BlueAlpha BCI All Seasons Fund- Class A

Quarter 4 2023

BLUEALPHA INVESTMENT MANAGEMENT

Asset allocation	
Domestic Equity	42%
Global Equity	44%
Cash	14%

Top Domestic Holdings
Shoprite
FirstRand
Karooooo
Richemont
Glencore

Top Global Holdings
Osino Resources
Alphamin Resources
Blackrock
Ulta Beauty
Qualcomm

* As percentage of total fund holdings

Performance Period	Fund Return	Benchmark (CPI +5%)	Sector Average
1 Year	**9.2%**	10.2%	11.6%
3 Years (annualised)	**9.0%**	10.3%	11.1%
5 Years (annualised)	**10.6%**	9.7%	9.3%
10 Years (annualised)	**8.0%**	9.8%	7.2%
Since Inception (annualised)	**12.4%**	10.5%	11.2%

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 2023

Performance

For the quarter, the fund gained 6.9% exceeding the return of the CPI + 5% benchmark by 4.4%. For the year, the fund gained 9.2% against the benchmark of 10.2%

Macro

2023 turned out to be a year where consensus forecasts proved to be even more wrong than usual. Expectations were for the US to enter a recession; China would benefit from a post-covid opening boost and the correlation between bonds and stocks would reverse. None of this happened and the US economy grew by 5% in Q3. Even with perfect foresight – knowledge of a continuation of the Russia Ukraine conflict, a regional US banking crisis in March, US 10-year yields moving up to 5%, Middle Eastern tensions increasing with the Iseal Gaza conflict and the Fed raising rates 4 times to 5,5% - none of this would have inspired much confidence for risk assets for the year – and in fact, by late October the World Index was only up a modest 6%. A switch in narrative led by declining inflation and dovish Fed talk about the likely path and extent of future rate cuts led to a rally across the board with the S&P500 and Bloomberg aggregate bond index recording the best November since 1980 and 1985 respectively. A major theme through the year was the development of the AI story which was supportive of the mega-cap tech stocks – the largest 7 accounting for two-thirds of the S&P500 performance. The consensus now appears to have swung to a perfect Goldilocks story – a soft economic landing engineered by the Fed, continued growth, and a path of lower rates. With rates at 22-year highs, a tight labour market driven by lower participation, ever present geopolitical risks (Red Sea conflict, Taiwan elections) and their potential impact on deglobalization and inflation – these factors all point to taking a cautious approach to risk going forward. High quality companies are more relevant than ever.

The local economy remains stalled with very little earnings growth available to companies. It is true that interest rates might fall but the biggest hurdles the country faces are weak consumer demand and lack of business confidence to invest.

The Portfolio

The biggest contributors over the quarter were the investment in BlueAlpha Global Equity (+10,7%), Osino Resources (+32%), and FirstRand (+19%). As we have discussed before, Osino is a gold mining exploration company in Namibia which is well on its way to mine development and which we believe was undervalued versus its potential cashflow. This view was vindicated during the quarter when the company received a buyout offer in a blend of cash and shares at roughly a 35% premium from Dundee Precious Metals. The biggest losers over the quarter were Anglo American (-9%) and Sibanye Stillwater (-10%). Last year was a challenging one for commodities generally and likewise commodity producing companies.

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