BlueAlpha BCI Equity Fund- Class A
Quarter 3 2023

BLUEALPHA
INVESTMENT MANAGEMENT

Performance Period	Fund Return	Sector Average	Benchmark
1 Year	**6.9%**	12.0%	15.3%
3 Years (annualised)	**7.1%**	13.6%	11.2%
5 Years (annualised)	**4.7%**	7.3%	7.8%
Since Inception (annualised)	**5.7%**	7.0%	6.9%

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	3%
Total Net Equity	97%
Basic Materials	13%
Consumer Discretionary	10%
Consumer Staples	7%
Financials	20%
Offshore	31%
Technology	11%
Telcos	2%
Industrials	3%

Top 5 Domestic Holdings	Top 5 Global Holdings
Naspers	Marriot
FirstRand	Microsoft
Richemont	LVMH Moet Hennessy
Shoprite	Salesforce
Glencore	AutoZone

Portfolio Manager: Gary Quinn / Kyle Rix
Commentary for the Quarter ended September 2023

Performance
For the quarter, the fund returned -4.7% vs. benchmark's -3.6%. Over 12 months, the fund returned 6.9% vs. the benchmark's 15.3%.

Macro
Globally the features that affected markets was the continued weakness in Chinas consumer and the rise in USA real rates. USA 10-year real rates are the highest since 2009.This will impart significant tightening on indebted corporates and Countries.

In South Africa, our SA Government dollar bond yielded 8.5% and Sasol's corporate dollar bonds reached 9.9%. At these rates it is very difficult to fund most projects and for developing countries a debt trap is almost inevitable.

The surprising market feature has been the developed world's equity markets to shrug off this rise in rates. It does help that most large corporates and the US household's debt burdens are very low. The focus for the next couple of years will be the path of budget tightening for most countries as fiscal deficits have become too large in the years of easy money since the GFC.

The Portfolio
Overweights in Shoprite (+8.15%), Glencore (7.13%), and AVI (9.62%) were the best performing local names assisted by the underweight in precious metals, contributed to relative performance. While the local detractors were led by the overweight in Richemont (-25.49%), and the fund's underweight in Global Materials.

The fund was also impacted by the overweight in offshore markets, the S&P500 returned -3.27% in Dollars for the quarter, and the Rand ended the quarter almost flat despite large moves intra-quarter. This combination caused the offshore allocation to detract from returns in this period. The largest offshore contributors were Marriott (+7.3% USD), Berkshire Hathaway (+2.7% USD), and Autozone (+2.4% USD). While detractors from the performance were LVMH (-19.9% USD), Crocs (-1.7% USD), and Ulta Beauty (-15.2% USD).

Domestic changes in the fund were a selective increase towards local cyclicals. The fund achieved this by adding Bidvest, as well and increasing the weights towards the banks with the addition of Standard Bank.
As for offshore changes, the fund sold its position in Crocs and replaced it with Booking.com. Another notable change was the swap of British American tobacco to Procter & Gamble. While BATs may appear cheap, its our opinion that the role of a quality defensive stock has to play in the portfolio is better suited to stocks that are still able to grow, as low growth businesses will be at the mercy of higher rates, and more closely behaving as bond-like instruments

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