BlueAlpha BCI Global Equity Fund – Class A
Quarter 4 2023

BLUEALPHA INVESTMENT MANAGEMENT

Performance Period	Fund Return	Sector Average	Benchmark
1 Year	**31.1%**	27.7%	32.7%
3 Years (annualised)	**12.8%**	11.2%	15.4%
5 Years (annualised)	**17.4%**	15.9%	18.2%
Since Inception (annualised)	**15.4%**	11.7%	15.0%

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	2%
Equity	98%
Consumer Discretionary	34%
Financials	12%
Health Care	9%
Industrials	14%
Technology	27%
Basic Material	2%

Top 5 Global Holdings
Blackrock
Ulta Beauty
Qualcomm
Blackstone
KLA Corp

Equity Holdings by Geography	
USA	97%
Europe	2%
ASIA	1%

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

Performance

Global markets enjoyed a strong 4th quarter with almost all assets making gains. This reversal came after a 10% decline in the World Index between August and October. The fund gained 10,8% in ZAR over the fourth quarter – this compares favourably to the World Index which gained 7,6%. As expected with a risk-on rally, the Rand appreciated against the dollar – in US$ the fund delivered a 14,6% gain for the quarter. After a challenging 2022, the fund delivered strong returns last year in both US$ (+22,3%) and ZAR (+31%). Over the last 5 years, the fund has compounded at an annualized rate of 17,4% in ZAR. Since inception in September 2014, the fund has delivered 15,4% compound annual returns in ZAR and has outperformed the MSCI World Index during that period. Over the last nine years the fund is ranked 1st amongst its peer group and is a consistent top quartile performer over most all periods. Our investment approach is premised on the idea that in the long run investment returns are largely driven by the company's ability to grow their real cash earnings for sustained periods of time. To do this they must be able to generate high rates of cash returns when measured against the capital required, and they must have a growth opportunity to reinvest this cash over time. While there will always be ebbs and flows to every investment style, the long-run performance of our fund is confirmation of an investment approach that is well anchored around sound business sense. We remain committed to this approach with an ever-present eye on valuation risk which is not atypical for these high return type of companies.

Global 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 the 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.

Portfolio

The top contributors in the quarter included Qualcomm (+31%), BlackRock (+26%) and Broadcom (+35%). We considered Qualcomm as a cheap and high-quality way to gain some exposure to the AI theme without having to bear the risk of onerous valuations. The company has a multitude of growth opportunities, and its leadership position is illustrated by partnerships with Meta, Apple, Google and Samsung. The biggest losers last quarter were Pfizer (-12%), Albemarle (-15%) and various downside protection PUTS on the S&P500. We continue to focus our efforts and attention on finding high quality growth compounders to invest in – with a very uncertain market environment we believe such a portfolio will best serve our investors.

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