BlueAlpha BCI All Seasons Fund - Class A

Quarter 4 2024

BLUEALPHA INVESTMENT MANAGEMENT

Asset allocation	
Domestic Equity	53%
Global Equity	36%
Cash	11%

Top Domestic Holdings
KAROOOOO
ABSA
Outsurance
Prosus
Truworths

Top Global Holdings
ResMed
Starbucks
Alphamin Resources
Salesforce
Newmont

Performance Period	Fund Return	Benchmark (CPI +5%)	Sector Average
1 Year	**16.1%**	9.8%	14.4%
3 Years (annualised)	**8.6%**	10.5%	8.8%
5 Years (annualised)	**11.2%**	9.8%	10.6%
10 Years (annualised)	**7.8%**	9.7%	7.7%
Since Inception (annualised)	**12.6%**	10.6%	10.3%

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 December 2024

Performance

Over the 4th quarter, the fund gained 2,2% and for the year the fund is up 16,1% - well ahead of the annual CPI + 5% benchmark. Over the long term the fund attempts to deliver equity-like returns with lower downside volatility than the market.

Global Macro Outlook

The US economy demonstrated resilience, achieving GDP growth of 2.6%, reinforcing the notion of US exceptionalism. The S&P 500, driven by AI enthusiasm and the "Magnificent Seven," delivered a 50% return, significantly outpacing the rest of the index. Meanwhile, European economic trends softened throughout the year.

Developed markets outperformed emerging markets (+19.2% vs. +8.1%), and growth stocks(+26%) surged ahead of value. While commodities saw modest gains due to soft demand from China, gold stood out, delivering +27%, despite elevated interest rates. Global investment-grade bonds struggled, posting a -1.7% return due to sticky inflation and robust growth.

A major capex cycle tied to Cloud and AI remains underway, with 'hyperscaler' capex now running at 40% of operating cashflow – compared to an average of 15% to 25% over the last 20 years. Although risks of overspending exist, so does the risk of being left behind if one doesn't spend. Valuations remain elevated, and the AI narrative will likely play a pivotal role in shaping market sentiment.

Local Macro Outlook

The South African market faced challenges, with three consecutive monthly declines in the JSE All Share Index, leading to negative returns for the quarter. Yields on government bonds rose as the finance ministry projected rising national debt and fiscal deficits over the next three years. Meanwhile, the SARB lowered the repo rate by 25 bps to 7.75%, signalling caution amidst a challenging economic backdrop. Q3 GDP numbers indicated a slight contraction, reflecting ongoing economic pressures.

Portfolio

Contributors: Top contributors during the quarter included Salesforce (+34%), Karooooo (+20%), and Outsurance (+18%). These positions demonstrated resilience, supported by strong operational performance and growth opportunities within their respective markets.

Detractors: On the downside, Glencore (-15%), Newmont (-23%), and Reunert (-7%) detracted from returns. The underperformance reflected sector-specific challenges and broader market conditions.

Our approach

Our investment approach is principally premised on the idea that in the long run investment returns are largely driven by the company's ability to grow its real cash earnings for sustained periods. To do this they must be able to generate high rates of cash return when measured against the capital required, and they should 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

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