

Performance Period	Fund Return	Sector Average	Benchmark
1 Year	3.6%	1.5%	3.0%
3 Years (annualised)	7.2%	3.1%	5.1%
4 Years (annualised)	5.3%	2.8%	4.9%
Since Inception (annualised)	8.9%	3.2%	5.8%

Performance is reported for A Class, net of fees

Sector Average: SA Equity General

Benchmark: Composite of SWIX to 31/10/2017; 75% JSE Swix / 25% MSCI All Country World Index from 01/11/2017

Top 5 Domestic Holdings	Top 5 Global Holdings
Naspers	Blackstone
FirstRand	UnitedHealth
Capitec	Accenture
Anglo American	Dominos Pizza
Standard Bank	Facebook

Asset & Sector Allocation	
Cash	4%
Total Net Equity	96%
Basic Materials	13%
Consumer Goods	5%
Consumer Services	12%
Financials	22%
Offshore	24%
Property	3%
Other	9%
Technology	8%

Portfolio Manager: Gary Quinn / Kyle Rix

Commentary for the Quarter ended 30 June 2019

#### Performance

For the quarter, the fund returned 1.3% vs. the benchmark (2.3%) – the benchmark is a composite made up of 25% MSCI All Country World Index and 75% JSE Swix. On a 12-month basis, the fund has outperformed, returning 3.6% vs. the benchmark's 3.0%.

#### Macro

Global markets had a positive quarter, returning 4.0% in USD. Europe and the US were the strongest-performing regions, returning 4.6% and 4.3% respectively, Asia ex-Japan (-0.6%) and Japan (-1.7%) – all returns in USD. However, it should be noted that earnings expectations have yet to recover meaningfully. Global earnings growth is expected to come in at 12.7% for 2019. The disconnect between global bond and equity markets continues, with bond yields pricing in recession while equity markets are still broadly up. There has been little development in the trade war over the quarter. We see this as something markets will have to get used to for the next few years.

South African markets outperformed the World Index, returning 5.2% in USD. The Rand appreciated over the quarter, gaining 3.0% against the USD. However, relative to other Emerging Market currencies, ZAR strength has been subdued. Bond yields have recovered, ending at 8.8% at end-June (vs. 9.1% at end-March). The SARB has halted rate hikes, given weak consumer data and muted inflation. The market is pricing in at least one 25bps cut in interest rates over the next 12 months.

#### Domestic Equity

Our largest sectoral positions were overweights in Banks and Defensives. Underweight positions include Rate Sensitives and Telcos. The largest domestic contributors to returns were Global Cyclical and Defensives.

Specific domestic stock performers were FirstRand (+11.2% QTD), Anglo American Platinum (+13.7 QTD) and Standard Bank (+9.1% QTD). Having no exposure to British American Tobacco also contributed to returns, while having no exposure to MTN, Absa and AngloGold Ashanti detracted from returns. Changes over the quarter included buying Clicks, Lewis, Transaction Capital and MultiChoice; and selling Investec, Old Mutual, Quilter and RDI Reit.

In anticipation of a South African rebound, we see a plausible solution to Eskom as the largest hurdle. Should we see any resolution on this issue, we would aim to further increase exposure to SA domestic names.

#### Global Equity

The Global component of the portfolio was the largest contributor to performance over the quarter. Specific stock performers were Microsoft (+13.6% in USD) and Kering (+3.0% in USD). The holding in the BlueAlpha BCI Global Equity fund also contributed to performance, returning 3.0% in USD (0.8% in ZAR).

Tel: +27 (21) 409 7100

Fax: +27 (21) 425 6560

Email: [info@bluealphafunds.com](mailto:info@bluealphafunds.com)

11th Floor Convention Tower cnr. Heeregracht Street & Walter Sisulu Avenue Cape Town 8001

PO Box 7601, Roggebaai 8012

[www.bluealphafunds.com](http://www.bluealphafunds.com)

BlueAlpha Investment Management (Pty) Ltd Reg. No. 2003/016855/07

Directors: Uys Meyer, Richard Pitt