BlueAlpha BCI Global Equity Fund – Class A
Quarter 2 2024

BLUEALPHA INVESTMENT MANAGEMENT

Performance Period	Fund Return	Sector Average	Benchmark
1 Year	**13.2%**	12.9%	16.6%
3 Years (annualised)	**10.8%**	10.8%	15.8%
5 Years (annualised)	**15.0%**	14.8%	18.0%
Since Inception (annualised)	**15.2%**	12.1%	15.5%

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	8%
Equity	92%
Consumer Discretionary	34%
Financials	9%
Health Care	8%
Industrials	11%
Technology	32%
Basic Material	1%
Other (Option)	-3%

Top 5 Global Holdings
Qualcomm
CROCS
Meta
Dominos
Servicenow

Equity Holdings by Geography	
USA	95%
Europe	2%
ASIA	3%

Portfolio Manager: Richard Pitt / Walter Jacobs
Commentary for the Quarter ended June 2024

Performance

After a brief 5% decline in April, global equities rallied and ended the quarter and year to date +2,6% and +11,75% respectively. With the bulk of the returns coming in Q1, there has also been a noticeable concentration in the drivers of return in Q2. In dollar terms, the fund had a strong Q1 (+9,35%) but a disappointing Q2 with a negative return of 3,2% in US$. Other than the few areas of the market being driven by the AI theme, there are many examples of companies being sold down aggressively (20% plus) on just the hint of slower growth. We have a few cases where we have started building new positions in high-quality companies that have already declined a lot only to suffer further losses on such news. Uncomfortable as this is – we believe it will likely build a basis for stronger investment returns over the medium term. With the Rand appreciation over the last quarter and YTD, in ZAR terms the fund delivered a 5,64% gain for the first 6 months. Since its inception in September 2014, the fund has delivered 15,3% compound annual returns in ZAR and is an excellent performer amongst its peer group.

We remain focused on our quality or “value-creation” approach - the ultimate driver of investment returns. We remain committed to this approach with a keen eye on valuation risk.

Macro Outlook
Global

Positive economic momentum continued into the second half resulting in a good quarter for equity markets and risk assets in general.

For a moment “good news became bad news” as strong economic data in April was poorly received, and markets sold off. While global inflation is moderating downwards, continued economic growth has resulted in persistent inflation in areas such as services, which remain above central bank targets for rate cuts. The interest rate outlook has changed dramatically since the beginning of the year when members of the Federal Reserve anticipated 3 cuts and market expectations were for six or seven cuts. With the last rate hike in July 2023, the Feds Fund rate has remained at 5,5% for almost 12 months. Fed projections are now for 1 cut this year with the markets still looking for 2 cuts. Given that markets have done very well regardless of this totally different to the anticipated interest rate environment, highlights the extremely limited value of making macro forecasts and then implementing such views into portfolio positioning. An extended high-interest environment resulted in poor returns for small-cap stocks over the quarter (- 2,6%).

Developed markets delivered 2,8% return with the best returns coming from larger companies. The AI them continued and strong earnings form US tech stocks resulted in Growth being the best performing equity style (+6,4%) while Value declined (-1%). Global bonds were broadly negative – both for the quarter and year to date. While high rates should impact the US consumer, a full one-third have no debt at all. As for higher mortgage rates above 7%, the average rate is only 3,8% - and almost half of all homes have no mortgage at all. Over the last quarter the change in the SP500 is entirely driven by Nvidia, 11 other chip companies and the Fabulous Five – the rest are down roughly 2% over the quarter. This may speak to Index risk and concentration – but also to great potential opportunities at a company-specific level.

The Portfolio

The top contributors in the quarter included Qualcomm (+14%), Broadcom (+17%) and Alphabet (+16%). Unsurprisingly these all fall within the broad ambit of the AI-related theme. The biggest losers last quarter were Ulta Beauty (-28%), Pool (-26%) and Target (-19%). Ulta Beauty fell substantially in early April on the announcement that it expected the comparable sales forecast for Q1 to be at the lower end of previous guidance. While short-term growth is certainly slowing, this has driven the valuation of a high-quality growth compounder to multiyear lows. The company went through a similar cycle last year – only to rally 40% over the next 9 months.

Tel: +27 (21) 409 7100
Email: info@bluealphafunds.com
11th Floor Convention Tower cnr. Heerengracht Street & Walter Sisulu Avenue Cape Town 8001
www.bluealphafunds.com
BlueAlpha Investment Management (Pty) Ltd Reg. No. 2003/016855/07
Directors: Richard Pitt, Sandile Sokhela, Peggy-Sue Khumalo