BlueAlpha BCI Global Equity Fund – Quarter 1 2019

BLUEALPHA INVESTMENT MANAGEMENT

Performance Period	Fund Return	Sector Average	Benchmark
1 Year	27.6%	20.6%	26.5%
3 Years (annualised)	13.0%	7.1%	8.3%
4 Years (annualised)	13.0%	8.9%	10.9%
Since Inception (annualised)	16.3%	10.3%	13.4%

Performance is reported for the A Class net of fees in ZAR
Sector Average: Global Equity General
Benchmark: 80% MSCI World Index, 20% USD Libor Rolling 1yr

Top 5 Global Holdings
Broadcom Ulta Beauty Apple Blackstone Accenture

Equity Holdings by Geography	
USA	82.9%
Europe	11.9%
Asia	5.2%

Asset & Sector Allocation	
Cash	16%
Total Net Equity	84%
Consumer Goods	5%
Consumer Services	28%
Financials	9%
Health Care	8%
Industrials	7%
Technology	26%
Other	1%

Portfolio Manager: Richard Pitt / Walter Jacobs
Commentary for the Quarter ended 31 March 2019

Performance
The fund had an excellent start to the year, returning 16.4% in USD (16.7%in ZAR) vs. the MSCI World Index's 12.5% (12.8% in ZAR). On a 12-month basis, the fund has also outperformed the market, returning 4.9% in USD (27.6% in ZAR) vs. the MSCI World's 4.0% (26.9% in ZAR).

Global Macro
Global markets rallied substantially over the quarter, returning 12.5% in USD. The US was the strongest-performing region, returning 13.7% vs. Europe (11.3%), Asia ex-Japan (11.4%) and Japan (7.3%) – all returns in USD. Markets were largely driven by a reversal from Central Bankers who now preach a dovish forward approach to interest rate hikes and increased Chinese stimulus. It should be noted that earnings expectations have yet to recover. Global earnings growth is expected to come in at 10.4% for 2019. For now the market seems to be taking the view that the subdued earnings environment is a temporary phenomenon and growth will pick up through the rest of 2019.

Portfolio
On a sector basis, top contributors to performance were Consumer Discretionary (+18.7% in USD QTD) and Info Tech (+27.8% in USD QTD). Having no exposure to Real Estate and Energy detracted from returns.

Specific stock contributors included Ulta Beauty (+42.4% in USD QTD) and SS&C Technologies (+41.4% in USD QTD). Losers included Biogen (-21%) and AbbVie (-11%). Toward the end of the quarter, Biogen fell precipitously, after the termination of phase 3 trials of its Alzheimer's drug trial. This now puts the company on the backfoot in terms of growth catalysts and while very cheap, does mean it is under review in the portfolio. We also held Boeing (+15%) in the portfolio, as we have done for the last few years. Following the second tragic crash of a737 Max, we halved the position. As details emerged on the likely cause, we decided to sell the remaining position, as we believe that over the next 12 months the news flow and risk for the company is too difficult to assess. This is a company we will keep monitoring for reinvestment.

As always, a lot of headline attention is being placed on global growth decelerating, the inversion of parts of the US yield curve and speculations regarding the path of central bank interest rates. This is not especially helpful for making informed investment decisions. We continue to look for high return businesses with a growth trajectory that allows for reinvestment and the generation of real economic profit.

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