BlueAlpha BCI All Seasons Fund- Class A

Quarter 4 2022

BLUEALPHA INVESTMENT MANAGEMENT

Asset allocation	
Domestic Equity	50%
Global Equity	32%
Cash	18%

Top Domestic Holdings
Thungela
Anglo American
Shoprite
FirstRand
Glencore

Top Global Holdings
Osino Resources
Alphamin Resources
NVR
Crocs
Broadcom

* As percentage of total fund holdings, incl. futures

Performance Period	Fund Return	Benchmark (CPI +5%)	Sector Average
1 Year	**1.1%**	12.4%	0.3%
3 Years (annualised)	**10.3%**	9.7%	8.6%
5 Years (annualised)	**7.7%**	9.6%	6.4%
10 Years (annualised)	**9.7%**	10.0%	8.0%
Since Inception (annualised)	**12.6%**	10.5%	10.7%

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 December 2022

Performance

For the quarter, the fund gained 4,8% exceeding the return of the CPI + 5% benchmark by 3,0%.

Macro

2022 was bad year for global markets marred by war, elevated inflation, and central bank tightening of financial conditions through sustained interest rate hikes. Both the S&P 500 and the MSCI World Index ended the year down -18% in USD even with a rally in the 4th quarter), while US bonds also fell by -13% (a historical low) It is extremely rare for both equities and fixed income to have double digit negative returns – leaving investors with no place to hide. The biggest casualty of 2022 has been speculative assets such as SPACS, Crypto, unprofitable tech and companies like Tesla, which have all been exposed by rising interest rates and quantitative tightening. Value stocks did significantly better than growth stocks over the year. Part of this is explained by starting valuation differentials – growth stocks starting the year at 30 times expected earnings versus value at 14 times – and of course the impact on rising interest rates on valuations. While inflation has already started to moderate the Fed has signalled that rates will stay high until inflation gets back to more moderate levels, and the path of further quantitative tightening means more headwinds for speculative assets. The market can only really start getting excited about interest rate cuts when employment goes backwards in the US. Currently the USA is still creating jobs at a healthy rate and unemployment is at 5-year lows. While the macroeconomic prospects do not look terribly enticing for the year ahead with at least a moderate recession likely – markets are continually looking 12 to 18 months forward and we may have well already priced in the foreseeable risks in economic slowdown.

South African markets ended the year on a far better note with SA Bonds and JSE Capped SWIX up +4% (ZAR) for the year. However, the South African economy is deteriorating due to the failures of Eskom. Going into 2023 the fund is positioned to deal with structurally lower growth in South Africa. We think it is more prudent than ever to invest in companies with capable management teams and sound business models as they stand the best chance at navigating a low growth environment.

The Portfolio

The biggest contributors over the quarter were Anglo American (+21%), Osino Resources (+31%) and AlphaMin (+26%). Osino is a gold mining exploration company which is well on its way to mine development. Reasonable assumptions value the company at double its current market price. Alphamin is a tin producer with grades almost 4 x times the global average, supplies 4% of the global market and has expansion plans to take it up to 6,5% of global supply. We had 2 losers over the quarter – Thungela Resources (-14%) and Karooooo (-9%). Thungela has been a big contributor over the last year notwithstanding last quarters decline. While the seaborne market has certainly come off from its highs the current export prices remain 3x the companies FOB cost leaving a lot of room for profits. Transnet rail disruption also was a source of bad news in the quarter, and this seems to have been addressed. In addition, we believe the substantial premium of Newcastle coal over Richards Bay – (100% versus an average of 20%) provides additional downside protection to realised prices going forward.

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