

## BlueAlpha BCI All Seasons Fund – Quarter 4 2018

Asset allocation		Top 5 Domestic Holdings	Top 5 Global Holdings
Domestic Equity	28%	Naspers Anglo American BHP Billiton Atlantic Leaf Properties Old Mutual	Tencent AbbVie Broadcom MasterCard Apple Inc.
Global Equity	31%		
Cash	41%		

Performance Period	Fund Return	Benchmark (CPI +5%)	Sector Average	JSE SWIX
1 Year	-4.4%	9.6%	-4.3%	-12.6%
3 Years (annualised)	-0.1%	9.7%	2.5%	3.4%
5 Years (annualised)	5.5%	10.0%	4.8%	5.7%
10 Years (annualised)	13.1%	10.4%	9.7%	13.0%
Since Inception (annualised)	13.0%	10.8%	9.5%	12.7%

Performance is reported for A Class, net of fees  
Sector Average: SA - Multi Asset - Flex

**Portfolio Manager: BlueAlpha Investment Team**  
**Commentary for the Quarter ended 31 December 2018**

### Performance

For the quarter, the fund returned -7.8% vs. the JSE Swix (-5.0%). On a 12 month basis, the fund has outperformed, returning -4.4% vs. the JSE Swix (-12.6%).

### Macro

The US has been the strongest market over the year, out-performing the MSCI World Index by +3.6% in USD. However, potential challenges to growth have materialised, even in the US. Earnings growth expectations were buoyant to midyear, increasing 10%, but have since collapsed across all regions, with no further increases in expectations from Jun to year-end. China vehicle sales have fallen -13.9% over the year, suggesting consumer weakness. We are increasingly concerned with developments in China. Sentiment was further affected by headlines around both the continuing trade tensions between the US and China and the partial US government shutdown. Despite these concerns, we remain positive on the US going into 2019.

South African markets under-performed the World Index, largely due to currency weakness. The Rand was flat for the quarter, but was still down -14.5% against the USD over the year. Besides weak growth and stagnant earnings expectations, the largest concern has been Eskom, due to the impact of their debt on the fiscus' contingent liabilities (R400 billion in debt per their latest results presentation in September 2018), among other issues. Concerningly, solutions to Eskom's problems aren't readily apparent.

### Domestic Equity

During the quarter, the fund has reduced its equity exposure to 63% - evenly split between domestic equity and the BlueAlpha BCI Global Equity Fund. At year end, the cash holding was 41%. This is part of the risk management that a flexible fund mandate allows, during periods of global volatility and sustained negative market sentiment.

General Mining was the best performing sector in 2018. During the quarter, we added a position in Glencore, which having extended their share buy-back programme, has supported the share price. We also added to our Naspers position. The fund sold out of Richemont, as the growth outlook for sales in Asia has deteriorated. The fund had no exposure to British American Tobacco (-30%) or ANB InBev (-23%). These two very popular Rand Hedge stocks had large negative returns for both the 4<sup>th</sup> quarter and the last 12 months – this contributed to performance. We are confident about the existing position in Sasol as we see positive prospects into 2019 and have retained the position, despite it having returned -23% over the quarter.

### Global Equity

This portion of the portfolio returned -14.9% in USD (-13.7% in ZAR) vs. the MSCI World Index's -13.4% (-12.1% in ZAR). However, for the 12 months ended December 2018, the fund has outperformed the market, returning -8.4% in USD (6.3% in ZAR) vs. the MSCI World's -8.7% (5.9% in ZAR).

At a sector level, the fund had no exposure to Energy, Financials or Materials, which contributed to returns. Consumer Discretionary, Info Tech, and Communication Services were the largest detractors. With global markets broadly negative over the quarter, all sectors produced negative returns.

Top contributors to performance were AutoZone (+8.1% in USD QTD) and Broadcom (+4% in USD QTD). The largest detractors from performance were FedEx (-32.8%), Apple (-29.9%) and Aptiv (-26.4%).