer to 47%. This portion contributed the most to performance (+8.1% QTD in ZAR and +4.8% in USD vs. the MSCI World Index's +4.9%) – predominantly due to general weakness across Emerging Markets.

Sector exposure to Health Care (+13.5% in USD) and Industrials (+9.4% in USD) added to performance, as did underweights in Materials & Real Estate.