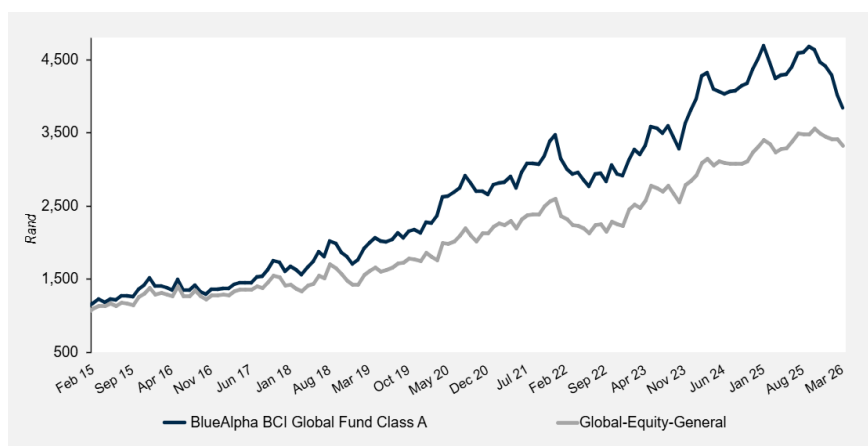




BlueAlpha BCI Global Equity Fund

Our Global Equity Performance



*Benchmark: Global-Equity-General Category Average
Inception: September 2014

Source: Fund Focus (Iress),
Bloomberg

In this issue

Investment Focus

MTN Group: Operating cash flow normalisation underpins improved distributable capacity. The FY25 free cash flow step-up ensures a link between operating performance and distributable cash. This is something important to note for BlueAlpha's process; cash generation funded by operations, supported by discipline on costs and reinvestment, underwrites intrinsic value and shareholder returns through the cycle.

Looking back

Historical development and global expansion of Bid Corp. Bidcorp's transformation into a global foodservice operator gathered momentum in the mid-2000s through a deliberate, disciplined acquisition strategy. In 2006, Bidcorp entered the European foodservice market by acquiring Deli XL in the Netherlands and Belgium. This greatly expanded its product range and introduced it to sophisticated European distribution networks. The following year, Bidcorp expanded into Asia and the Middle East through the acquisitions of Angliss in Singapore and Hong Kong, and Horeca Trade in the UAE.

Chart Focus

Governments are abandoning the younger generations. Increasingly, the older generation is consuming the bulk of public spending. Retirees in the USA receive 38% of total federal funding, even though they make up only 18% of the population. This rises to 48% if you proportionally include the unassigned age spending. This problem is 30 years in the making and will take a lot more political upheaval to rebalance.

Book Review

The Coming Wave – Mustafa Suleyman and Michael Bhaskar. The authors present technology's rise not only as a policy challenge but also as a test of human nature. The pursuit of efficiency and profit may conflict with core moral and social values. If left unchecked, these systems could displace creativity and autonomy — leading to what Suleyman describes as "technological domination."

Investment Objective

The primary objective of the BlueAlpha BCI Global Equity Fund is to offer investors a high long term total return by investing across global equity markets.

Our Global Equity Track Record

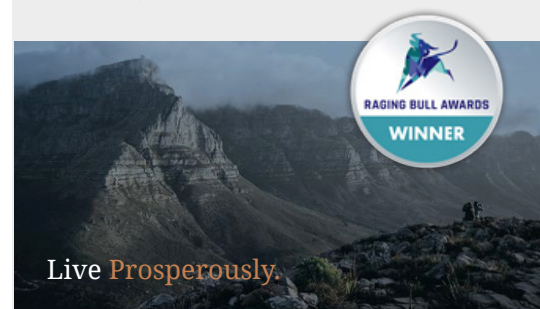
Performance reported in ZAR	1 Year	3 Years (annualised)	5 Years (annualised)	Since Incept. (Sept 2014 - annualised)
BlueAlpha Return*	-9.4%	6.2%	6.4%	12.3%
Sector Average	4.3%	10.7%	8.9%	11.0%
Relative Performance	-13.7%	-4.5%	-2.5%	1.3%

*BlueAlpha BCI Global Equity A Class net of fees

Source: Fund Focus (Iress),
Bloomberg

Fund fact sheets (MDDs) available on www.bluealphafunds.com

BlueAlpha Investment Management (Pty) Limited is an authorised financial services provider
11th Floor Convention Tower, Cnr. Heerengracht St and Walter Sisulu Ave, Cape Town 8001
Tel: +27 (0)21 409 7100 · www.bluealphafunds.com



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Looking Back: Historical Development and Global Expansion

Bid Corporation Limited was established in 1995 within The Bidvest Group as a globally oriented, pure-play foodservice enterprise, supplying fresh, frozen, and ambient food products, along with catering and hospitality essentials, to restaurants, hotels, healthcare facilities, and institutional customers. Its decentralised structure provides regional teams with independence while utilising group support, enabling strong local market insight and supporting rapid international growth.

Bidcorp's transformation into a global foodservice operator gathered momentum in the mid-2000s through a deliberate, disciplined acquisition strategy. In 2006, Bidcorp entered the European foodservice market by acquiring Deli XL in the Netherlands and Belgium. This greatly expanded its product range and introduced it to sophisticated European distribution networks. The following year, Bidcorp expanded into Asia and the Middle East through the acquisitions of Angliss in Singapore and Hong Kong, and Horeca Trade in the UAE. These deals provided not just scale but also enhanced capabilities, especially in chilled and frozen categories, while opening doors to new customer segments across hospitality, healthcare, and institutional catering.

Strategic Rationale Behind the Unbundling

Between 2013 and 2015, Bidcorp expanded its regional presence through acquisitions in Turkey, Brazil, and Italy, strengthening its emerging-market footprint and establishing a global presence that was now too vast, diverse, and strategically distinct to remain within Bidvest. By 2016, the strategic rationale for unbundling had become unavoidable.



Bidcorp's global foodservice operations operated in different markets, currencies, and competitive landscapes compared to Bidvest's South African operations. As Bidcorp's scale increased, the conglomerate structure began to obscure its pure-play foodservice valuation, and management could no longer efficiently allocate capital within the parent group's competing priorities.

The unbundling of Bidcorp in May 2016 therefore unlocked a more transparent valuation and provided the newly listed entity with the independence needed to pursue acquisitions, invest in technology, and tailor its capital structure for global expansion.

Post-Unbundling Operating Model and Evolution

The shift following unbundling was immediate and transformative. Bidcorp strengthened its decentralised operating model, enabling each region to function like an entrepreneurial business while group leadership concentrated on capital discipline, global procurement, and sharing best practices.

Between 2017 and 2019, Bidcorp pursued a series of acquisitions across Europe, the UK, Spain, Portugal, Germany, Austria, and Argentina. The acquisition of Guzmán Gastronomía in Spain in 2017 provided Bidcorp with a significant foothold in Southern Europe, while bolt-ons in Australia and New Zealand in 2018 and 2019 enhanced its processing, manufacturing, and value-add capabilities. These years were characterised by strong financial growth: trading profit margins remained above the 5% threshold, and cash generation consistently exceeded expectations. The share price reflected this momentum, increasing by 22% in 2017 and by an impressive 26.6% in 2019, as the acquisitions were successfully integrated and the global footprint demonstrated resilience across economic cycles.

Surviving Global Disruption

Then came the unexpected global disruption of 2020. The COVID-19 pandemic sent shockwaves through the foodservice sector, with lockdowns closing restaurants, hotels, and catering businesses worldwide.

Bidcorp's revenue fell 10.9% in the six months ending December 2020, while trading profit decreased by 37.4%, causing the trading margin to drop to 3.7%, significantly below the pre-pandemic level of around 5.2%. The share price reflected the industry's turmoil, declining 21% during FY2020 as markets factored in severe disruptions and liquidity risks. However, the decentralised model again proved its resilience. Regional teams responded quickly, adjusting cost structures, managing inventory, and reallocating resources to essential service clients, such as hospitals and care facilities.

Bidcorp's economic profit trend since unbundling highlights consistent value creation across the cycle. Economic profit increased from R2.5 billion in 2016 to R3.5 billion in 2019, reflecting early benefits from strategic focus and acquisition integration. The COVID-19 disruption in 2020 led to a temporary decline to R1.6 billion, but the business remained economically profitable. From 2021 onward, economic profit recovered steadily, rising to R5.0 billion in 2023 and R6.8 billion in 2025, supported by margin

expansion and operating leverage. Forecasts indicate sustained value creation, with economic profit expected to remain above R6.5 billion through 2027, underscoring Bidcorp's ability to generate returns above its cost of capital.

Throughout 2022 and 2023, the company built on this momentum. EBITDA margin increased from 4.3% in 2021 to 5.3% in 2022, surpassing pre-pandemic levels as the business benefited from both operating leverage and improved pricing discipline across major markets.

Although the share price remained relatively flat in 2022, this stability reflected market consolidation rather than operational weakness. In fact, 2023 saw Bidcorp accelerate its acquisition pace, particularly in New Zealand, Australia, Spain, and the UK, where bolt-ons such as Total Repack strengthened value-add processing while Harvest Fine Foods expanded distribution capability across the UK's south coast.



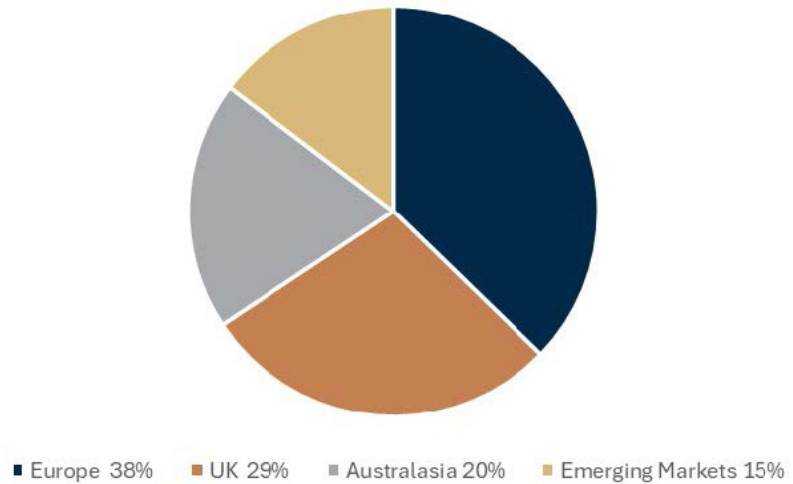
Source: HOLT Lens, BlueAlpha Investment Management

In 2024 and 2025, Bidcorp further refined its portfolio through selective acquisitions and targeted disposals. The acquisitions of Midwest Foods in Australia and Unick Foods in South Africa in 2024 enhanced manufacturing capacity and procurement leverage, while the disposal of Pier 7 in Germany in 2025 reflected disciplined capital allocation in markets where scale and synergy potential were limited. Financial performance remained robust: in FY2025, revenue reached R235.6 billion, trading profit increased by 9.3% to R13.0 billion, and the trading margin improved to 5.5%, the highest since the unbundling in 2016. Cash generation was strong at 122% of trading profit, highlighting the company's efficient working capital management. The share price rose by 4.8% in 2025, driven by resilient performance and positive expectations for future acquisitions.

Geographic Footprint and Strategic Market Selection

Geographically, Bidcorp's revenue is spread across Europe, the United Kingdom, Australasia, and Emerging Markets. In FY2025, Europe contributed approximately 38% of total revenue; the UK accounted for 29%; Australasia contributed 20%; and Emerging Markets delivered 15%. These regions were selected based on a combination of scale potential, structural foodservice demand, market maturity, and growth prospects. Europe and the UK offer large, developed markets with established independent customer bases, while Australasia provides exceptional margin stability and high-value processing capability. Although their current contribution is smaller, Emerging Markets represent long-term strategic growth as out-of-home eating patterns continue to expand.

FY2025 REGIONAL SALES DISTRIBUTION



Source: SBG Securities, BlueAlpha Investment Management



Competitive Landscape, Market Positioning, and Industry Dynamics

Bidcorp occupies a differentiated position as the largest global foodservice distributor outside North America, combining global scale with local execution. Direct competitors such as Sysco, US Foods, and Performance Food Group benefit from domestic scale and procurement power, while contract caterers like Compass Group and Sodexo operate adjacent institutional models. Smaller regional distributors lack the scale, systems, and capital intensity required to compete meaningfully across categories and geographies.

UK bolt-ons have strengthened last-mile distribution, while processing acquisitions in Australia and New Zealand have driven higher-margin categories. Europe's

acquisitions have expanded new speciality ranges and increased procurement synergies. Competitors, recognising the effectiveness of these moves, have accelerated their own acquisition strategies, yet few have achieved Bidcorp's balance between integration discipline and local autonomy.

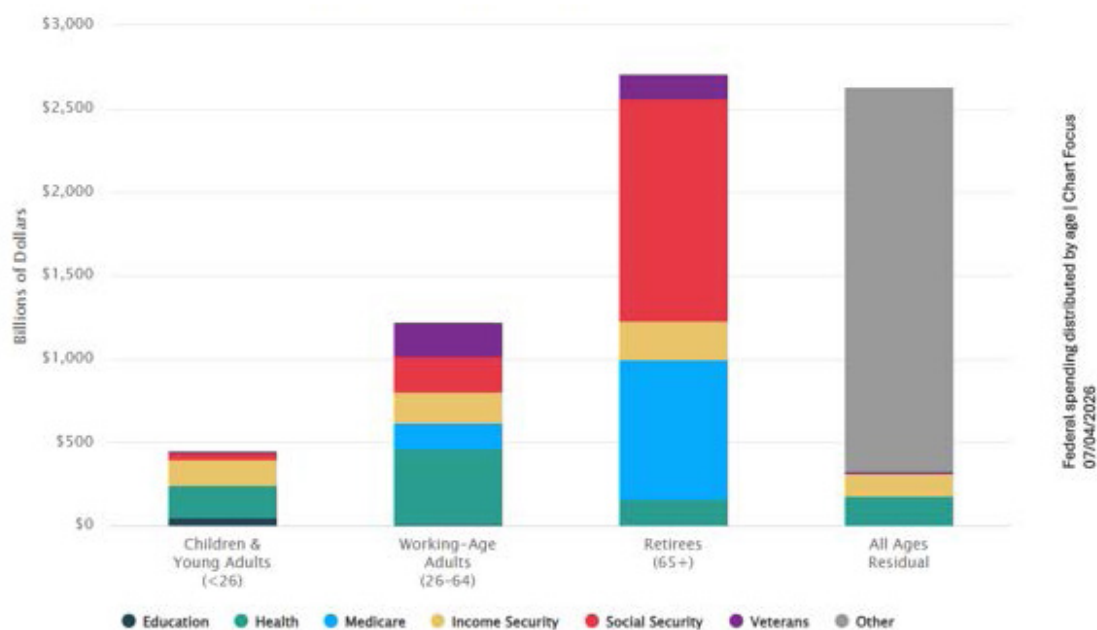
Bidcorp's evolution from a regional foodservice subsidiary to an international leader demonstrates a notable combination of strategic clarity, operational resilience, and disciplined expansion. The company has withstood economic cycles, a global pandemic, shifting consumer behaviour, and competitive pressures, emerging stronger each time. Its future trajectory continues to be shaped by its decentralised structure, commitment to regional relevance, and ability to successfully integrate acquisitions that enhance capability and add value across its global platform.

Chart Focus: Governments are abandoning the younger generations.

The chart focus this quarter explores which age demographic government spending prioritises. Increasingly, the older generation is consuming the bulk of public spending.

Retirees in the USA receive 38% of total federal funding, even though they make up only 18% of the population. This rises to 48% if you proportionally include the unassigned age spending. Figure 1 below sets out the USA federal spending allocated by age. The non-age-assigned group consists mainly of interest payments and defence spending.

FIGURE 1: FY2025 FEDERAL OUTLAYS BY PROGRAM CATEGORY AND AGE GROUP (BILLIONS)



Source: Penn Wharton Budget Model; How Federal Spending is Distributed by Age

This overspending on retirees is a feature of Western countries. Figure 1 is not the most captivating of graphs. Figure 2 shows how acute the problem has become by comparing retirees' income with the median working-age income. In most countries, it is very generous

It is quite easy to see how we got here, but very difficult to find solutions.

The main reason is quite simply that young people don't vote. And even the 18 to 25-year-olds who do vote are not organised in any meaningful way to have a "voice" at the government table. Corporations have the greatest influence over politicians, which is why corporate tax accounts for a very small share of government receipts. The older generations are more politically involved and, in general, are happy with the status quo.

The other main reasons are taxes. Obviously, the working population pays taxes. In general, the older population doesn't earn income but has assets, which, in theory, could be taxed. But we have seen that any form of wealth tax tends to have very negative consequences, as the UK is currently finding out.

This problem is 30 years in the making and will take a lot more political upheaval to rebalance.

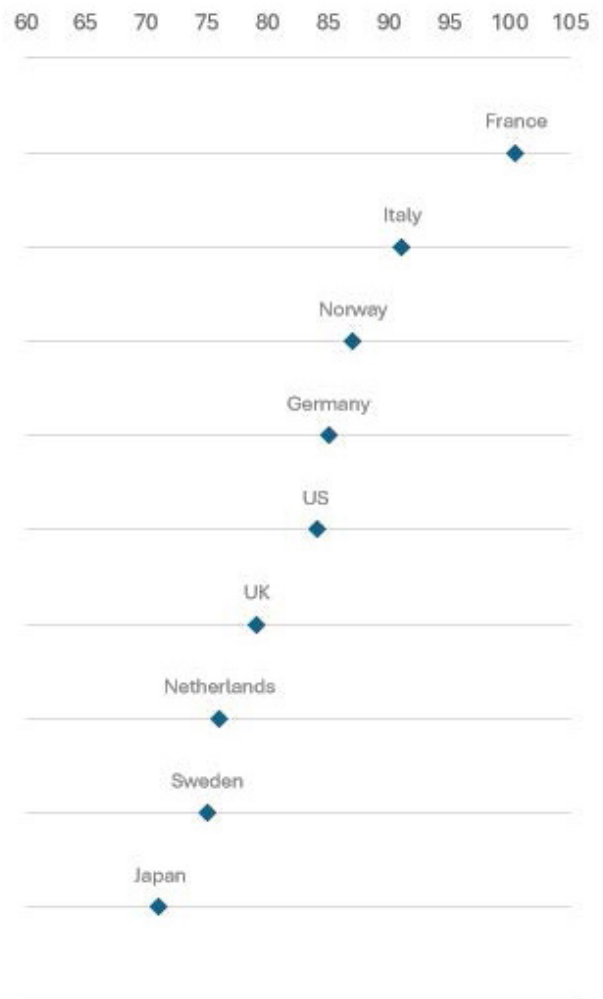
The obvious solution is to reduce some of the benefits. But as any politician in the UK knows, for all their bright ideas about how to fix the UK, the surest way to lose an election is to say you are going to reduce NHS spending and cap pension increases. (The UK has an agreement to raise pensions by the larger of inflation, private sector wage growth or 2.5%. Over the last 4 years, this has delivered a 30% rise.)

Similarly, France's pension reform to raise the retirement age, signed in 2023, has been postponed until 2027.

A small word on South Africa.

Fortunately for South Africa, this problem is quite small. There is just not the same level of generous spending on older people as there is in the Western World. In a way, South Africa's problems are easier to solve than those of a country like the UK.

**FIGURE 2: RELATIVE INCOME OF OVER-65s
(WORKING-AGE AVERAGE = 100)**



Source: OECD; FT analysis of Luxembourg Income Study

Investment Focus: MTN Group:

Operating cash flow normalisation underpins improved distributable capacity

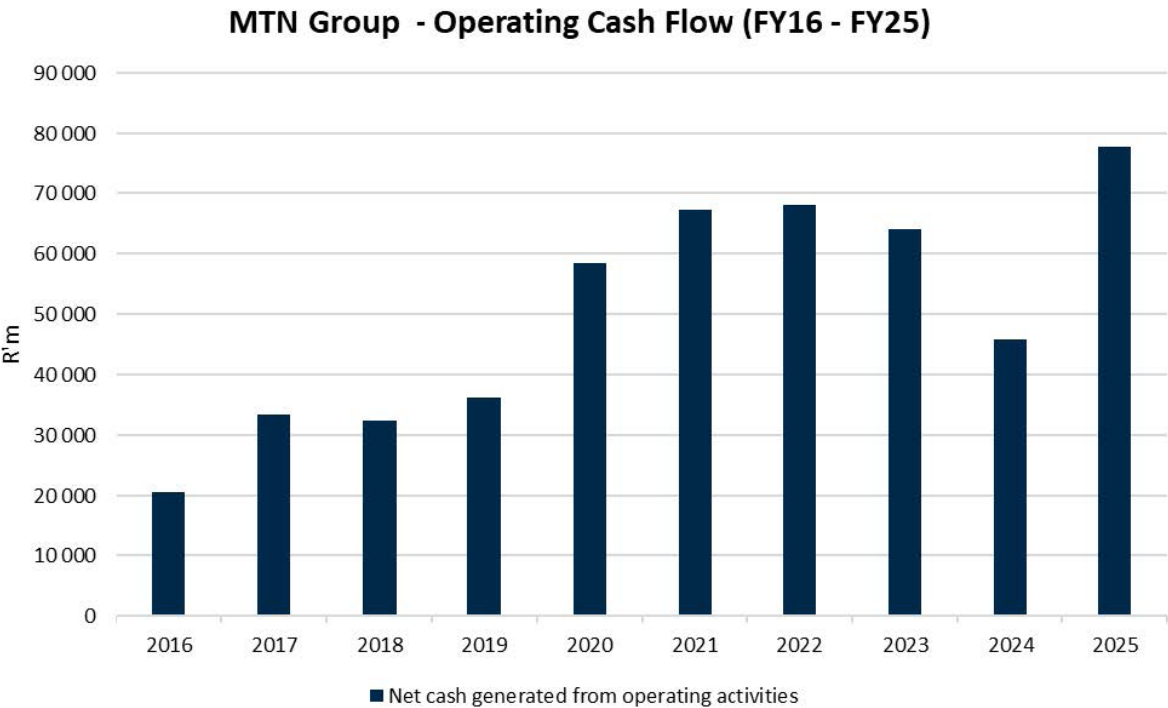
MTN Group’s cash flow history over the last decade is best understood through the lens of frontier market volatility. Periods of currency devaluation, inflation and elevated USD-linked costs have repeatedly eroded earnings and free cash flow. FY25 stands out as an inflexion point, with operating cash generation recovering sharply and free cash flow strengthening, underpinning a step-up in shareholder distributions.

Operating cash flow recovery

Figure 1 shows MTN’s net cash generated from operating activities over the past decade. After a weaker FY23 and FY24, which were marked by foreign currency devaluations (to the US dollar) and continued elevated inflation levels, impacting the main operating companies, particularly in West Africa. Operating cash flow rebounded strongly in FY25 after a turnaround in

the macro environment, as cash repatriation (to the group) risks eased with improved FX liquidity conditions. **MTN Nigeria and MTN Ghana** saw improved earnings post Dec 2024, when the Nigerian telco sector received approval for regulated price increases, and Ghana continued seeing strong data and mobile money revenue growth; their contribution to EBITDA is now just over 50% of group earnings.

FIGURE 1: OPERATING CASH FLOW



Source: Refinitiv

The Group's **FY25 improvement reflects both top-line momentum** in key operating companies and ongoing **execution on cost discipline**. MTN continues to scale, with a consensus average revenue growth rate of approximately 14% for the next 2 years; seeing growth in total subscribers, active data customers and data traffic growth, in most of their markets outside South Africa. Mobile money (fintech) momentum also remains robust. The group emphasised their focus on connectivity, fintech and digital infrastructure for future growth. Following solid FY25 results, the group raised dividend guidance to target 40–60% of equity FCF and announced a R6bn share buyback over three years from 2026 (subject to approval).

1 Bloomberg

Free cash flow and FCF yield recovery

Figure 2 plots free cash flow (FCF) from FY16 to FY25 and FCF yield using enterprise value to provide a capital structure neutral view. The chart highlights the FY25 rebound in free cash flow alongside an improvement in FCF yield. After several years of volatile and, at times,

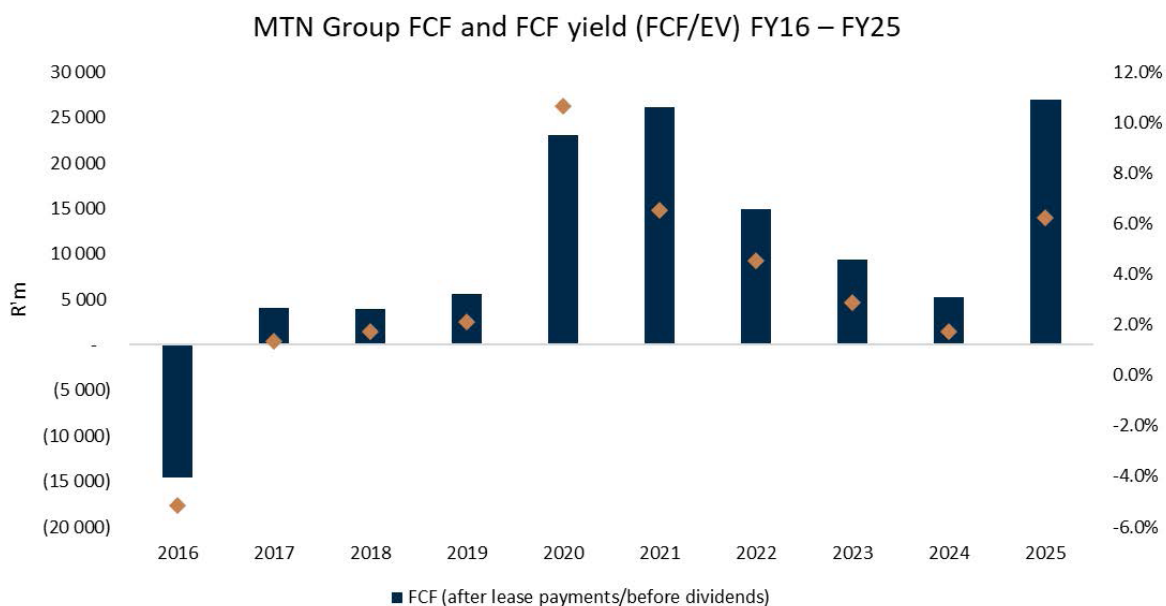
negative free cash generation - reflecting currency shocks, elevated capex intensity and working capital drag, FY25 saw normalisation in free cash flows.

The FY25 **free cash flow step-up** ensures a link between operating performance and distributable cash. This is something important to note for BlueAlpha's process; cash generation funded by operations, supported by discipline on costs and reinvestment, **underwrites intrinsic value and shareholder returns through the cycle**.

A risk to highlight, however, is that as MTN's SA market matures and growth dissipates, leaving Nigeria and Ghana as the primary growth engines for earnings and cash flow, the transition will materially reshape the Group's risk and return profile. With this mix shift comes greater earnings and cash flow volatility from exposure to currency risks, regulation, fuel and power costs.

This instability will mean a higher cost of equity for the group and periodic rather than sustainable cash upstreaming from operating companies to the group.

FIGURE 2: FREE CASH FLOW AND FCF YIELD (RHS)



Source: BlueAlpha, Company data, Bloomberg

While management teams have long acknowledged this challenge, they previously lacked the excess cash needed to reinvest in operations. Today's environment, however, presents a unique opportunity: elevated gold prices have driven return on invested capital (ROIC) above the weighted average cost of capital (WACC), making reinvestment highly compelling. Historically, South African miners struggled to maintain ROIC above 10%, highlighting past inefficiencies. Now, with ROIC exceeding WACC, the incentive to reinvest is stronger than ever.

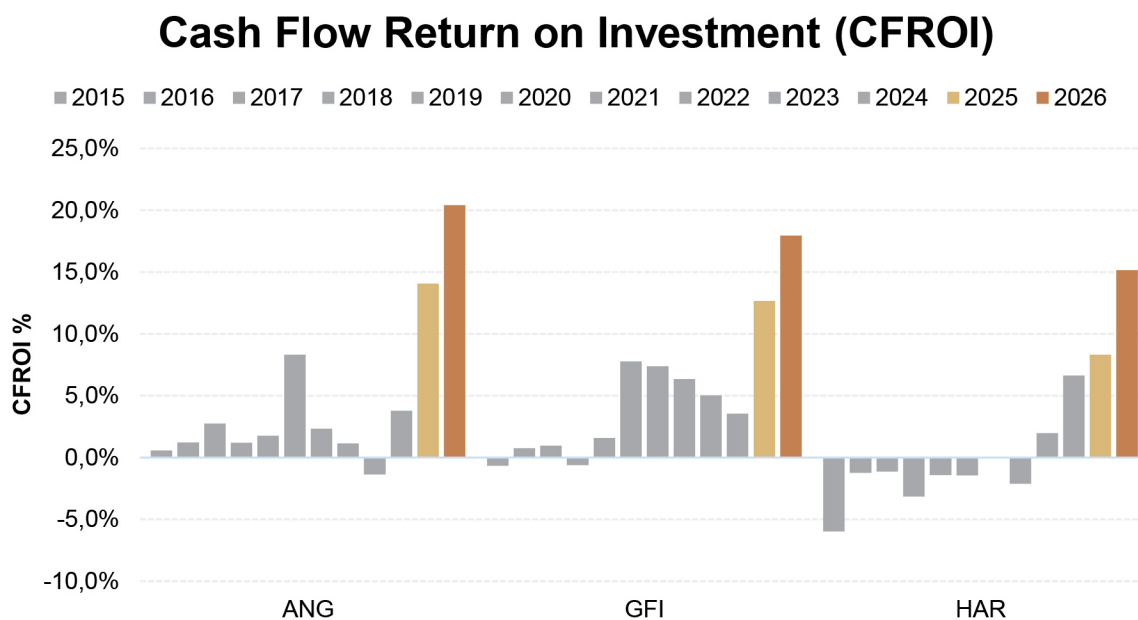
Success, however, depends on disciplined capital allocation and effective project execution. While companies

are at different stages of the capital cycle—some prioritising efficiency, others expansion—they share a common challenge: managing excess cash while balancing shareholder returns with long-term growth.

Gold Outlook remains strong amid geopolitical tailwinds

Geopolitical tensions, recently seen between the U.S. and Venezuela—continue to underpin a positive outlook for gold. With prices above \$4,400 per ounce, most mining operations remain highly profitable and are well positioned to deliver strong results. At current spot levels, many gold miners appear undervalued, offering attractive potential returns.

FIGURE 3: CFROI TRENDS: PAST PERFORMANCE AND FUTURE OUTLOOK



Source: HOLT Lens, BlueAlpha Investment Management

At BlueAlpha, we focus on Cash Flow Return on Investment (CFROI), a metric that reflects a company's ability to generate cash by converting accounting data into cash-based performance. As shown in the chart above, the three leading JSE-listed gold stocks are at, or projected to reach, their highest CFROI levels in decades—signalling robust economic profit generation. We expect these tailwinds to persist into 2026, providing further upside for the sector. With gold stocks accounting for over 15% of the ALSI index, sector exposure remains critical to relative performance. Within this space, we maintain a selective approach, favouring quality names such as AngloGold (ANG) and Gold Fields (GFI).

Recommended Read:

The Coming Wave – by Mustafa Suleyman and Michael Bhaskar

The Coming Wave explores one of the most urgent questions of our time: how will humans adapt to a surge of advanced technologies — particularly artificial intelligence (AI) and synthetic biology — that are driving change at a pace society struggles to keep up with? Mustafa Suleyman, co-founder of Google’s DeepMind, one of the world’s leading AI companies behind AlphaFold and Gemini, along with co-author Michael Bhaskar, argues that humanity stands at a pivotal moment. The authors describe this period as “the coming wave” — a series of transformative innovations that will influence economics, politics, and ethics throughout the 21st century.

1. The Central Thesis — Containment vs Chaos

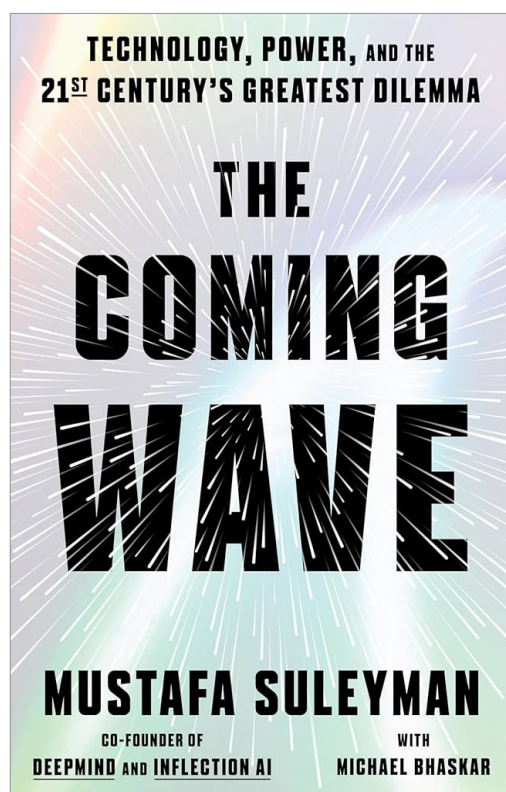
Suleyman’s main argument centres on what he calls a “containment problem.” Just as nuclear power required international safeguards, AI, robotics, and biotech now demand something similar — but much more complex. These technologies are democratising power: anyone with code, data, or lab access could potentially cause large-scale disruption.

Unlike past industrial revolutions, this wave isn’t limited to governments or corporations. The tools are cheap, global, and increasingly self-improving. Suleyman warns that traditional regulatory methods — laws, standards, treaties — will struggle to keep pace. Instead, humanity must create new governance mechanisms to balance innovation and control before the wave becomes destructive.

2. The Nature of the Coming Wave

To illustrate this point, the authors segment the coming wave into two transformative domains:

- **The wave of AI and digital technologies:** machines capable of reasoning, perceiving, and interacting autonomously are transforming knowledge work, defence systems, and creative industries.
- **The wave of synthetic biology:** the capacity to modify genes, produce proteins, and engineer entire organisms will transform agriculture, medicine, and even human evolution.



Each of these waves shares three key traits: velocity (rapid acceleration), scale (global reach), and autonomy (reduced human control). Together, they generate exponential feedback loops where progress amplifies itself — what Suleyman describes as “systemic acceleration.”

Technological Domain	Key Forces	Opportunities	Risks
Artificial Intelligence	Automation, reasoning, and creative generation	Productivity boom, customised education, accelerated research	Job displacement, misinformation, and autonomous weapons
Synthetic Biology	Gene editing, bio-manufacturing, disease modelling	Personalised medicine, food security, green energy	Biohazards, ethical concerns, and uncontrolled experimentation
Quantum & Computing Infrastructure	Advanced hardware and cloud integration	Optimisation in finance, logistics, and energy	Geopolitical competition, data vulnerability
Robotics & Automation	Physical autonomy and dexterous machines	Manufacturing efficiency, eldercare, infrastructure repair	Labor disruption, weaponization

This table captures both the dual-edge nature of technological progress and the difficulty of containing it once unleashed.

3 The Wave's Economic and Geopolitical Implications

From an investor's perspective, *The Coming Wave* isn't just about risks — it's about where power and value will concentrate. Suleyman forecasts:

- **Economic Concentration:** AI and biotech breakthroughs will intensify existing winner-takes-all dynamics. Companies with superior computational, data, and distribution advantages (such as major US and Chinese tech firms) may dominate entire sectors.
- **Geopolitical Realignment:** Technological leadership will determine national strength. Countries skilled in AI infrastructure, chip design, and computational biology will influence global policy and standards.
- **Value Migration:** As automation reduces costs, surplus capital will shift towards ideas, data, and intellectual property rather than physical assets. Intellectual capital will become the most valuable resource for production.

Understanding which **industries act as "enablers"** (e.g., semiconductor producers, cloud providers, model training infrastructure, compute optimisation firms) becomes essential. Like the railways of the 19th century or the internet backbone of the late 20th century, these chokepoints will secure long-term margins.

4. Humanity's Challenge — Containing the Wave

Suleyman argues that containment is not the same as stopping innovation. Instead, it involves guided diffusion — enabling technology to spread while setting ethical, social, or legal limits. He makes historical comparisons with the nuclear age and industrial revolutions, which introduced new systems of oversight and governance. However, unlike the atomic age, the diffusion of AI and

biotech cannot be physically restricted. Algorithms and gene-editing technologies can replicate and develop faster than governments can legislate. Therefore, containment must be adaptable — combining technical guardrails (like aligned AI systems), market incentives, and international cooperation.

One of Suleyman's most pragmatic proposals is establishing international coordination bodies similar to the International Atomic Energy Agency — but focused on digital and biological governance. He also underlines the importance of corporate ethics boards and transparent AI architectures to prevent misuse.

5. The Human Dimension — Power, Profit, and Purpose

The authors present technology's rise not only as a policy challenge but also as a test of human nature. The pursuit of efficiency and profit may conflict with core moral and social values. If left unchecked, these systems could displace creativity and autonomy — leading to what Suleyman describes as "technological domination."

6. Conclusion — Riding the Wave Responsibly

Suleyman and Bhaskar conclude on a balanced note. The upcoming wave will bring unprecedented prosperity and capabilities but could also widen inequality, diminish social trust, and increase systemic risks. The choice isn't between progress and pause, but between direction and chaos.

In effect, **the book is both a warning and a blueprint** for managing an uncertain technological future. The wave is unstoppable — but how we surf it determines whether it becomes a force for collapse or collective progress.

BlueAlpha Investment Offering

Our long term track record demonstrates our ability to create wealth for our investors.

Our Domestic Equity Performance – BlueAlpha BCI Equity

	1 Year	3 Years (annualised)	5 Years (annualised)	Since Incept. (July 2014 annualised)
BlueAlpha Return	18.7%	14.4%	10.1%	9.1%
SA Equity – General Sector Average	24.8%	15.0%	12.6%	8.3%
Relative Performance	-6.1%	-0.6%	-2.5%	0.8%

* A Class, Net of Fees

** ASISA Category Average – SA Equity – General

Source: Fund Focus (Iress),
Bloomberg

With an experienced investment team which is recognised for outstanding investment performance in various fund classifications, we are able to offer both institutional and retail investors diverse products to meet their investment objectives.

For our **institutional investors** we currently manage South African focused equity and balanced mandates as well as a global equity product.

Our **retail** and **IFA investors** have the same access to the BlueAlpha investment process via our BlueAlpha managed unit trusts:

BlueAlpha BCI Equity Fund: is our general equity fund, managed with exposure locally and globally. Its benchmark is ASISA Category Average - SA Equity General. The fund aims to provide long-run market out-performance. It has a high risk profile.

BlueAlpha BCI All Seasons Fund: our longest running unit trust, started in 2005 and managed with

a high equity exposure in the SA Flexible Sector, aims to provide investors with consistent long term capital growth.

BlueAlpha BCI Global Equity Fund: our global equity fund provides investors with offshore equity exposure. The fund invests in developed markets with a focus on quality growth companies with a large market cap. For further details, see page 1.

BlueAlpha BCI Balanced Fund: this fund aims to achieve high capital growth through maximizing exposure to both local and global equity, as well as through sizable exposure to property. It is managed to comply with Regulation 28 and is therefore appropriate for retirement products. The fund has a medium risk profile.

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