

Performance Period	Fund Return	Sector Average	Benchmark
1 Year	-3.6%	1.8%	-1.3%
3 Years (annualised)	5.8%	8.5%	7.3%
5 Years (annualised)	5.2%	5.3%	5.6%
Since Inception (annualised)	7.1%	5.0%	5.9%

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	11%
Total Net Equity	89%
Basic Materials	14%
Consumer Discretionary	8%
Consumer Staples	15%
Financials	17%
Offshore	25%
Technology	3%
Telcos	7%

Top 5 Domestic Holdings	Top 5 Global Holdings
FirstRand MTN Shoprite Glencore Capitec	Marriott AutoZone LVMH Moet Hennessy Paychex Microsoft

Portfolio Manager: Gary Quinn / Kyle Rix
Commentary for the Quarter ended September 2022

Performance

For the quarter, the fund returned -1.1% vs. the benchmark's -1.0%. Over 12 months, the fund returned -3.6% vs. the benchmark's -1.3%.

Macro

The last quarter proved to be challenging for global markets. MSCI World and S&P500 both fell by 6.2% and 4.5% respectively. However, the biggest moves were observed in credit and bonds where 2-year Treasury yields reached their highest levels since 2007. This fall in the Treasuries has prompted a swift reallocation towards Fed Reverse Repo, an overnight secured fixed-rate deposit facility, which now has \$2.4 Trillion in deposit. This a glaring difference from February 2021, where the balance was less than \$1 Billion.

The local environment is mirroring what we have seen abroad. The JSE Capped SWIX continues its year-to-date trend and fell a further 2.4% in the quarter, bringing this year's index 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 as investors prefer hard currency. The consensus for the SARB's path is to continue its hiking path by another 200bps.

The Portfolio

Two of our biggest overweight position were also our top contributors this month, Shoprite (+11.5%) and Glencore (+14.3%). Capitec, an overweight in the fund, was the biggest detractor this quarter (-21.7%). Capitec made the decision to lower transaction fees, which has consequences in the short term, but makes for a more defensible business proposition in the longer term. In the current environment investors are questioning what the sustainable growth rates look like for local businesses and have reduced their investment horizon to reflect a more conservative stance.

The positions added over the quarter were Astral, as well as AVI and Bid Corp given their favourable execution in the challenging markets. While exiting the positions in the local consumer facing names of Famous Brands and City Lodge. We believe that these businesses will still benefit in a post-pandemic recovery aided by self-help. However, given the current woes of loadshedding and prevailing inflation, we choose to remain invested elsewhere until the environment proves to be more favourable.

Looking at the Offshore component, the biggest contributors for the quarter were McKesson Corp (+4.3% USD) and Marriott (+3.2% USD). We continue to seek to invest in businesses that have exposure to opportunities that are detached from derating taking place in (classically defined) growth stocks. The fund aims to maintain its offshore allocation between 25-30% over the foreseeable term.

Tel: +27 (21) 409 7100

Email: info@bluealphafunds.com

11th Floor Convention Tower cnr. Heerengracht Street & Walter Sisulu Avenue Cape Town 8001

www.bluealphafunds.com

BlueAlpha Investment Management (Pty) Ltd Reg. No. 2003/016855/07
Directors: Richard Pitt, Sandile Sokhela, Kirsty Minor, Peggy-Sue Khumalo