BlueAlpha BCI All Seasons Fund - Class A

Quarter 2 2024

BLUEALPHA
INVESTMENT MANAGEMENT

Asset allocation	
Domestic Equity	51%
Global Equity	37%
Cash	12%

Top Domestic Holdings
Prosus
Shoprite
ABSA
Truworths
Glencore

Top Global Holdings
Osino
Alphamine Resources
ResMed
Starbucks
Newmont

* As percentage of total fund holdings

Performance Period	Fund Return	Benchmark (CPI +5%)	Sector Average
1 Year	**10.6%**	10.4%	11.1%
3 Years (annualised)	**8.7%**	10.6%	9.8%
5 Years (annualised)	**9.6%**	9.8%	9.4%
10 Years (annualised)	**8.0%**	9.8%	7.2%
Since Inception (annualised)	**12.3%**	10.5%	10.1%

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 June 2024

Performance
For the quarter, the fund gained 1,9% and for the year the fund is up 5,97% - ahead of the annual CPI + 5% benchmark. Over both the long term and the last year the fund has delivered equity-like returns with lower downside volatility than the market.

Macro

Global
Positive economic momentum continued into the second half resulting in a good quarter for equity markets and risk assets in general. For a moment "good news became bad news" as strong economic data in April was poorly received, and markets sold off. While global inflation is moderating downwards, continued economic growth has resulted in persistent inflation in areas such as services, which remain above central bank targets for rate cuts. The interest rate outlook has changed dramatically since the beginning of the year when members of the Federal Reserve anticipated 3 cuts and market expectations were for six or seven cuts. With the last rate hike in July 2023, the Feds Fund rate has remained at 5,5% for almost 12 months. Fed projections are now for 1 cut this year with the markets still looking for 2 cuts. Given that markets have done very well, despite the anticipated interest rate environment, highlights the extremely limited value of making macro forecasts and then implementing such views into portfolio positioning. An extended high-interest environment resulted in poor returns for small-cap stocks over the quarter (-2,6%).

Developed markets delivered 2,8% return with the best returns coming from larger companies. AI continued and strong earnings form US tech stocks resulted in Growth being the best-performing equity style (+6,4%) while Value declined (-1%). Global bonds were broadly negative – both for the quarter and year to date. While high rates should impact the US consumer, a full one-third have no debt at all. As for higher mortgage rates above 7%, the average rate is only 3,8% - and almost half of all homes have no mortgage at all. Over the last quarter, the change in the S&P500 is entirely driven by Nvidia, 11 other chip companies and the Fabulous Five – the rest are down roughly 2% over the quarter. This may speak to Index risk and concentration – but also to great potential opportunities at a company-specific level.

Local
By the end of June, Eskom had achieved three months straight of no load-shedding as additional capacity from Kusile boosted the grid. Earnings recovery is expected for SA Inc stocks during FY24 compared to the load-shedding impacted FY23. The GNU-phoria saw to the SA Inc. rally by the end of the quarter, and retailers and banks were the leading sectors. Metals, however, gave back some of the Q1 gains during the second quarter. There generally is scope for rerating, should government stability continue and delivery Improves: SA is currently trading at the second largest discount vs MSCI EM, after Brazil.

The Portfolio
Following a positive rally in the currency and risk assets post the elections it is no surprise that the biggest contributors over the quarter were local investments - Truworths (+22%), FirstRand (+24%), and Shoprite (+15%). The biggest detractors over the quarter were the investment in BlueAlpha Global Equity Fund (-6%), Osino Resources (-5%) and Starbucks (-17). All approvals have been completed for the Osino buyout which will likely close in the 3rd quarter. Starbucks is a new position and declined on flat demand and a decline in US same-store sales.

Tel: +27 (21) 409 7100
Email: info@bluealphafunds.com
11th Floor Convention Tower cnr. Heerengracht Street & Walter Sisulu Avenue Cape Town 8001
www.bluealphafunds.com

BlueAlpha Investment Management (Pty) Ltd Reg. No. 2003/016855/07
Directors: Richard Pitt, Sandile Sokhela, Kirsty Minor, Peggy-Sue Khumalo