BlueAlpha BCI Global Equity Fund – Class A

BLUEALPHA INVESTMENT MANAGEMENT

Quarter 4 2024

Performance Period	Fund Return	Sector Average
1 Year	**18.3%**	16.6%
3 Years (annualised)	**9.1%**	8.9%
5 Years (annualised)	**16.2%**	14.7%
Since Inception (annualised)	**15.7%**	12.3%

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

Asset & Sector Allocation	
Cash	**3%**
Equity	**97%**
Consumer Discretionary	32%
Financials	10%
Health Care	9%
Industrials	14%
Technology	32%

Top 5 Global Holdings
Broadcom Servicenow Booking Holdings ALphabet Inc-CL A AMAZON

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

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

Performance

While global markets were flat over the quarter, 2024 was nonetheless an excellent year for risk asset returns, notwithstanding a sharp selloff in December. The fund gained 8,9% in ZAR over the fourth quarter – broadly in line with the World Index. The Rand depreciated against the dollar over the quarter, which benefited fund returns – in US$ the fund declined modestly, falling 0,7%.

After very strong performance in 2023, the fund once again delivered good returns in both US$ (+14,3%) and ZAR (+18,3%). Over the last 5 years the fund has compounded at an annualized rate of 16,2% in ZAR.

Since inception in September 2014, the fund has delivered 15,7% compound annual returns in ZAR and has outperformed the MSCI World Index during that period. Over the last ten years the fund is ranked 1st amongst its peer group and is a consistent top or second quartile performer over most periods.

Macro Outlook

The US economy maintained its strength with GDP growth of 2.6%, reinforcing the idea of US exceptionalism. The S&P 500 once again outperformed global markets, driven by the AI theme and the "Magnificent Seven," which delivered a stellar 50% return, far outpacing the rest of the index. In contrast, European economic trends weakened during the year.

Developed markets outperformed emerging markets (+19.2% vs. +8.1%), with growth stocks(+26%) leading value by a wide margin. Commodities saw modest gains, with gold standing out at +27%, despite the high-interest-rate environment. Global investment-grade bonds, however, delivered -1.7**%**, reflecting sticky inflation and robust growth.

A significant capex cycle linked to Cloud and AI continued, 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.

Portfolio

Contributors: The top contributors in the quarter included Broadcom (+35%), Salesforce (+22%) and ServiceNow (+18%). We have owned Broadcom for many years and consider it a reasonable play on the AI theme without having to bear the risk of onerous valuations. While the company's valuation has increased over the year, so too has the markets recognition of the AI opportunity within the business – reflected in a 20% move on its recent results.

Detractors: The biggest losers last quarter were Crox (-24%), Alibaba (-20%) and various downside protection PUTS on the S&P500. We continue to focus our efforts and attention on finding high quality growth compounders to invest in at prices that do not appear totally unreasonable – notwithstanding market risks and potential volatility, we believe such a portfolio will best serve our investors over time.

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. We remain committed to this approach while still paying attention to the valuation risk which can be common in these types of companies.

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