



**BLUEALPHA**

INVESTMENT MANAGEMENT

**Strategically Imbalanced - The case against  
everything in moderation**

BCI Global Investment Conference

24<sup>th</sup> May 2022

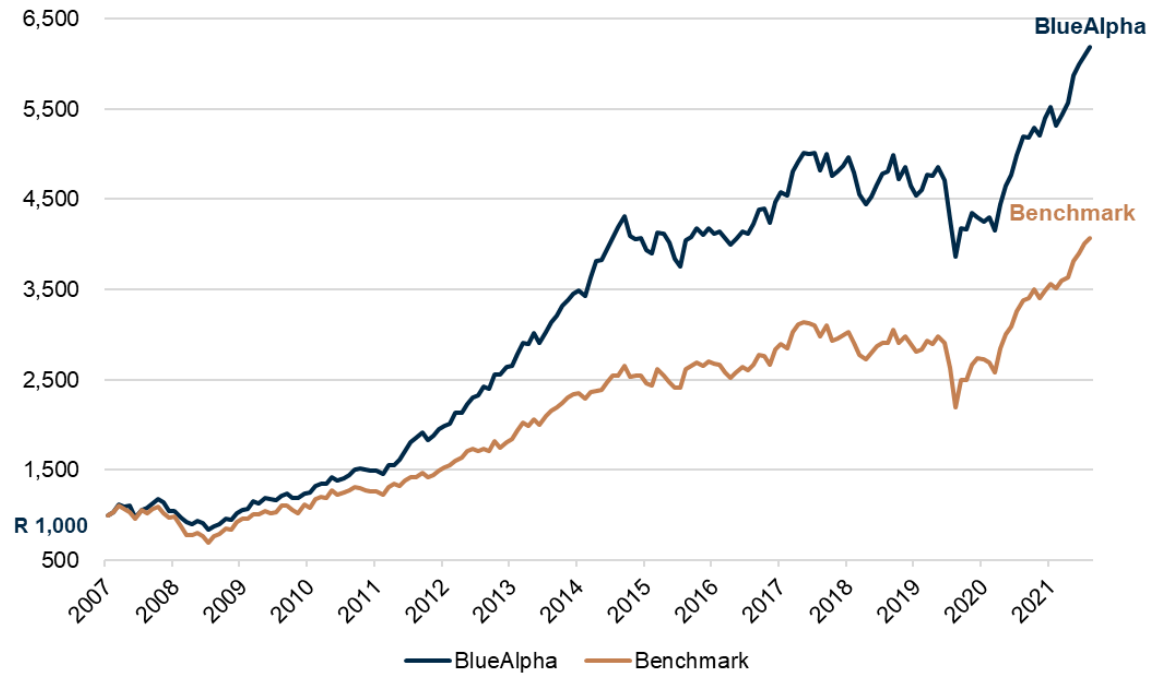
# 10 000 Rule

It takes 10,000 hours of intensive practice to achieve mastery of complex skills...



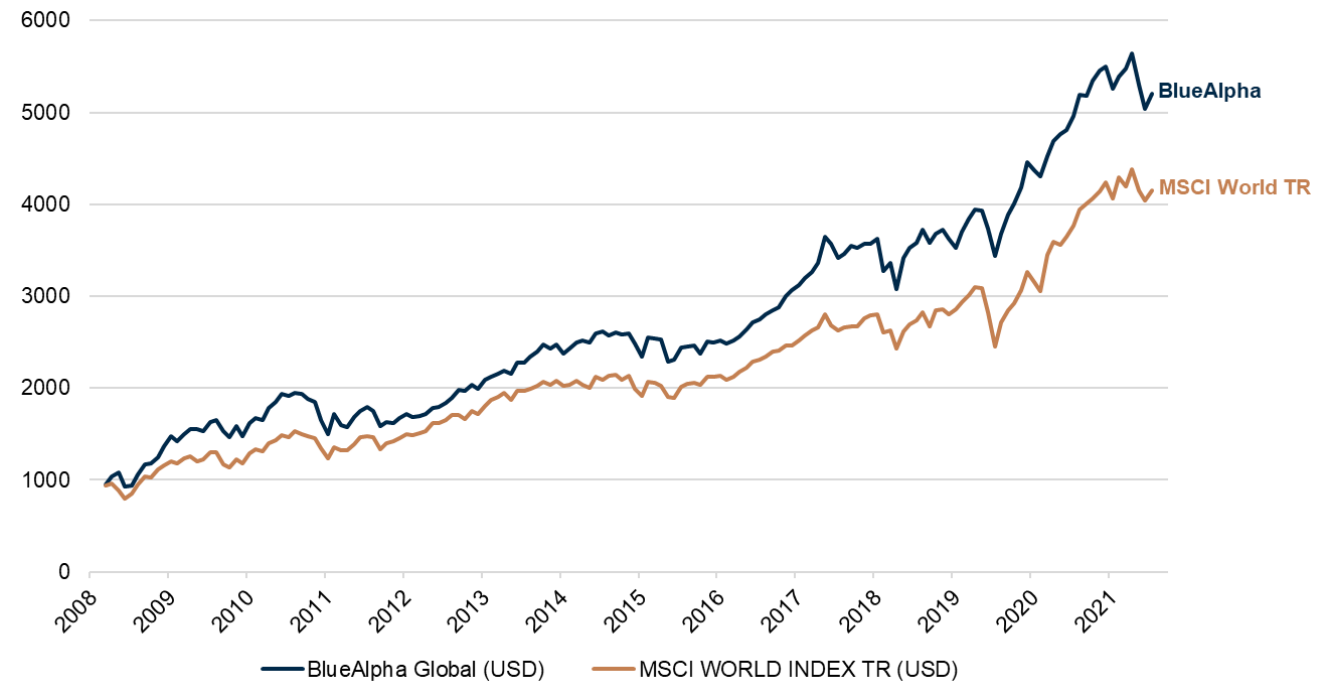
# Focus on your strengths

## BlueAlpha Local Equity Composite



Fund Benchmark: JSE SWIX until 01/11/2017 and JSE Capped Swix thereafter

## BlueAlpha Global Equity Composite



Fund Benchmark: 20% USD Libor, 80% MSCI World Index ZAR until 30/09/2020 and MSCI World TR index (in ZAR) from 01/10/2020

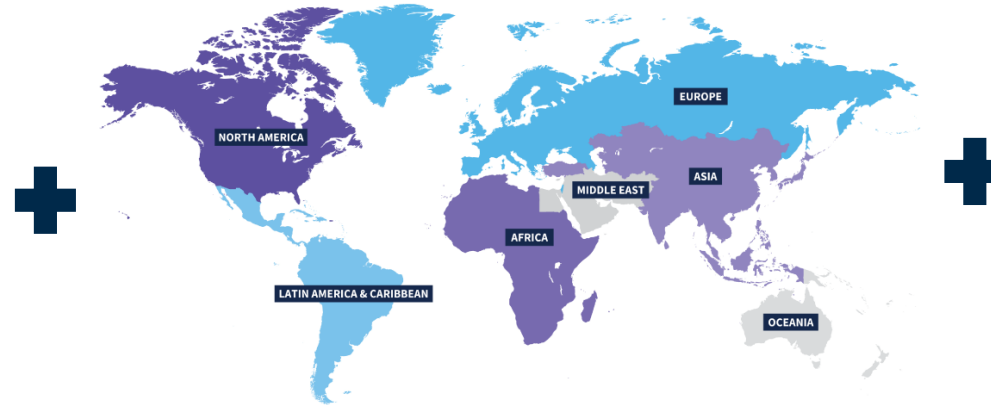
# Avoid too many decisions

What is your chance of getting it right?

Currency: 60%



Region: 60%



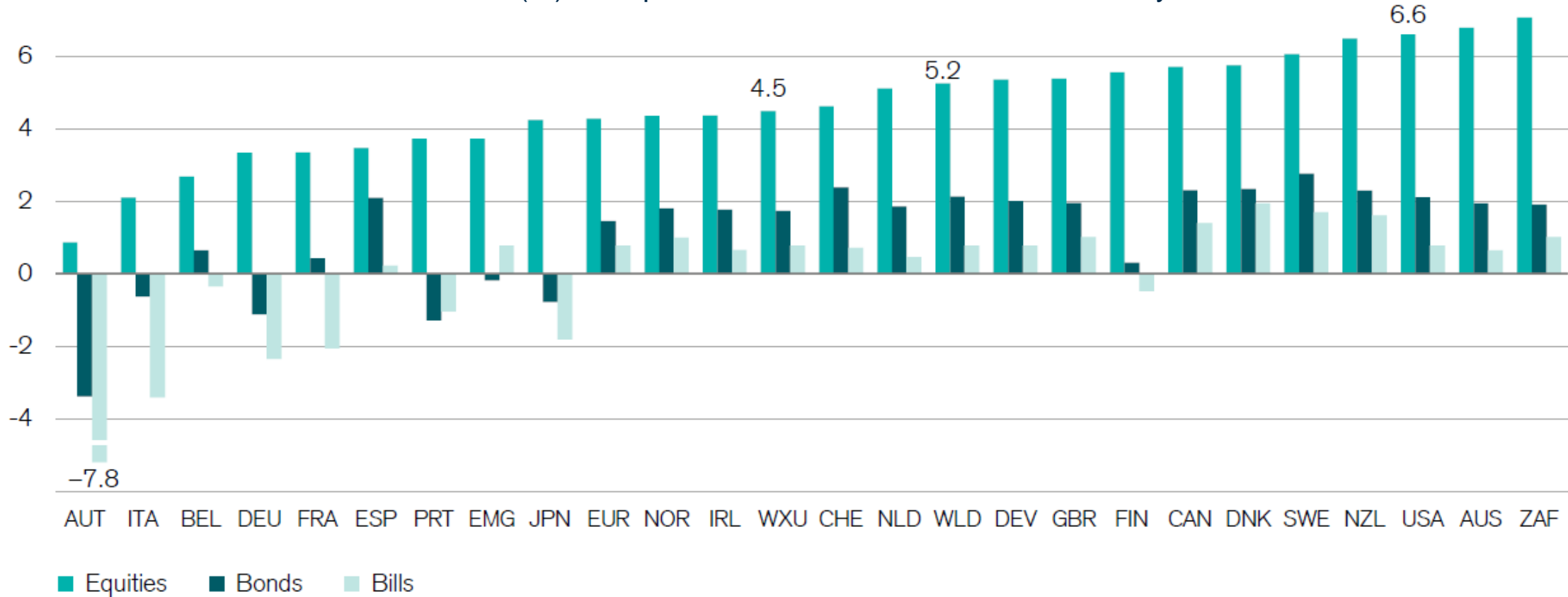
Asset Class: 60%



**== 22%**

# Asset Allocation – all signs point to Equities

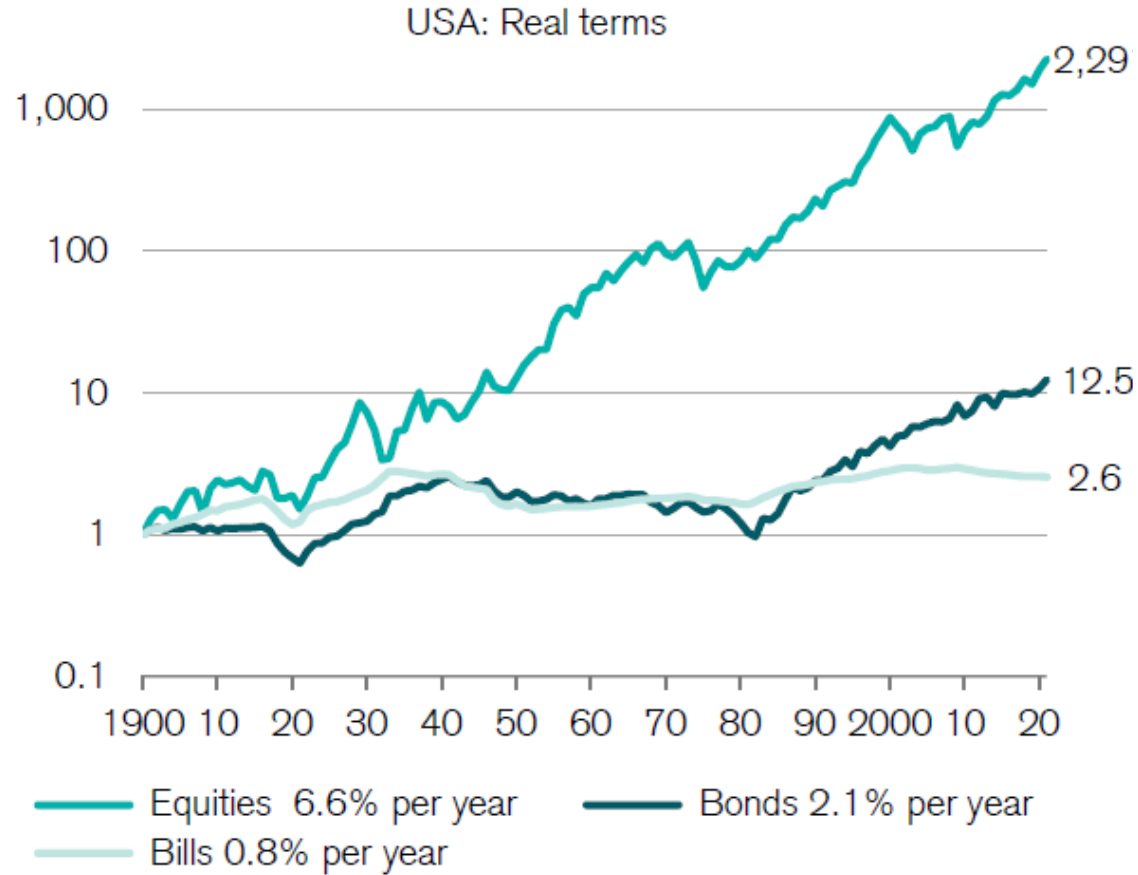
Real annualised returns (%) on equities vs. bonds and bills internationally 1900 - 2020



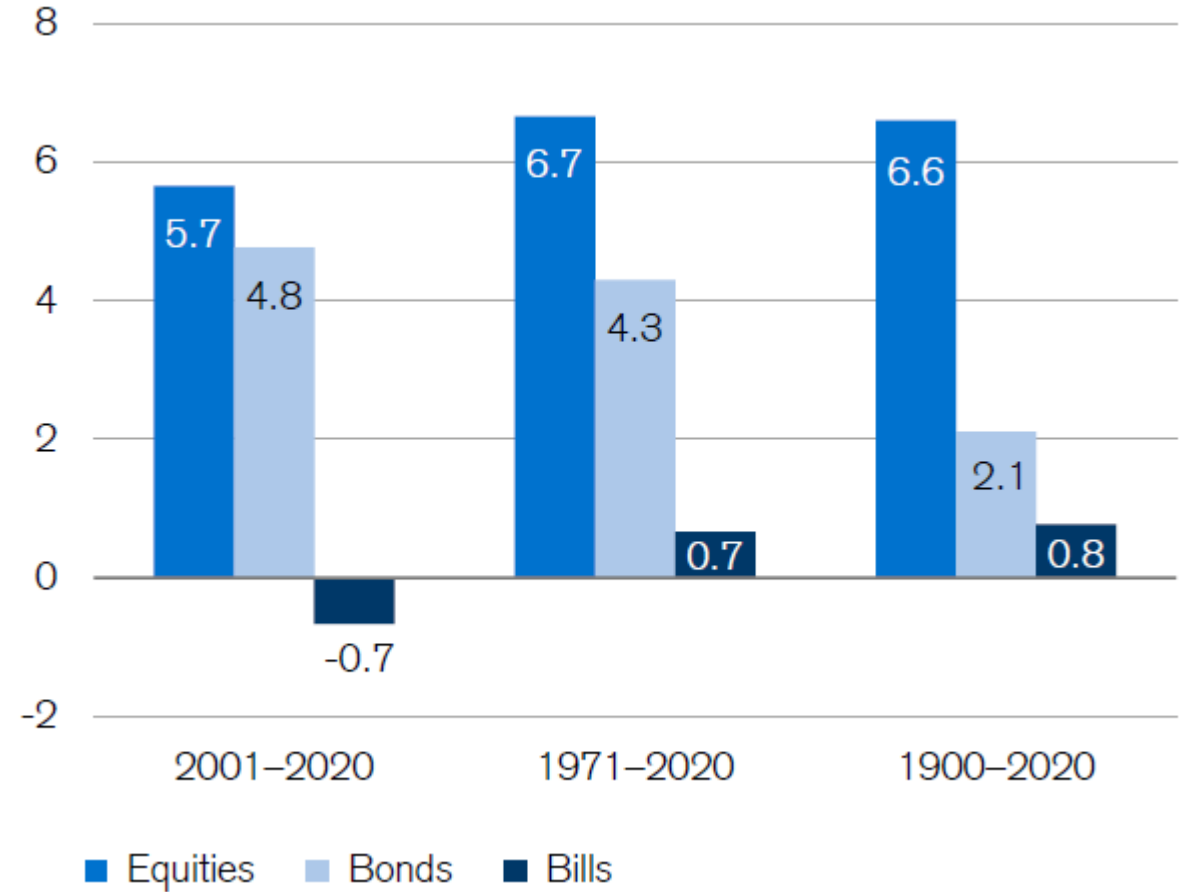
Source: Credit Suisse

# US Equity consistently provides real returns

Cumulative returns on US asset classes in real terms



Annualized real returns (USA)

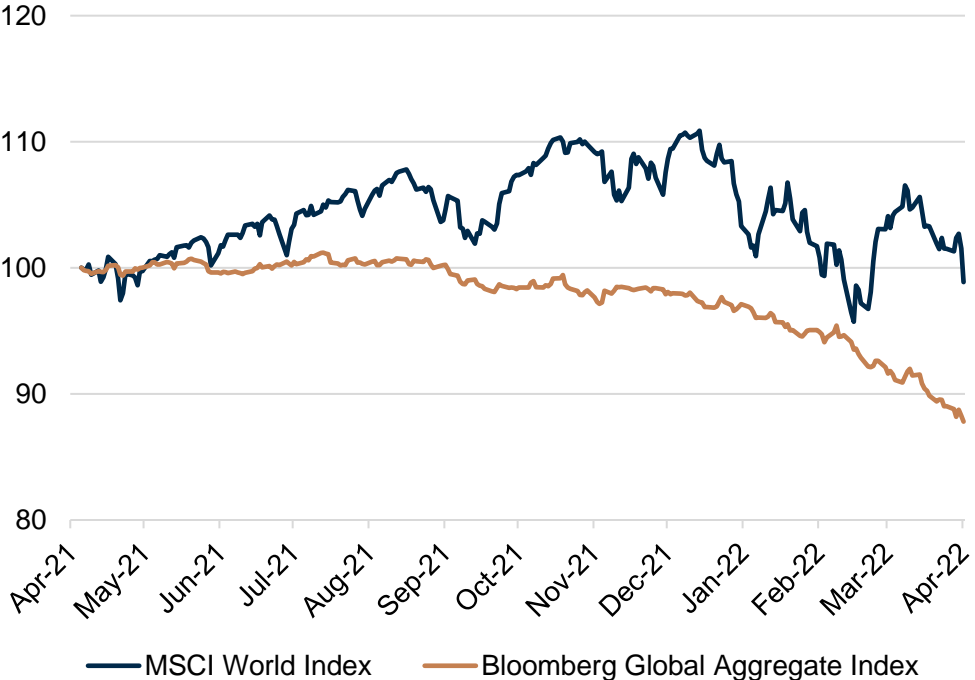


Source: Credit Suisse



# The problem with bonds

US Treasury 10yr Real Yield Rates



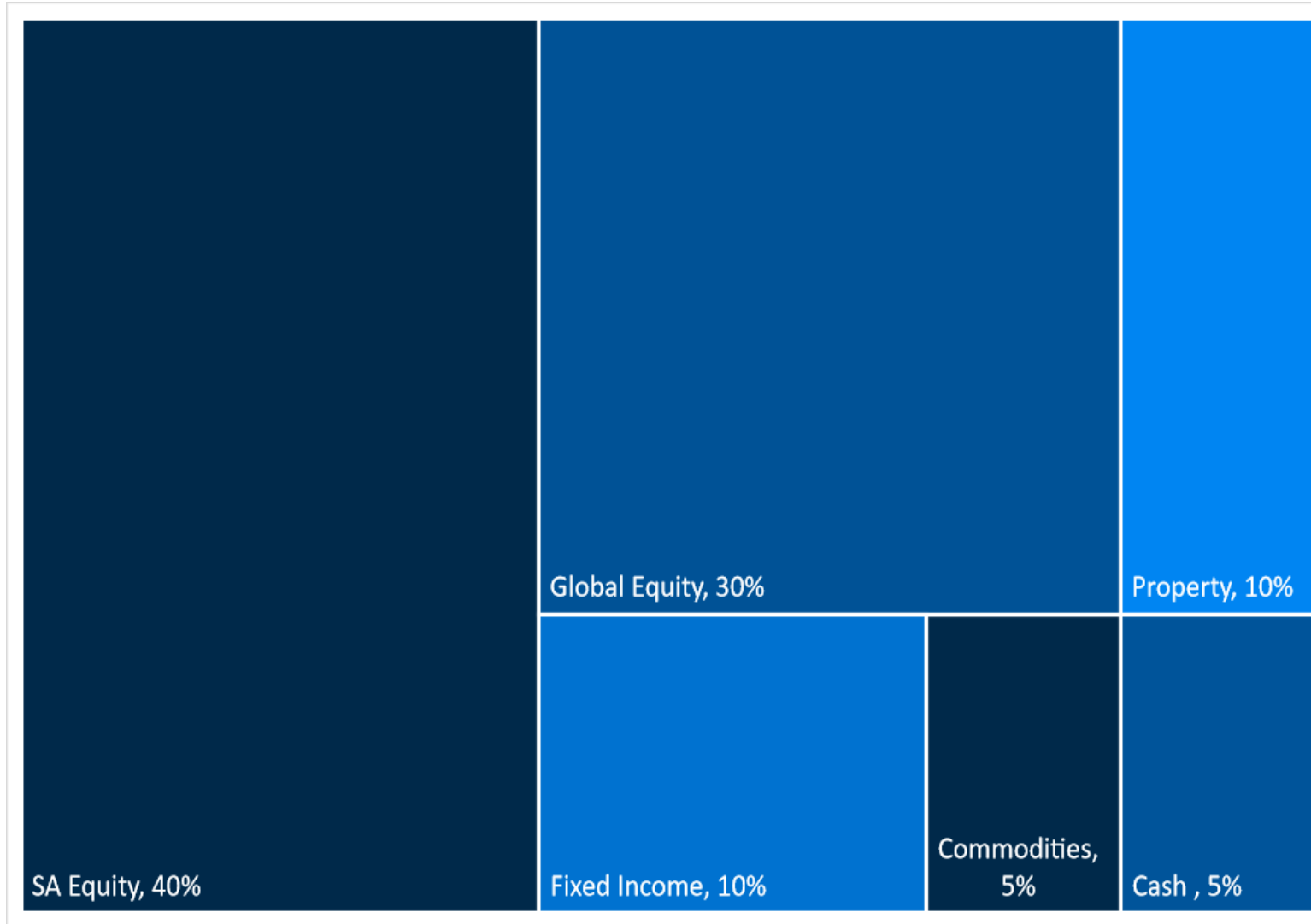
Bloomberg Global Aggregate Index: measure of global investment grade debt from 24 local currency markets

Source: Bloomberg

**What sets us apart?** Most balanced portfolios run at fairly large cash allocations, and we thought that we could bring something slightly different to the market. We run the portfolio at **maximum equity exposure**, with +/- 30% allocation to **Offshore Equity**. This is because of our **view on long-run asset class returns** as well as our position as **specialist equity managers**. What differentiates us in the equity space is we look for **value creation** and not valuation.



# BlueAlpha BCI Balanced Fund – Static Allocation



## Regulation 28 Maximum Exposure

	Max % Limit
Global Assets*	45%
SA Equity	75%
Property	25%
Government Bonds	100%
Corporate Bonds	50%
Commodities	10%
Cash	100%

\* Global exposure can be allocated across asset classes to a maximum of 30%

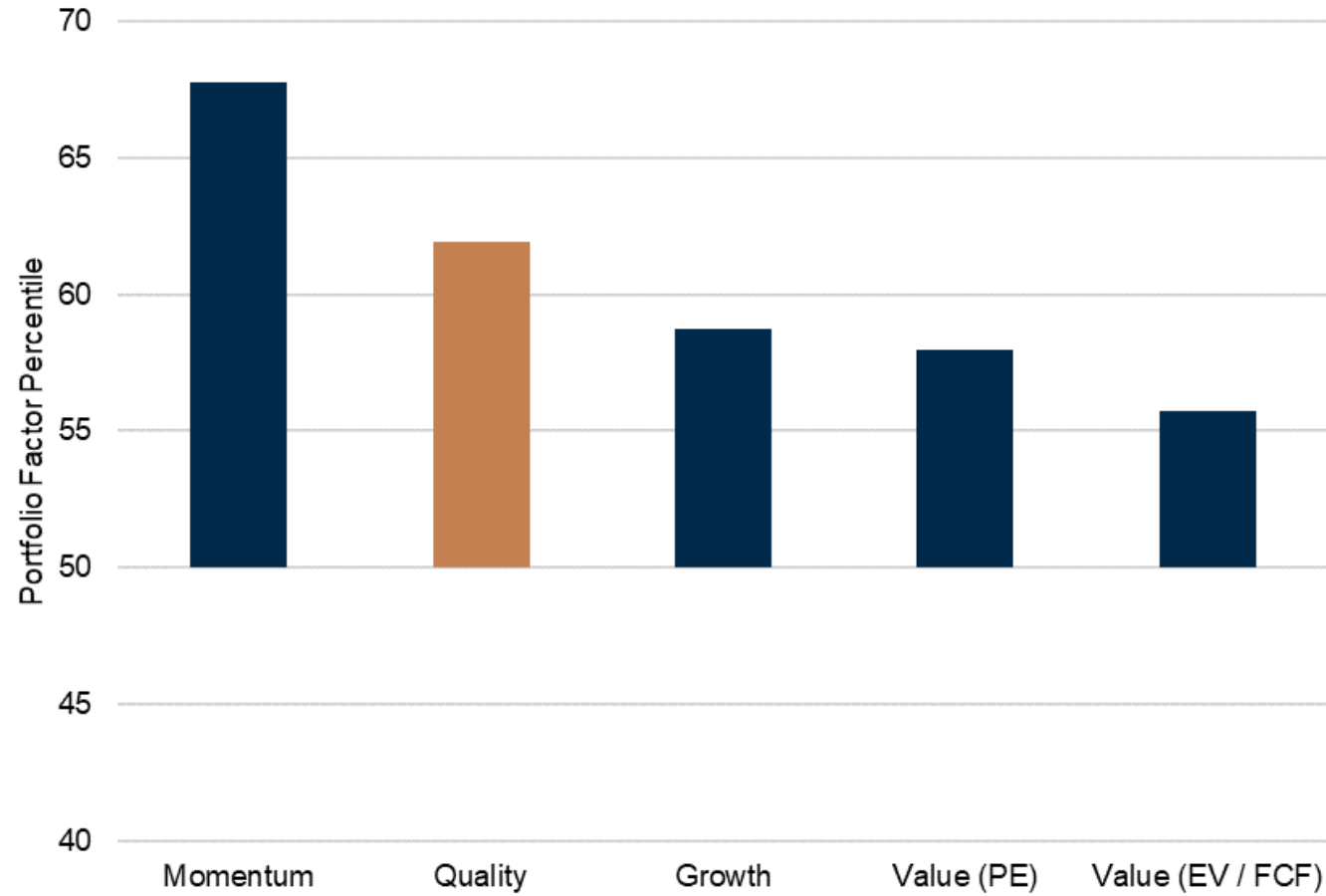
## Portfolio Construction:

Initial portfolio constructed from equally weighted bottom-up stock ideas, typically 40 stocks with a 2% weighting. 20 JSE listed stocks, 15 Global stocks and 5 JSE listed property companies. Fixed Income tends to be SA government bonds and commodity allocation fairly concentrated typically one or two commodities with gold being one.

We are cognizant of the macro environment and determine the appropriate style tilt in equities for the current environment rather than trying to predict macro factors. We understand and monitor the correlation between, and concentration of ideas within the portfolio. We also consider how adding or removing a stock will influence the factor exposure (Quality, Growth, Valuation and Momentum) of the portfolio.

We do not systematically rebalance

# Imbalanced toward Quality

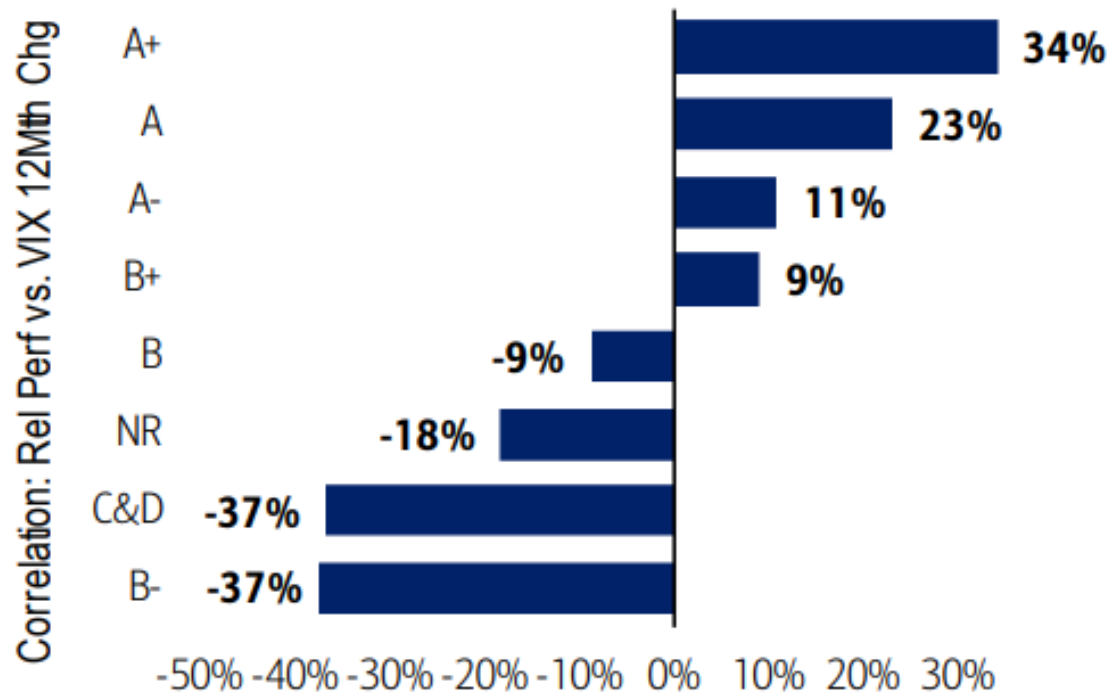


*Relative factor percentile vs. a composite of the largest 1000 global stocks and the JSE capped SWIX, as at 25<sup>th</sup> April 2022*

*Source: Bloomberg, BlueAlpha Research*

# Importance of quality

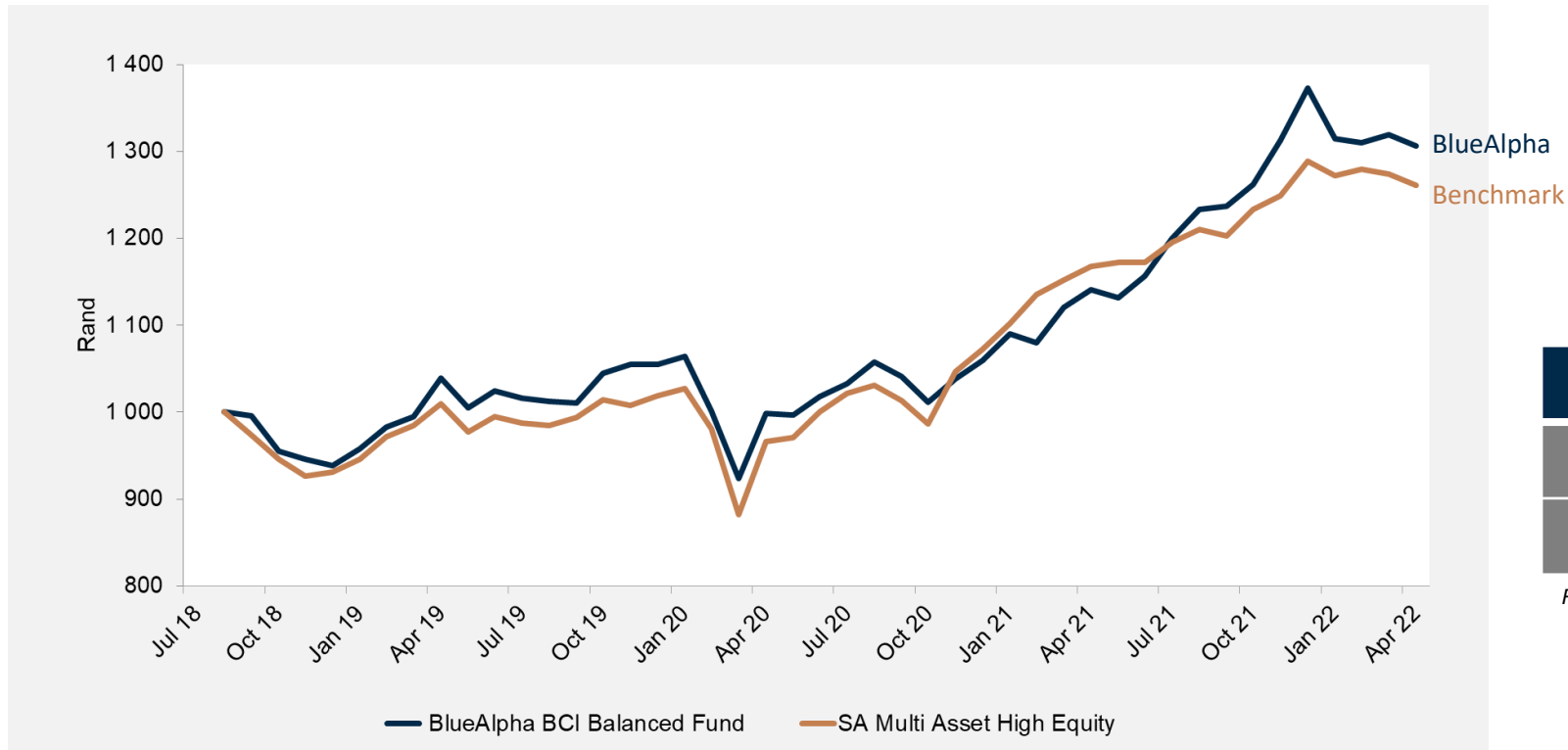
High quality stocks are a good hedge against volatility



Quality has won over all time horizons



# BlueAlpha BCI Balanced - Outperformance over all time periods



	BlueAlpha BCI Balanced	
1 Year & rank	14.5%	10 / 197
3 Year annualised & rank	7.9%	84 / 178

Ranking is from Fund Focus as at 30/04/2022

Calendar year performance since inception: High: 29.6% | Low: 0.4%  
 Performance is reported for the C Class, net of fees  
 Sector Average: SA -Mut Aset High Eq  
 Annualised return is the weighted compound growth rate over the period measured  
 Benchmark: ASISA category: SA -Mut Aset High Eq  
 Inception date: September 2018  
 Actual annual figures are available to the investor on request

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## Thank You

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