BlueAlpha BCI Equity Fund- Class A

Quarter 4 2023

BLUEALPHA
INVESTMENT MANAGEMENT

Performance Period	Fund Return	Sector Average	Benchmark
1 Year	**9.5%**	7.5%	13.2%
3 Years (annualised)	**8.9%**	12.3%	11.7%
5 Years (annualised)	**8.0%**	9.8%	10.8%
Since Inception (annualised)	**7.8%**	6.2%	7.6%

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	14%
Consumer Discretionary	10%
Consumer Staples	7%
Financials	23%
Offshore	30%
Technology	9%
Telcos	1%
Industrials	3%

Top 5 Domestic Holdings	Top 5 Global Holdings
FirstRand	Marriot
Naspers	Salesforce
Shoprite	Microsoft
Richemont	Vertex Pharmaceuticals
Gold Field	AutoZone

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

Performance
For the quarter, the fund returned 9.0% vs. the benchmark's 8.1%. Over 12 months, the fund returned 9.5% vs. the benchmark's 13.2%.

Macro
The main macro event has been a change in the Global bond market's view with respect to short-term interest rates. Although the data didn't change much in terms of inflation or job creation Fed officials have indicated they are done with tightening. The ten-year bond rallied more than 100 bp settling around 4%. This has helped our local bonds, but the rand remains weak versus other EM currencies. Only Russia, Turkey and Argentina have been weaker in 2023.

China's households remain weak against the backdrop of a very poor property market. The government has responded by providing a massive boost to the manufacturing sector. Just like the Chinese government relied on cheap financing and subsidies to boost the property sector it has now trying this strategy on manufacturing. The most obvious place this is showing up is in EV auto production and exports to the EU. The EU will have to decide between saving their own car industry, (via tariffs and protection to counter China's subsidy of their own auto industry) or face large job losses. The US already has such protections in place. China's share of Global manufacturing is already very large. It seems inevitable that their current path of subsidies for their own companies will lead to trade wars. For now, this has been a help to global commodities.

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

Local:
The fund benefitted from the overweight to local banks lead by Capitec and FirstRand and being underweight Global Materials, specifically Anglo American. The largest contributing stocks in the fund were Shoprite (+14.7%), Amplats (+36.6%), and Capitec (+19.1%).
The fund's relative return was negatively impacted by being underweight to the Gold mining sector which returned 30% in the quarter. Gold Mining companies do not typically fit into our investment process, as these are value destructive over time and ultimately surviving on external capital to fund operations. In the last year, the sector has doubled to 8% of the JSE Capped Swix, and as a method of prudent risk control, we maintain a position in Gold Fields to manage our underweight to the sector. The largest detractors in the fund were all underweights: MTN (+2.35%), Northam (+22.3%) and BHP (+16.9%). Over the quarter, we sold our position in Northam and added Sanlam.

Offshore
This quarter's rerating of longer duration equities – namely the Tech sector – benefitted the fund. However, this is a good juncture to mention that timing macro is not the basis on which decisions are made for the fund. We have added Software and Semiconductor exposure where companies have shown improvements to their economic profit, along with significant avenues to reinvest their earnings.
The largest dollar contributors to the fund were Salesforce (+29.8%), Microsoft (+19.4%), and Broadcom (+35.1%), while Ulta Beauty (-4.2%) and Walmart (-1%) detracted from performance. Over the quarter, we sold our position in Ulta Beauty, and added Meta.

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