BlueAlpha BCI Global Equity Fund – Class A
Quarter 3 2023

BLUEALPHA INVESTMENT MANAGEMENT

Performance Period	Fund Return	Sector Average	Benchmark
1 Year	**21.2%**	24.0%	27.5%
3 Years (annualised)	**6.9%**	9.2%	12.7%
5 Years (annualised)	**11.7%**	10.9%	14.0%
Since Inception (annualised)	**14.6%**	11.2%	14.5%

Inception date: September 2014, Performance is reported for the A Class net of fees in ZAR, Sector Average: Global Equity General
Benchmark: 20% USD Libor, 80% MSCI World Index ZAR until 30/09/2020 and MSCI World TR index (ZAR) from 01/10/2020

Asset & Sector Allocation	
Cash	1%
Equity	99%
Consumer Discretionary	35%
Financials	12%
Health Care	11%
Industrials	14%
Technology	25%
Basic Material	2%

Top 5 Global Holdings
Blackstone
Abbvie Inc
Meta Platforms
Autozone
Mastercard

Equity Holdings by Geography	
USA	92%
Europe	6%
ASIA	2%

Portfolio Manager: Richard Pitt / Walter Jacobs
Commentary for the Quarter ended September 2023

Performance

Following a strong first half to 2023, global equities declined in the 3rd quarter. The fund declined by 2.5% in US$ - broadly in line with the decline in the World Index. Point to point there was little change in the Rand and so a similar result of negative 3,2% was delivered in ZAR terms. Year to date the fund gained 8.1% in US$ and has increased roughly 18% in ZAR terms. Over the last 5 years the fund has compounded at an annualized rate of 11.7% in ZAR. Since inception in September 2014, the fund has delivered 14.6% compound annual returns in ZAR and is a top performer amongst its peer group. While there have been large swings in the relative performance of the growth and value styles, we remain focused on our quality or "value creation" approach. Over the long run we believe investment returns at a stock level are largely driven by the company's ability to grow their real cash earnings for sustained periods of time. With this in mind, we seek to invest in companies that can generate high rates of cash return on their invested capital and have a market opportunity to reinvest for growth. Since inception the fund has delivered almost double the return of the Quality Factor in the US. We remain committed to this approach with a keen eye on valuation risk.

Global Macro

A major shift in narrative around the future path of interest rates occurred during the 3rd quarter. The Fed increased rates by 25 bps in late July and declined to raise rates in September. Nonetheless a clear hawkish tone spoke to still another hike this year – followed by the "higher for longer" mantra needed to cool inflationary pressures – the same message which the Fed has been communicating for some time now. The market has finally bought into this notion, raising the consensus expectations of the forward rate to higher levels. US 10-year yields moved from 3,8% to 5,6% in the quarter. Ominously this takes yields to their highest level in 16 years – back to 2007 and the period before the global financial crisis. Both equities and bonds declined in the quarter by roughly 3 and a half percent. All regions were negative for the quarter (in US$) with the best performance coming from Japan (down 0,8%) and the worst performance being Europe (-5,5%). Risk assets fell in response to a selloff in global bonds as markets adjusted for a tightening of financial conditions given the continued reduction in the Feds bond holdings. The value style (-1,7%) beat growth (-4,9%) in the quarter but for the year growth has still outperformed by roughly 18%. The Bloomberg commodity index was up 4% in the quarter largely driven by Brent rallying 28% following production cuts by Russia and Saudi Arabia. Geopolitical tensions continue to increase with the Israel-Hamas conflict intensifying. There are many reasons to exercise caution currently and invest in high quality companies.

Portfolio

The top contributors in the quarter included Blackstone (+16%), Abbvie (+12%) and Domino's Pizza (+12%). Blackstone is the largest global alternative fund manager with operations across private equity, real estate, credit, and hedge funds. The company is successfully expanding its distribution into private wealth markets. Abbvie was one of the worst performers in the previous quarter – highlighting the importance of not overreacting to short term price movements. The company has high returns and a low valuation while forward growth expectations are starting to improve. It's a defensive position in challenging markets. The biggest losers were Crocs (-21%), Ulta Beauty (-15%) and Albemarle (-23%). Each company is dealing with its own short-term issues; however, these are all high return on capital businesses with good growth prospects over the medium term at very modest valuations. The portfolio continues to grow its earnings and its valuation has been reduced substantially over the last year. As always, we continue to focus our attention on finding high quality growth compounders to invest in – we believe this is the best way to navigate a complex global investment environment.

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