BlueAlpha BCI Equity Fund- Class A

Quarter 4 2022

BLUEALPHA INVESTMENT MANAGEMENT

Performance Period	Fund Return	Sector Average	Benchmark
1 Year	**-8.5%**	3.0%	3.7%
3 Years (annualised)	**6.4%**	10.5%	9.4%
5 Years (annualised)	**4.8%**	6.2%	6.4%
Since Inception (annualised)	**7.6%**	6.0%	7.0%

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	3%
Total Net Equity	97%
Basic Materials	16%
Consumer Discretionary	11%
Consumer Staples	14%
Financials	20%
Offshore	25%
Technology	5%
Telcos	6%

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

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

Performance
For the quarter, the fund returned 6.3% vs. benchmark's 10.1%.

Macro
2022 was bad year for global markets marked by war, Inflation and a hawkish Fed. Both the S&P 500 and the MSCI World Index ended the year down -18% in USD, 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. 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.
Inflation has already started to moderate however the Fed has signalled that rates will stay high until inflation gets back into its band, and the path of more quantitative tightening means more pain to come 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.
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. At long last China is reopening but we are sceptical about what this means for commodity prices which are vital for the SA economy. The oil price shows that there isn't a straight correlation between China reopening and high commodity prices. The price of Brent Crude Oil has been flat since China relaxed restrictions at the beginning of December. We are still quite nervous of commodity related companies because we think their best time (margins and costs) are behind them. We do think South African consumer facing companies are doing a good job with cutting costs and right sizing, but all of them except for the food companies are missing top line growth.
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. Many cheap stocks exist in South Africa, and high-quality, low growth companies are also abundant. Growth companies with historically good returns are difficult to come by. Capitec, Richemont and Shoprite fit this bill and we are overweight all three.

The Portfolio
The gains made by the fund against the benchmark were led by overweight positions in Richemont (30.4%), Glencore (19.3%), and Capitec (20.6%). While the most notable of the fund's detracting positions were underweights in Naspers and Prosus as these counters rallied (25.6% and 24.2% respectively) following the rally in Chinese equities.
Global markets were largely positive in the quarter, and the fund saw most offshore positions make gains, the strongest of which were Lockheed Martin (26.7% USD), LMVH (24.2% USD), and General Dynamics (17.6% USD). There were some small losses in incurred on several offshore positions, namely Alphabet (-9.5% USD), TSMC (-7.3% USD), Applied Materials (-6.9%), mostly owing to timing of their sales. New local names in the fund are BHG, Pick N Pay, and Investec PLC, and the offshore names bought to replace the sales were Kroger and Walmart.

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