BlueAlpha BCI Equity Fund
Quarter 3 2020

BLUEALPHA
INVESTMENT MANAGEMENT

Performance Period	Fund Return	Sector Average	Benchmark
1 Year	**3.0%**	-2.8%	3.5%
3 Years (annualised)	**3.8%**	-0.9%	3.3%
5 Years (annualised)	**5.1%**	2.1%	5.2%
Since Inception (annualised)	**7.0%**	1.7%	4.9%

Performance is reported for the 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
Inception date: July 2014

Asset & Sector Allocation	
Cash	3%
Total Net Equity	97%
Basic Materials	14%
Consumer Goods	6%
Consumer Services	10%
Financials	12%
Healthcare	3%
Offshore	32%
Property	4%
Technology	10%
Telcos	6%

Top 5 Domestic Holdings	Top 5 Global Holdings
FirstRand	Mastercard
Naspers	Facebook
Prosus	Microsoft
AngloGold Ashanti	Amazon
Vodacom	Accenture

Portfolio Manager: Gary Quinn / Walter Jacobs
Commentary for the Quarter ended September 2020

Performance
For the quarter, the fund returned -1.5% vs. the benchmark's 0.7%. Over 12 months, the fund returned 3.0% vs. the benchmark's 3.5%

Macro
Global markets had a positive quarter, returning 7.9% in USD, lifting YTD performance out of negative territory (+1.7% in USD). Global earnings expectations, which at the end of April were down 30% from their peak, have recovered ground – leaving them down 15%. Liquidity is at historical levels, given global responses by central banks and governments alike, in response to the continuing effects of COVID-19. In the US, attention has been split between the pandemic and the upcoming Presidential elections in November.

In South Africa, the initial rebound over the second quarter has gone sideways, with the market down -0.3% in ZAR mainly because of Rand strength. The Rand gained 4.2% against the USD. South African Bond yields are trading at 9.4% at end-September (vs. 9.2% at end-June). However the yield curve is very steep because of historically low short rates. The SARB has reduced interest rates by another 25bps given weak consumer sentiment and benign inflation prints, with expectations that rates will remain at these levels for the next 12 months. Government's spending in response to the pandemic, as well as renewed commitment to SAA in the form of a restructure has put further pressure on the fiscus. This trend has exacerbated concerns surrounding government debt in general. We aren't sure that the government has a credible plan to address this. Unemployment has also been exacerbated by the lockdown, seeing 2.2m jobs lost over the period. Recovery efforts will depend on finding growth.

On the whole, we should see a global recovery start to take shape in the first quarter of 2021. However, we expect South Africa will only show signs of recovery some nine months later.

Domestic Equity
Our largest domestic sectoral positions is an overweight in Telcos. We has an underweight position in Rate Sensitives – which contributed to returns. Specific stock performers were FirstRand (+8.3%) and Capitec (+20.8%) – the portfolio had no exposure to Absa, Standard Bank and Nedbank.

Changes over the quarter included buying MTN; and selling out of Mr. Price.

Global Equity
The offshore component was the largest contributor to returns over the quarter (+6.4% in USD). Specific stock performers were Mastercard (+14.5% in USD), Walmart (+17.3% in USD) and Progressive Corp (+18.3% in USD). Changes over the quarter included buying LVMH and Accenture; and selling Adobe, Intel & Regeneron.

The portfolio is still defensively positioned. We believe that South Africa's recovery will be slower than global peers and therefore see this defensiveness as sensible. We will look to position the portfolio for a global recovery in Q1 2021.

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