Select BCI Worldwide Flexible Fund
Quarter 1 2024

BLUEALPHA INVESTMENT MANAGEMENT

Performance Period	Fund Return (ZAR)	MSCI World (ZAR)
1 Year	**29.0%**	33.2%
3 Years (annualised)	**14.8%**	17.9%
5 Years (annualised)	**15.6%**	18.5%
Since Inception (annualised)	**16.9%**	16.0%

Inception date: March 2017, Returns are gross of fees

Asset allocation	
Cash	13%
Equity	87%
Basic Materials	8%
Consumer Discretionary	27%
Consumer Staples	3%
Financials	10%
Health Care	9%
Industrials	9%
Technology	21%

Top 5 Holdings
SPDR Gold Shares
CROCS
Autozone
Microsoft
Abbvie

Equity Holdings by Geography	
USA	92%
Europe	2%
Asia	6%

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

Performance

The strength in risk assets continued from Q4 into an excellent first quarter for global equities. The fund gained 10,7% in ZAR over the quarter – a strong outperformance over its benchmark. Over the last 5 years, the fund has compounded at an annualized rate of 13,4% - well ahead of both its benchmark and the category average. Our investment approach has remained consistent through time. It 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. While there will always be cycles to the particular investment style that is in favour, the long-run performance of the fund is confirmation of an investment approach that is well anchored around good business sense. We remain committed to this approach with an ever-present eye on valuation risk, which is not atypical for these high return type of companies. Given the monetary inflation that we perceive in the world we have been slow to pick up any yield opportunities. With the US 10-year treasuries rising over the quarter, this view seems vindicated for now.

Global Macro

Global markets enjoyed the best start in 5 years against a backdrop of robust economic data, a shift in expectations to an extended economic cycle and soft landing, and dovish commentary from the Fed around interest rate policy. Optimism around the business opportunities within AI have also been a driver of increased valuation multiples. Nvidia – the poster child of AI – rallied 80% during the quarter adding US$1tn to its market capitalisation. This is equivalent to one fifth of the total value gain for global stock markets over the period. The performance of the "magnificent seven" has started to diverge with Apple and Tesla both declining in the quarter. Second to the outlier performance of Nvidia – Meta also had an excellent quarter gaining roughly 40%. While the strong performance of mega caps obviously adds more to total returns, there has been a healthy broadening in the performance of stocks with the equal weighted SP500 also breaking through its all-time high. The leading sectors over the quarter were Consumer Services, Energy and Technology. Utilities and Real estate lagged. Resilient economic growth and an unexpected increase in inflation has led to a moderation of investors' expectations for interest rate cuts from 6 to 3 this year which is now aligned with the Fed's projection. In line with this shift in thinking, global bonds declined by 2% over the quarter as yields moved higher. The strong moves in both Bitcoin and Gold also speak to an unusual monetary environment. According to global fund manager surveys – two-thirds of those polled do not expect a US recession in the next 12 months. At the beginning of 2023, this number was 10% - a soft economic landing is clearly the current consensus and area of potential surprise and risk for markets going forward. The real challenge will be if the labour market starts cooling while inflation remains sticky or picks up. Under this scenario the management of interest policy by the Fed will become increasingly challenging.

Portfolio

The top contributors in the quarter included Crocs (+54%), Meta (+37%) and KLA Corp (+23%). The fund also benefited from good returns in traditional quality companies such as AutoZone, NVR, Domino's and Mastercard. The biggest losers last quarter were B2Gold (-19%), United Health (-5%) and various downside protection PUTS on the S&P500. We continue to focus our efforts and attention to finding high quality growth compounders to invest in – with a very uncertain market environment we believe such a portfolio will best serve our investors. We will also manage portfolio risk by holding cash for opportunistic purchases and by purchasing downside protection from time to time given the cost is currently very modest. We maintain a reasonable direct gold exposure which worked well over the last quarter.

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