BlueAlpha BCI Equity Fund- Class A

Quarter 2 2022

BLUEALPHA
INVESTMENT MANAGEMENT

Performance Period	Fund Return	Sector Average	Benchmark
1 Year	**1.9%**	6.6%	1.1%
3 Years (annualised)	**5.1%**	7.7%	6.2%
5 Years (annualised)	**6.8%**	6.9%	7.3%
Since Inception (annualised)	**7.4%**	5.3%	6.3%

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 until 28/02/2022; JSE Capped Swix / 25% MSCI All Country World Index from 01/03/2022
Inception date: July 2014

Asset & Sector Allocation	
Cash	6%
Total Net Equity	94%
Basic Materials	18%
Consumer Discretionary	10%
Consumer Staples	8%
Financials	22%
Offshore	26%
Technology	3%
Telcos	7%

Top 5 Domestic Holdings	Top 5 Global Holdings
FirstRand	AutoZone
MTN	Microsoft
Capitec	Lockheed Martin
Shoprite	Paychex
Sasol	LVMH Moet Hennessy

Portfolio Manager: Gary Quinn, Kyle Rix
Commentary for the Quarter ended June 2022

Performance

For the quarter, the fund returned -11.9% vs. the benchmark’s -9.6%. Over 12 months, the fund outperformed, returning 1.9% vs. the benchmark’s 1.1%.

Macro

This has been the worst H1 this year since 1962 with both the MSCI World and the S&P down 20%. At the beginning of the year, as we came out the other side of the Covid pandemic, earnings were predictable. Now, we face new challenges, with Russians invasion of Ukraine, surging energy costs and the Fed who is determined to try solve the rise in inflation. So now earnings predictability for the large part of the market has vanished.

The news isn’t much better for SA markets with the JSE Capped Swix down 10.7% for the quarter and the rand losing 11% against the dollar. South African Bond yields are trading at 11.0% at end-September (vs. 10% at end-March) and the market is pricing in at least 200bps over the next 12 months.

Inflation is the word on everyone's lips, and for good reason. The May data shows inflation at 6.5% YoY which was driven largely by food inflation (7.5% YoY). We are concerned that there is a lot more upward pressure on SA food inflation than currently forecast. Saying that, we are also in the fortunate position to produce a lot of our own food. Between stronger agricultural production and high soft commodity prices there are some SA sectors that are going to benefit from this economic downturn.

The Portfolio

Given the current market conditions the portfolio is slightly more defensive and we have narrowed some of our biggest active weights in order to mitigate risk.
Domestic equity stock changes this quarter included selling out of Sibanye Stillwater and Bid Corp and bought Discovery.

The offshore component detracted from returns this quarter as a result of highly agitated global markets and a weakening rand.
However, there were some stocks that shone through, AutoZone +5.1% (USD) and McKesson +6.7% (USD) QTD.

The last 6 months have seen us move away from the traditional big tech stocks and consumer discretionary and increase the uncorrelated bucket with stocks such as AutoZone, General Dynamics, Marriott and McKesson.

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