BlueAlpha BCI Equity Fund
Quarter 2 2021

BLUEALPHA INVESTMENT MANAGEMENT

Performance Period	Fund Return	Sector Average	Benchmark
1 Year	**12.4%**	25.1%	19.9%
3 Years (annualised)	**5.6%**	5.7%	7.7%
5 Years (annualised)	**7.0%**	5.1%	7.1%
Since Inception (annualised)	**8.2%**	4.7%	7.0%

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	4%
Total Net Equity	94%
Basic Materials	18%
Consumer Discretionary	13%
Consumer Staples	5%
Financials	15%
Industrials	4%
Offshore	25%
Technology	7%
Telcos	7%

Top 5 Domestic Holdings	Top 5 Global Holdings
Anglo American	Facebook
FirstRand	LVMH Moet Hennessy
Capitec	Microsoft
MTN	Mastercard
Impala Platinum	Accenture

Portfolio Manager: Gary Quinn / Kyle Rix
Commentary for the Quarter ended June 2021

Performance
For the quarter, the fund returned 0.9% vs. the benchmarks -0.4%. Over 12 months, the fund returned 12.4% vs. benchmarks 19.9%.

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 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 largest contributors to the fund's absolute return were in Capitec (+20.03%), MTN (+18.9%), and Transaction Capital (+22.83%). The fund also benefitted from being underweight Naspers.

Over the quarter the fund sold Growthpoint and Mondi and bought Mr Price, Sasol, and Famous Brands. We remain underweight Banks and Gold.

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 +6.7% in ZAR (+10.4% in USD). Specific stock performers were Facebook (+19.1% in USD) and LVMH Moet Hennessy (+18.5% in USD). Changes over the quarter included buying Applied Materials and AutoZone. We sold out of Mastercard and Walt Disney.

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