BlueAlpha BCI Balanced Fund- Class C

Quarter 1 2022

BLUEALPHA
INVESTMENT MANAGEMENT

Performance Period	Fund Return	Benchmark*	Outperformance
1 Year	**17.7%**	10.7%	**7.0%**
3 Years (annualised)	**9.9%**	8.9%	**1.0%**
Since Inception (annualised)	**8.2%**	7.6%	**0.6%**

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	46%
Global Equity	28%
Property	10%
Bonds	8%
Commodities	3%
Cash	5%

Top 5 Domestic Holdings	Top 5 Global Holdings
R2032 SA Gov Bond	AbbVie
MTN	United Health
Anglo American	Blackstone
Capitec	Broadcom
FirstRand	AutoZone

Portfolio Manager: Walter Jacobs / Richard Pitt
Commentary for the Quarter ended March 2022

Performance
For the quarter, the fund returned -3.9% vs. the Benchmark -1.2%. Over 12 months, the fund returned 17.7% vs. the Benchmark 10.7%.

Macro
The two standout features is the tragedy of the Russian invasion of Ukraine and the big shift in Real bond yields globally. Finally central banks have committed to raising rates. For the S&P this is one of the few occasions that the US fed will be raising rates into a weak Stock Market. The sell off in Global bond markets this last quarter is the worst in 32 years. And recently the US yield curve has inverted. Some time this year the fed will also start tapering. Its clearly not going to be straight forward.

The other bogeyman lurking is Inflation, this is mainly a fixed income and asset allocators problem. Where it affects equities is who can control their cost line. Historically if you have a large labour component with poor HR or are a commodity producer you can't.

Locally the biggest local impact from global forces is going to be food and transport inflation. We don't think there are clear winners on an 18-month view. We own Shoprite which clearly has some benefit to its revenue line, but it also has a large labour component. Its biggest edge is its hold over supplier market share. We do think there are clear losers, mainly food producers and durable consumption. SA trade surplus should persist this year as metal prices (exports) offset oil (imports).

The other positive is that SA was not swept up in the Liquidity induced rally of global stocks over the last 3 years. Earnings and sentiment are at a point that make SA look very attractive globally. MSCI SA returned 20% in USD for the quarter. We want to stay with companies that are growing market share and addressing their flaws.

The Portfolio
We continue to run the fund with a large underweight to Naspers/Prosus which was the largest contributor to returns. South32 was also a top contributor to returns (23.2%). Another contributor is the new addition of Glencore, which is benefiting from the surge in coal prices.

Global Equity
The global component was the biggest drag on performance based on a fall in global equities and a strengthening of the ZAR.

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