# BlueAlpha BCI Global Equity Fund – Class A

## Quarter 3 2024

BLUEALPHA INVESTMENT MANAGEMENT

| Performance Period | Fund Return | Category Average |
|---|---|---|
| 1 Year | **20.2%** | 16.0% |
| 3 Years (annualised) | **10.5%** | 9.7% |
| 5 Years (annualised) | **14.9%** | 13.3% |
| Since Inception (annualised) | **15.1%** | 11.7% |

Inception date: September 2014, Performance is reported for the A Class net of fees in ZAR,
Category Average: ASISA Global Equity General

| Asset & Sector Allocation | |
|---|---|
| Cash | 6% |
| Equity | 94% |
| Consumer Discretionary | 31% |
| Financials | 10% |
| Health Care | 10% |
| Industrials | 13% |
| Technology | 30% |

| Top 5 Global Holdings |
|---|
| CROCS |
| Alibaba |
| Meta |
| Berkshire |
| Servicenow |

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

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

### Performance

Notwithstanding a spike in volatility and brief selloff in early August, returns across most asset classes were good for the quarter. The World Index gained 6% in US$ terms and is up 18% year to date. The fund had a good quarter, delivering 8.9% in US$. Rand appreciation detracted from local currency returns which ended at 2.8% for the quarter. Over the last 12 months the fund has gained 20.2% in local currency. After lagging the market in the second quarter, the recent performance has positioned the fund in the top quartile over the last 3 months and last year. Over the last 5 years the fund has compounded at an annualized rate of 14.9% in ZAR. September marks the 10-year anniversary since launch in 2014, and over this period the fund has delivered 15.1% compound annual returns in ZAR and is a top performer amongst its peer group over most periods. While there have been large swings in the relative performance of the growth and value styles, we remain focused on our quality or “value creation” approach. Over the long run we believe investment returns at a stock level are largely driven by the company’s ability to grow their real cash earnings for sustained periods of time. With this in mind, we seek to invest in companies that can generate high rates of cash return on their invested capital and have a market opportunity to reinvest for growth. We remain committed to this approach with a keen eye on valuation risk.

### Macro Outlook

### Global

The two big macro-economic events over the quarter were the US Fed cutting rates by 50 bps in September and China announcing aggressive measures including rate cuts and fiscal stimulus in an attempt to support the local economy. The decline in rates led to excellent performance from global REITs (+16%) as well as Value (+9.7%) and small cap stocks (+9.5%) which tend to be rate sensitive. Emerging markets (9%) were ahead of developed markets (6,5%) and the growth style was a relative laggard (3.5%). Fixed income also did well with the Global Bond Aggregate up 7% over the quarter.  Commodity markets were flat over the quarter – with Gold being the outlier rallying 13% and hitting all-time highs. With Value and small companies beating growth and Technology companies there are signs of a broadening out of returns and a move away from the concentration of returns discussed last quarter. This speaks to a healthier underlying market environment. An easing of inflation numbers together with softer than anticipated readings on employment suggests some moderation in economic growth in the US. With the Fed cutting rates aggressively by 50 bps in September, this marks a clear change in focus away from controlling inflation toward supporting economic growth. For the moment, financial markets are looking through rising tensions in the Middle East and Europe. With most markets sitting on double digit returns for the year, investors will scrutinize companies results for any hint of an economic slowdown

### The Portfolio

The top contributors in the quarter included Alibaba (+47%), Paypal (+35%) and homebuilder NVR (+30%). Alibaba has been undervalued for some time based on very negative China sentiment and clearly benefited as markets ticked up on the stimulus package. The biggest losers last quarter were Albemarle (-16%), Domino’s Pizza (-16%) and Qualcomm (-14%). Albemarle is a specialty chemicals producer with substantial exposure to the depressed lithium market. With continued downward earnings revisions we sold the investment. Qualcomm was one of our top performers last quarter and to some extent was caught in the AI theme. As a maker of radio frequency chips for mobile phones, concerns have emerged over its client concentration to the likes of Apple and Samsung . In addition, there has been talk of a potential corporate action relating to Intel. Qualcomm’s products are essential for mobile connectivity and the related internet of things. We remain optimistic about the business opportunities for the company. We continue to focus our attention on finding high quality growth compounders to invest in.

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