BlueAlpha BCI Balanced Fund
Quarter 2 2021

BLUEALPHA INVESTMENT MANAGEMENT

Performance Period	Fund Return	Benchmark*	Outperformance
6 Months	**9.2%**	9.3%	**-0.1%**
1 Year	**13.6%**	17.1%	**-3.5%**
Since Inception (annualised)	**5.4%**	6.5%	**-1.1%**

Performance is reported for the C Class, net of fees
*Benchmark: Average of the SA Multi Asset High Equity ASISA category, calculated over a 1-year rolling period
Inception date: September 2018

Asset allocation	
Domestic Equity	44%
Global Equity	30%
Property	7%
Bonds	9%
Commodities	2%
Cash	8%

Top 5 Domestic Holdings
Foschini
Anglo American Platinum
Capitec
Naspers
Clicks

Top 5 Global Holdings
Facebook
Apple
Microsoft
AutoZone
Broadcom

Portfolio Manager: Walter Jacobs / Richard Pitt
Commentary for the Quarter ended June 2021

Performance
For the quarter, the fund outperformed returning 3.2% vs. the benchmarks 1.8%. Over 12 months, the fund returned 13.6% vs. the JSE Capped Swix's 17.1%.

Macro
Global markets were up again in Quarter 2, returning 7.7% in USD and the US Equity market reached a new all time high, up 8.2% in USD for the quarter. The rise in equity markets was supported by an increased momentum in vaccine rollouts in developed countries, with more than 3 billion doses administered globally. Global earnings expectations have continued to rise and are now 10% higher than end- December 2019. Given where the global economy is now, central bank balance sheets have likely peaked, along with fiscal spending. How the markets behave as these two unwind is going to be the key.

In South Africa, equities were down 1.8% for the quarter, this was largely due to poor performance from Naspers & Prosus as well as Platinum Miners. The fund is underweight Naspers/Prosus and neutral Platinum Miners. The fund is overweight clothing and on a good note, the retail sector did very well over the quarter and has returned to pre-covid levels. South African Bond yields are trading at 9.2% at end-June (vs. 9.5% at end-March). The SARB is pricing in at least one 25bps interest rate hike over the next 12 months.

Despite the bad news of South Africa being in the middle of its 3rd wave, the trade surplus is healthy and mining companies are providing a welcome boost to the stimulus. The fight against corruption has taken a turn with former President Jacob Zuma's prison sentence and the suspension of corruption-accused ANC secretary-general Ace Magashule. For an added bonus, interest rates are also extremely low. The economy has really been battered but we feel the bottom was reached 9 months ago and the country is now very close to coming out the other side. Based on this, we continue to increase our exposure to consumer cyclicals and away from local defensives.

Domestic Equity
The biggest contributor to returns the quarter was the Clothing Sector. A specific stock performer in the fund was Foschini (+29.5%). Our overweight in Richemont, which had a great quarter, was a big contributor to returns (+21.9%). We remain underweight Gold.

Changes over the quarter included adding Redefine Properties and Famous Brands to the fund.

We have two challenges going forward. Firstly, to find domestic companies that can recover with South Africa exiting the pandemic, specifically we are looking for companies that can demonstrate volume growth going forward. It is easy to find optically cheap companies that have fallen a lot but most of them have poor track records of creating value. The second challenge is finding quality Rand Hedge stocks. We are underweight Naspers, British American Tobacco and Anheuser-Busch. Our preferred companies are Bid Corp and Richemont.

Global Equity
The global component was the biggest contributor to returns +8.7% in ZAR (+12.4% in USD).

The top contributors to performance over the quarter were Blackstone and Facebook. Blackstone is slowly transforming itself from a long dated, finite funds business to more of a permanent capital model. This expansion of multiple permanent capital platforms has the potential to create significant shareholder value in the future.

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