BlueAlpha BCI All Seasons Fund- Class A
Quarter 3 2022

BLUEALPHA INVESTMENT MANAGEMENT

Asset allocation	
Domestic Equity	49%
Global Equity	31%
Cash	20%
Derivatives	0%

Top Domestic Holdings
Thungela
Anglo American
Shoprite
FirstRand
Karooooo

Top Global Holdings
Alphamin Resources
Osino Resources
NVR Inc
Microsoft
AbbVie

* As percentage of total fund holdings, incl. futures

Performance Period	Fund Return	Benchmark (CPI +5%)	Sector Average
1 Year	**6.6%**	10.9%	1.6%
3 Years (annualised)	**9.1%**	9.4%	7.4%
5 Years (annualised)	**7.2%**	9.5%	5.4%
10 Years (annualised)	**10.0%**	9.9%	8.0%
Since Inception (annualised)	**12.4%**	10.5%	10.3%

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 September 2022

Performance
For the quarter, the fund gained 3.4% versus a 2.3% decline in the JSE capped Swix. The fund was ahead of the 2.9% return for the CPI plus 5% annual benchmark. The fund is ranked 3rd out of 61 in its category for the quarter. Over 12 months, the fund has returned 6.6%.

Macro
While global equities and bonds rallied strongly in July, both markets reversed sharply from mid-August through to quarter end – finishing the quarter down 6% and 7% respectively. The change in risk sentiment was clearly linked to the tone emanating from the Jackson Hole Summit where the Fed and other central banks firmly communicated the commitment to fighting inflation versus supporting growth. During the quarter the Fed hiked by 1.5% and the ECB by 1.25%. To the extent that inflation remains the guiding light for global central bank policy, this seems to be the key data point around which risk appetite will hinge. A rising rate cycle driven by what is likely sticky inflation factors combined with a slowdown in growth hardly feels like an attractive investment environment. The counter to this is that markets are forward looking mechanisms, inflation and therefore rates will at some point roll over and perhaps most importantly equities have become cheaper - and in many instances a lot cheaper. The World Index now trades below its long-term average on a PE basis and only 14 x earnings on a forward basis. Barring a total collapse in earnings – this is increasingly becoming good value.

The local environment is mirroring what we have seen abroad. The JSE Capped SWIX continues its year-to-date trend and fell a further 2.3% in the quarter, bringing the year to return to -7%. These pressures were exacerbated by weak consumer sentiment given rising food prices and broader inflation. The Rand depreciated a further 10% against the USD this quarter, following other emerging markets falling out of favour given investors preference for the safe haven US$. The consensus for the SARB's path is to continue its hiking by another 200bps.

The Portfolio
Thungela Resources continues to be a substantial contributor to performance gaining 70% (including dividends) over the quarter. The company is in the midst of a coal boom as the combination of global net zero ambitions and an energy crisis has led to extremely favourable selling prices in the coal market. The energy crisis in Europe is likely to escalate during winter and for now there appears no apparent resolution on the horizon regarding Ukraine and the related gas supply issue between Russia and Europe. Infrastructure (specifically rail) in South Africa is a concern as are labour issues within state managed Transnet. The company trades at 66% free cash flow suggesting a (rather unlikely) collapse in coal prices. Other contributors include mobility tracking platform Karooooo (+22%) and Shoprite (+11%).

A notable loser was Osino Resources – a gold exploration company with assets in Namibia - which fell by 45% in US$. The company is steadily drilling and adding to its reserve base which is currently in excess of 2 million ounces. It has recently signed an earn in agreement to advance a lithium exploration license in Namibia. Ignoring any blue sky that may come from this, we believe the current gold reserves realistically suggest a value 3 x times the current price.

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