BlueAlpha BCI All Seasons Fund- Class A

Quarter 2 2022

BLUEALPHA
INVESTMENT MANAGEMENT

Asset allocation	
Domestic Equity	42%
Global Equity	34%
Cash	24%
Derivatives	0%

Top Domestic Holdings
Thungela Resources
Anglo American
FirstRand
Shoprite
Anglo American Platinum

Top Global Holdings
Osino Resources
Alphamin Resources
BlackRock
AutoZone
UnitedHealth

* As percentage of total fund holdings, incl. futures

Performance Period	Fund Return	Benchmark (CPI +5%)	Sector Average
1 Year	**2.3%**	10.3%	4.7%
3 Years (annualised)	**8.0%**	9.7%	7.3%
5 Years (annualised)	**8.4%**	9.4%	6.3%
10 Years (annualised)	**10.3%**	9.8%	8.5%
Since Inception (annualised)	**12.4%**	10.5%	10.4%

Performance is reported for the A Class, net of fees
Sector Average: SA - Multi Asset – Flex
Inception date: November 2005

Portfolio Manager: Richard Pitt
Commentary for the Quarter ended June 2022

Performance

For the quarter, the fund declined by 8% versus the JSE capped Swix performance of minus 10.6% and a gain of 2.6% for the CPI plus benchmark. Over 12 months, the fund has returned 2.3%.

Macro

Global markets had a very challenging quarter adding further declines after a tough start to the year. First half performance for the MSCI World Index is the worst since its inception 34 years ago. The main driver of the decline in both equities and bonds is the increase in interest rates (implemented and anticipated) in an attempt by central bankers to reign in rampant inflation. Rising rates have had a very direct impact on the price of almost all risk assets – and especially those with high duration earnings and cashflows – specifically growth stocks. A combination of higher prices for goods and services (inflation) and a rising rate cycle (higher borrowing costs) have made the prospects of a recession more likely. Not surprisingly recessionary fears drove all asset classes down for the quarter from commodities (-5.7%) to bonds (-8.3%) to equities – with developed markets (-16.1%) faring worse than emerging markets (-11.3). Year to date commodities remain the only asset class in positive territory (+18.4%) while global bonds are down (-13.9%) and global equities have fallen the most (-20.3%). While the value style, in part supported by energy, has outperformed – it is nonetheless down (-11.8%). The growth style has fared the worst, falling 28.7% year to date. While these declines are never easy to stomach, the good news is that as markets have fallen, lower valuations are building the base for more attractive prospective returns. Equities are now at similar valuation levels to the March 2020 pandemic and December 2018 growth scare. It is worth remembering that over the last 10 years or so there have been numerous risk events including possible Greek debt default and the China growth scare. Regardless, equities have done well – and well managed, high-quality businesses with moats – even better. Now is exactly the time to be buying such businesses.

The Portfolio

The biggest contributor over the quarter once again was Thungela Resources which gained 35% as the seaborne coal market remains tight with elevated prices persisting. Following the strong performance in the first quarter we reduced the position but retain significant exposure to the company during its current super profit cycle. Rail capacity remains a concern and is limiting to some extent the full realisation of high export prices. Prosus (+33%) also added to performance.

Losers included Anglo American (-24%) , Sibanye Stillwater (-32%) and tin producer Alphamin (-23%) – all of which are commodity facing companies driven downwards by fears of a global recession. We think that the market has overreacted in the short term and that medium term prospects still remain attractive for these companies.

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