BlueAlpha BCI Global Equity Fund – Class A

Quarter 2 2025

Performance Period	Fund Return	Sector Average
1 Year	**9.3%**	11.2%
3 Years (annualised)	**16.8%**	17.6%
5 Years (annualised)	**10.4%**	12.2%
10 Years (annualised)	**13.8%**	11.7%
Since Inception (annualised)	**14.7%**	11.9%

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	**2%**
Equity	**98%**
Consumer Discretionary	23%
Financials	12%
Health Care	8%
Industrials	12%
Technology	41%
Telecommunications	2%

Top 5 Global Holdings
Nvidia Broadcom Microsoft Blackrock KLA Corp

USA	92%
Europe	8%
ASIA	0%

Portfolio Manager: Richard Pitt / Walter Jacobs
Commentary for the Quarter ended June 2025

Performance

The second quarter was characterised by a recovery and re-pricing after the initial tariff shock news. Despite underlying uncertainties, global markets performed strongly through the quarter, gaining 11,5% in US$. The fund gained 7,5% in US$ over the quarter. Regional overweights in the US and high exposure to consumer discretionary and healthcare sectors dragged performance. Continued US$ weakness and relative Rand strength resulted in returns of 3,8% in ZAR. Over the last 5 years, the fund has compounded at an annualised rate of 10,7% in ZAR. Since its inception in September 2014, the fund has delivered 14,4% compound annual returns in ZAR and has substantially outperformed the peer group over that period.

Global Macro

Notwithstanding significant volatility, there was a substantial rebound in markets in the second quarter. The 2 main issues increasing uncertainty were the Trump administration sweeping tariff announcements in early April, and war in the Middle East in the latter part. However, the rhetoric around tariffs de-escalated quickly as a pause on the most severe implementation was announced. With optimism around trade deals with China and the UK and a sense that final tariffs would be much lower than originally anticipated – improving sentiment led to a significant rebound in markets. While geopolitical tension between Isreal and Iran briefly threatened to derail the positive market environment, for the moment the market seems unconcerned about possible escalation in the region. The ECB cut rates by 25bps in June, while the Fed, BOE and BOJ all kept benchmark rates unchanged.Global inflation data remains relatively mild with the US at 2.4%, Europe just below 2% and China still recording deflation. The eventual implementation and extent of tariffs remains a concern for inflation expectations going forward.

The World Index gained 11.5% over the quarter – in the US, growth stocks outperformed with the Nasdaq gaining 18%. Regional performance was led by Germany and Japan – both above 17%. China's Hang Seng delivered a modest 5% gain with property sector issues still weighing on the region. Global bonds gained 4,5% with US bonds delivering the lowest return. Yields on US 10-year treasuries were broadly flat over the period ending at 4,2%. Platinum and palladium rallied strongly in the quarter, gaining 36% and 16% respectively. Gold continued to rise and is up 40% over the last 12 months. The US$ declined by 7% during the quarter and is now showing the worst start to the year since 1973. While Growth is still leading Value in the US, it is interesting to note that ex the US, Value has been beating Growth for the last 4 years.

Portfolio

The top contributors in the quarter included Broadcom (+65%), KLA Corp (+32%) and Microsoft (+32%). Across the board the fund benefited from its exposure to technology companies, which was a complete reversal of the prior quarter's sell-off in this area of the market. The biggest losers last quarter were UnitedHealth (-40%), Deckers Outdoor (-18%) and Alibaba (-13%). After decades of high returns on invested capital and steady compounding, UnitedHealth has suffered a 50% decline over the last 3 months based on the negative impact of policy crackdowns, DoJ investigations, and Medicare/Medicaid cuts. Regulatory headwinds will likely slow growth – but the diversified business model and a strong market position provide upside potential.

We recently bought Deckers following a 40% decline on tariffs and macro concerns – only to see it fall further. The market is implying that returns will drop to half of its historical range, which we think is far too pessimistic. Understandably, investors worry as prices decline. When this happens with companies that have a history of good returns on invested capital, we think this creates interesting opportunities. We continue to focus our efforts and attention on finding high quality growth compounders to invest in at prices that do not appear unreasonable.

Our approach

In February the fund was recognized by FundHub as the best 10-year performance award in the Global-Equity- General category. Our investment approach is premised on the idea that in the long run investment returns are largely driven by the company's ability to grow their real cash earnings for sustained periods of time. To do this they must be able to generate high rates of cash returns when measured against the capital required, and they must have a growth opportunity to reinvest this cash over time. Notwithstanding current shifts in global markets, we remain committed to this approach while still paying attention to the valuation risk which can be common in these types of companies.