BlueAlpha BCI Equity Fund - Class A

Quarter 2 2024

BLUEALPHA
INVESTMENT MANAGEMENT

Performance Period	Fund Return	Sector Average	Benchmark
1 Year	11.4%	9.8%	11.5%
3 Years (annualised)	8.0%	9.7%	10.1%
5 Years (annualised)	7.5%	9.3%	10.1%
Since Inception (annualised)	7.5%	6.5%	8.0%

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	
Total Net Equity	96%
Cash	4%
Domestic Equity	65%
Offshore Equity	31%
Basic Materials	14%
Consumer Discretionary	16%
Consumer Staples	12%
Financials	27%
Technology	19%
Industrials	4%
Health Care	1%
Real Estate	1%

Top 5 Domestic Holdings	Top 5 Global Holdings
FirstRand	Mckesson
Naspers	Vertex Pharmaceuticals
Capitec Bank	Marriott
Gold Field	Procter & Gamble
Standard Bank	Microsoft

Portfolio Manager: Gary Quinn / Kyle Rix
Commentary for the Quarter ended June 2024

Performance
The fund returned **4%** vs the Benchmark **2.9%,** outperforming this quarter.

Local
Local markets beat offshore, aided by a strong rand that saw it's best levels this year vs the Dollar. SA Equities were also buoyed towards the end of the quarter by what has largely been received as a positive outcome in the national elections. The fund was positioned towards a positive outcome by an overweight in banks, but as the fund holds more offshore than the benchmark, the local rally didn't translate into outperformance.

We are positive on SA INC, but chose to own companies that are already through the worst of their problems as growth may still take some time to return to SA. Fortunately, electricity availability has improved for the time being, and the country is running a primary fiscal surplus. The next leg of the recovery would be interest rate cuts, although the reserve bank appears more focused on supporting the currency than moving the economy out of restrictive policy.

The fund's position into Banks was a key contributor led by the overweight positions in Capitec (+27.3%), and FirstRand (+24.6%). Over-weights in Shoprite (14.8%) and Mr.Price (18.5%) benefited the fund too. By not holding MTN, BidCorp, and Anheuser, the fund was able to add to relative performance.

The fund was underweight Anglo American when news of a potential a bid for the miner came out. We were in the process of increasing our stake so relative positioning was not as drastic as it had been in prior months, still this detracted from performance.

The fund sold its position in Mondi and added positions in AngloGold and Truworths.

Global
Turning to offshore, the USA is expensive but it is one of the few regions delivering growth. The USA consumer being the world's main source of demand still holds. The trade wars that are developing are a big risk to China and Europe. It seems very difficult that we can avoid an escalation on this front. By far the most long-term negative for developed economies is fiscal debt with many still running fiscal deficits above 6% (USA, France, Italy, UK being the most prominent).

We think China is the biggest loser in an all-out trade war as it already allies many tariffs against imports, has a weak consumer who are experiencing negative wealth effects from declining property and a fiscal deficit above 8 % of GDP. For now, China is trying the old playbook of increasing FAI, exports and restricting imports. This is all subsidised by transfers from the household sector making it even weaker.

The offshore portion alone returned -1.4% in USD, despite what as a good quarter for foreign markets. The largest contributors were Broadcom (+21%), Vertex(+12%), and McKesson (8.9%). The biggest detractors were Kinsale Capital (-26.5%), Salesforce (-14.6%) , and United Rentals (-10.1%)

The fund sold its position in LVMH and added positions in ABB and Adobe.

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