

# BLUE ALPHA BCI GLOBAL EQUITY FUND

MINIMUM DISCLOSURE DOCUMENT  
JUNE 2018

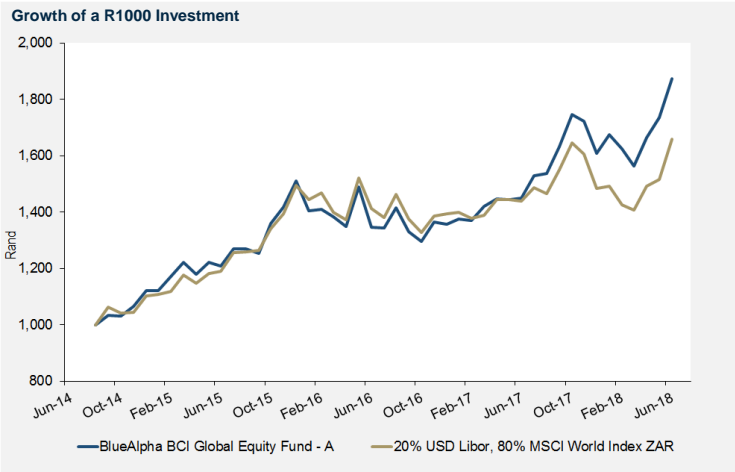
## INVESTMENT OBJECTIVE

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.

## INVESTMENT PHILOSOPHY

The fund is primarily focused on investing in developed market equities. The investment style is to invest in dominant, high quality businesses which have a history of developing both growth and real economic value. The portfolio's exposure to assets outside of South Africa will be in excess of 80% of the portfolio's net asset value. In addition, the portfolio's exposure to equity securities will always exceed 80% of the portfolio's net asset value and may hold offshore equities, preference shares, money market instruments, property shares and property related securities. The Portfolio may also hold unlisted instruments; namely forward currency, interest rate and exchange rate swap transactions.

## CUMULATIVE PERFORMANCE COMPARISON



Source: Bloomberg

## ASSET & SECTOR ALLOCATION

Asset Class	Allocation	Top Ten Holdings	Allocation
Cash	13%	MasterCard	5%
Equity Exposure	87%	Apple	5%
Consumer Goods	11%	Tencent	5%
Consumer Services	19%	ServiceNow	4%
Financials	8%	Fiat Chrysler	4%
Health Care	10%	SS&C Technologies	4%
Industrials	11%	United Health	4%
Technology	25%	Accenture	4%
Other	3%	Boeing	4%
		Home Dept	4%

## RETURN SUMMARY (Net of Fees)

Performance %	FUND	BENCHMARK	OUT PERFORMANCE	Mar '18	Sept '17	
1 year	29.1%	15.1%	14.0%	Total TER	2.15%	1.73%
3 years (annualised)	15.7%	11.7%	4.0%	Performance Fee incl. in TER	0.63%	0.21%
Since Inception* (annualised)	17.9%	14.1%	3.8%	Transaction Cost	0.10%	0.17%
				Total Investment Charge	2.25%	1.90%

Source: MoneyMate; \*Inception Date: September 2014; Annualised return is the weighted compound growth rate over the period measured

## HIGHEST AND LOWEST MONTHLY FIGURES PER CALENDAR YEAR

YEAR	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
HIGH	7.0%	10.4%	8.4%	5.2%							
LOW	-6.6%	-9.6%	-3.5%	-0.3%							

## FUND INFORMATION

Portfolio Manager:	Richard Pitt, Gary Quinn
Launch date:	September 2014
Portfolio value:	R 218 Million
NAV price at month end:	187.32 cpu
ASISA category:	Global Equity - General
Benchmark:	80% MSCI World Index and 20% US Libor rate calculated Over a rolling 1 year period
Minimum Lump sum:	R 25,000
Minimum monthly investment:	R 1000
Date of Income Declaration:	28 Feb/ 31 Aug
Date of Income Payment:	2 <sup>nd</sup> working day: Mar/Sep
Income Distribution Feb'17:	A Class: 0.00 cpu D Class: 0.28 cpu
Income Distribution Aug'17:	A Class: 0.00 cpu C Class: 0.00 cpu
Income Distribution Feb'18:	A Class: 0.00 cpu D Class: 0.09 cpu
JSE Code:	BGFFA
ISIN Number:	ZAE000193272
Valuation:	Daily
Valuation time:	15:00
Transaction time:	14:00

## FEE STRUCTURE

Annual Service Fee:	1.44% incl. VAT
Initial fee:	0.00%
Performance fee:	15% excess performance above benchmark, calculated over 1 year rolling period, capped at a maximum of 2% p.a.
Advisory fee (max):	0.00%

## TOTAL EXPENSE RATIO (TER)

► **Commentary for the Quarter ended 30 June 2018**

**Performance**

The fund returned 3.2% in USD (19.8% in ZAR) vs. the MSCI World Index's 1.7% (18.4% in ZAR). For the 12 months ended June 2018, the fund again outperformed, returning 22.6% in USD (29.1% in ZAR) vs. the MSCI World's 11.1% (17.0% in ZAR).

**Global Macro**

The MSCI World Index managed to eke out a small gain for the second quarter. This was amidst generally strong economic and earnings data, versus ever-increasing geopolitical tensions and growing momentum around Trump Tariffs, with the potential risk of escalation into a trade war.

Regionally, the US did all the heavy lifting over the quarter, gaining 5%, along with the unloved and likely underweighted UK, which managed 2%. All other regions were negative for the quarter, with Europe and Japan down 3%, Asia ex Japan down 6%, and Emerging Markets down over 8%.

The US was driven by strong earnings momentum and positive economic data. The unemployment rate of 3.8% has now hit an 18-year low. As expected, the Federal Reserve raised the target Fed Funds rate by a further 25 bps. Expectations are for a further 2 hikes this year, with 3 in 2019. On the flip side, Emerging Markets were hit hard by the strength in the USD (+5% against a basket of major currencies) and an escalation of global trade tensions. With the failure of US-China trade talks to reach any meaningful agreement, risk aversion increased, clearly to the detriment of EM's. While the noise of trade wars is obviously a concern at a macro level, it is less obvious at the individual company level. Global bond returns (government, corporate and high yield) ranged from flat to mid-single digit declines. The US yield curve flattened, with the spread between 2- and 10-year notes at its lowest since 2007. In the commodity space, oil continued to rally on supply concerns, industrial metals were mixed, and agricultural products declined on global trade concerns.

**Portfolio**

At a sector level, Energy (+13.1%), Consumer Discretionary (+4.1%) and Info Tech (+6.4%) led returns. Energy is rebounding off a low earnings base, while the earnings momentum in Technology remains resilient. Financials (-4.1%) and Industrials (-2.0%) were substantial under-performers, driven by a flattening of the yield curve and the potential impact of a trade war respectively. For the portfolio, the strong performance of Info Tech and Consumer Discretionary added to returns. The fund's underweight position in Financials also added to performance. Detractors were Energy and Materials, to which the fund had no exposure.

Top performing stocks were Mastercard (+12.4%), Facebook (+21.6%) and UnitedHealth (+15.1%). These are all long-standing investments and are classic quality compounders with room for growth, continuing to generate high returns on invested capital.

The worst performers were Continental (-15.6%), Tencent (-3.6%) and Fiat Chrysler (-6.1%). Despite this, we view Fiat as well placed with its product portfolio mix, as evidenced by its recently reported 11% gain in US sales vs. a flat US auto market. With margins increasing, net debt declining, a low valuation and a management team that has delivered on its financial targets, we continue to believe that Fiat is an attractive opportunity. Continental is a high-quality business, producing good returns and high cash conversion of earnings. Compared to peers, it also has the greatest exposure to digitization in areas of automated driving, connectivity and electric vehicles. Tencent reported results, which exceeded expectations on both revenue and earnings. While the social media and gaming giant remains dominant in its scope of business, it is nonetheless susceptible to swings in sentiment on China.

We currently have a reasonable cash buffer and a hedge in place in the form of put options on the Nasdaq 100. Given the substantial decline in the ZAR over the quarter (13.7% depreciation against the USD), a move which we consider to be more an EM proxy factor than a country-specific issue, we have also hedged out some of the currency exposure to protect the portfolio in the case of a pullback.

Few changes were made to the fund, other than some re-balancing and increasing positions in both Apple and Facebook (after it sold off around privacy fears). We remain focused on high quality businesses with opportunities to grow and reinvest at high rates of return.

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► INFORMATION AND DISCLOSURES

**Investment Manager:** BlueAlpha Investment Management Pty (Ltd) is an authorized Financial Service Provider FSP number 118

- Additional information, including application forms, annual or quarterly reports can be obtained from BCI, free of charge or can be accessed on our website [www.bci.co.za](http://www.bci.co.za)
- Valuation takes place daily and prices can be viewed on our website ([www.bcis.co.za](http://www.bcis.co.za)) or in the daily newspaper.
- Actual annual performance figures are available to existing investors on request.
- Upon request the Manager will provide the investor with portfolio quarterly investment holdings reports.

**Management Company Information**

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**Custodian / Trustee Information**

The Standard Bank of South Africa Limited – Trustee Services  
Tel: 021 441 4100

**FAIS CONFLICT OF INTEREST DISCLOSURE**

Please note that your financial advisor may be a related party to the co-naming partner and/or BCI. It is your financial advisor's responsibility to disclose all fees he/she receives from any related party. The portfolio's TER includes all fees paid by portfolio to BCI, the trustees, the auditors, banks, the co-naming partner, underlying portfolios, and any other investment consultants/managers as well as distribution fees and LISP rebates, if applicable. The portfolio's performance numbers are calculated net of the TER expenses. The investment manager earns a portion of the service charge and performance fees where applicable. In some instance portfolios invest in other portfolios which forms part of the BCI Schemes. These investments will be detailed in this document, as applicable.

**TOTAL EXPENSE RATIO (TER)**

Please note: A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. Transaction Costs are a necessary cost in administering the Fund and impacts Fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Fund, the investment decisions of the investment manager and the TER. The prior year ("PY") TER and Transaction cost calculations are based upon the portfolio's direct costs for the financial year ended 31 August 2017, whilst the underlying portfolios' ratio and cost calculations are based upon their most recent published figures, being 31 March 2018.

**EFFECTIVE ANNUAL COST (EAC)**

Boutique Collective Investments adopted the ASISA Standard on Effective Annual Cost ("EAC"). The EAC measure allows you to compare charges on your investments as well as their impact on your investment returns prior to investing. For further information regarding the ASISA Standard on Effective Annual Cost and access to the EAC calculator please visit our website at [www.bcis.co.za](http://www.bcis.co.za).

**PERFORMANCE REPORTING**

Investment performance is for illustrative purposes only and calculated by taking actual initial fees and ongoing fees into account for amount shown with income reinvested on reinvestment date

**RISK PROFILE**

Aggressive | High Risk

- This portfolio holds more equity exposure than any other risk profiled portfolio and therefore tend to carry higher volatility due to high exposure to equity markets.
- Expected potential long term returns could be higher than other risk profiles and in turn the risk of potential capital losses is higher.
- Where the asset allocation contained in this MDD reflect offshore exposure, the portfolio is exposed to currency risks
- Therefore, it is suitable for long term investment horizons.

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