BlueAlpha BCI All Seasons Fund - Class A
Quarter 1 2024

BLUEALPHA
INVESTMENT MANAGEMENT

Asset allocation	
Domestic Equity	56%
Global Equity	37%
Cash	13%

Top Domestic Holdings
Prosus
Glencore
Shoprite
ABSA
Truworths

Top Global Holdings
Osino
Alphamine Resources
ResMed
Starbucks
Newmont

* As percentage of total fund holdings

Performance Period	Fund Return	Benchmark (CPI +5%)	Sector Average
1 Year	**14.0%**	10.7%	8.8%
3 Years (annualised)	**7.8%**	10.4%	8.7%
5 Years (annualised)	**9.4%**	9.8%	8.7%
10 Years (annualised)	**8.3%**	9.8%	7.1%
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 March 2024

Performance
For the quarter, the fund gained 4% - well ahead annual CPI + 5% benchmark. Over both the long term and the last year the fund is a top quartile performer measured against the category peers. Over the last 10 years, the fund has provided slightly better returns than the FTSE JSE All Share Index with far lower downside volatility.

Macro

Global
Global markets enjoyed the best start in 5 years against a backdrop of robust economic data, a shift in expectations to an extended economic cycle and soft landing, and dovish commentary from the Fed around interest rate policy. Optimism around the business opportunities within AI have also been a driver of increased valuation multiples. Nvidia – the poster child of AI – rallied 80% during the quarter adding US$1tn to its market capitalisation. This is equivalent to one-fifth of the total value gain for global stock markets over the period. The performance of the "magnificent seven" has started to diverge with Apple and Tesla both declining in the quarter. Second to the outlier performance of Nvidia – Meta also had an excellent quarter gaining roughly 40%. While the strong performance of mega caps obviously adds more to total returns, there has been a healthy broadening in the performance of stocks with the equal-weighted SP500 also breaking through its all-time high.

The leading sectors over the quarter were Consumer Services, Energy, and Technology. Utilities and Real estate lagged. Resilient economic growth and an unexpected increase in inflation have led to a moderation of investors' expectations for interest rate cuts from 6 to 3 this year which is now aligned with the Fed's projection. In line with this shift in thinking, global bonds declined by 2% over the quarter as yields moved higher. The strong moves in both Bitcoin and Gold also speak to an unusual monetary environment. According to global fund manager surveys – two-thirds of those polled do not expect a US recession in the next 12 months. At the beginning of 2023 this number was 10% - a soft economic landing is clearly the current consensus and area of potential surprise and risk for markets going forward. The real challenge will be if the labour market starts cooling while inflation remains sticky or picks up. Under this scenario, the management of interest policy by the Fed will become increasingly challenging.

Local
In South African markets foreign investors are clearly nervous about the May elections. It will be easy to be negative on the result because investors in general prefer the status quo even though the country clearly needs some constructive action. All we know for now is that investors are braced for the worst possible outcome. Many of the domestic companies we own are well-positioned for an upturn and still have very good returns on capital. However, all of them are currently finding growth elusive.

The Portfolio
The biggest contributors over the quarter were the investment in BlueAlpha Global Equity (+13,7%), Osino Resources (+27%), and Richemont (+13%). As mentioned last quarter, Osino received a buyout offer in a blend of cash and shares at roughly a 35% premium from Dundee Precious Metals in December 2023. Given our constructive view on gold we were analysing the prospects for Dundee as an ongoing investment. In February, Osino was subject to a competing all-cash bid from Yintai Gold at C$1,90 per share. The biggest losers over the quarter were FirstRand (-13%), Amplats (-19%) and MTN (-18).

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