



BLUEALPHA

INVESTMENT MANAGEMENT

Cheap is not Value

BCI Global Investment Conference
13 May 2025

Cheap vs Value?

Cheap:

- Focus on price
- Lack of fundamental analysis
- Potential for loss
- Short-term
- May or may not



Value:

- Focus on value, not just price
- Fundamental analysis
- Safety to mitigate risk

Residential Property

Both ~1,000 m^2 properties have 3 bedrooms / bathrooms, with space for 4 cars.

Average price per m^2

Helikonpark – R1,605



Camps Bay - R23,899



Used Cars

Two 2014 diesel and automatic SUVs with similar mileage.

Price per unit of horsepower

Ford Kuga 2.0TDCi AWD – R1,243



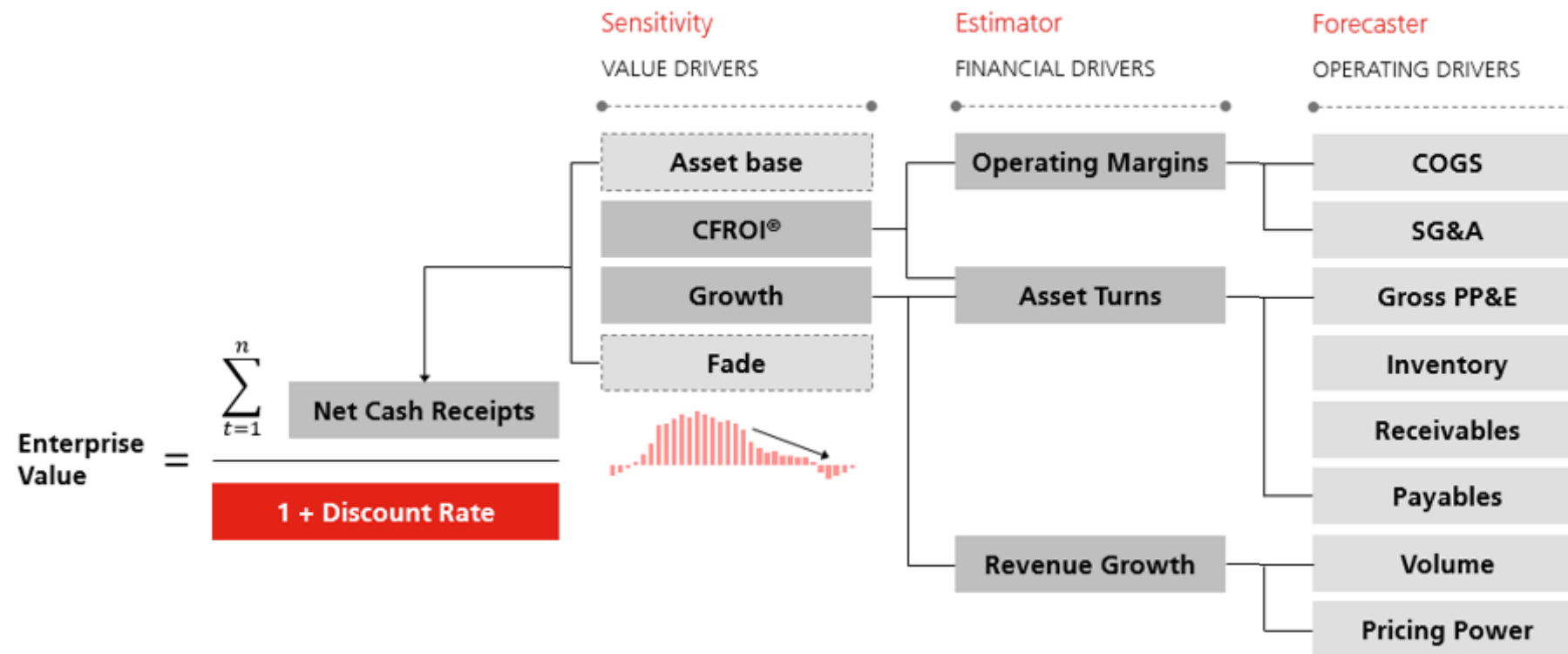
Source: Autotrader
Asking prices as at 23 April 2025.

Porsche Macan S - R2,382



Cheap is easy, Value is hard

The HOLT pricing puzzle



Moats are sticky

Transition rate, 1990-2022

		Ending Quintile				
		(Best) 5	4	3	2	(Worst) 1
Beginning Quintile	(Best) 5	48%	19%	11%	8%	15%
	4	22%	31%	21%	14%	12%
	3	11%	23%	29%	23%	13%
	2	8%	15%	25%	33%	19%
	(Worst) 1	12%	11%	14%	22%	41%

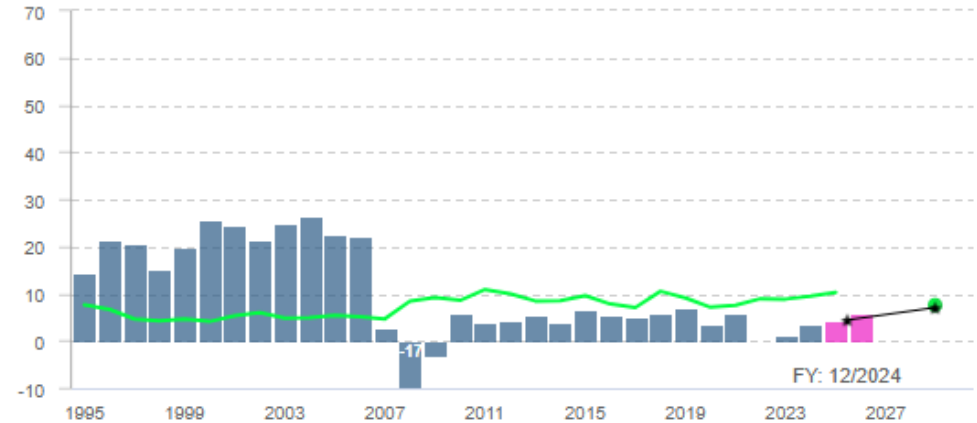
Good companies (high return on capital) tend to remain so (over a 3-year period).

Converse also true.

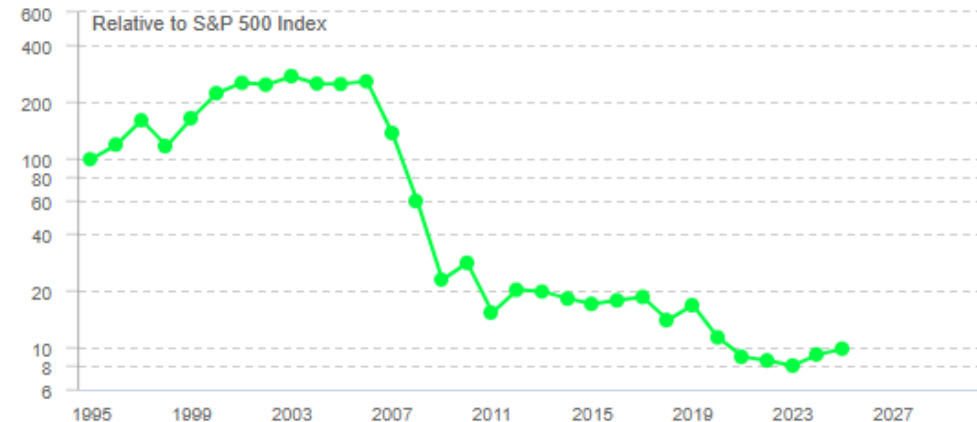
Cheap vs Expensive

CITIGROUP

CFROE (%) (Economic Return)



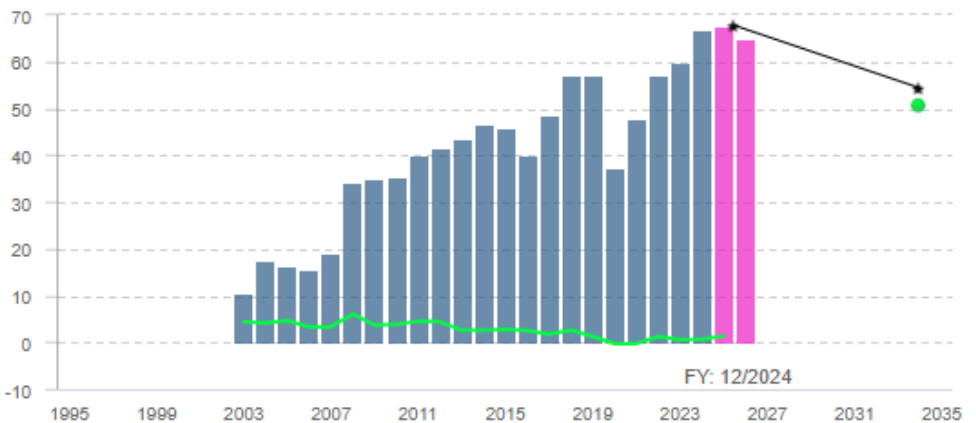
Total Shareholder Return



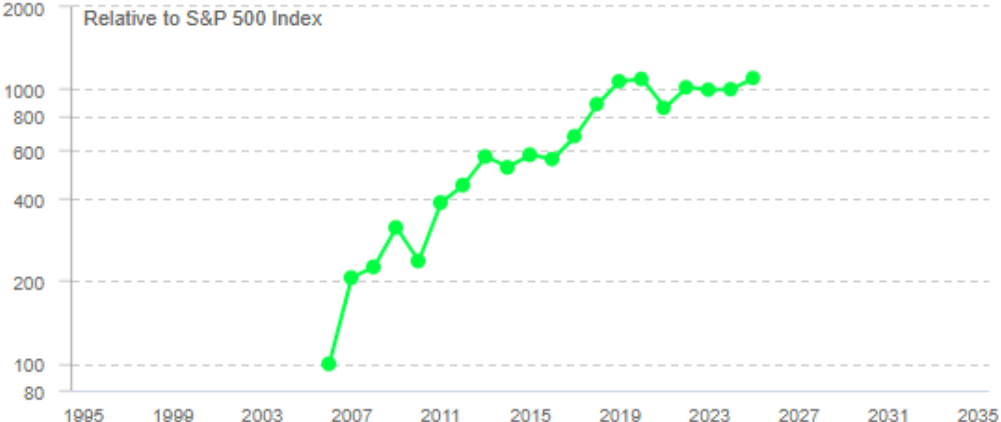
Source: UBS HOLT Lens

MASTERCARD

CFROI (%) (Economic Return)

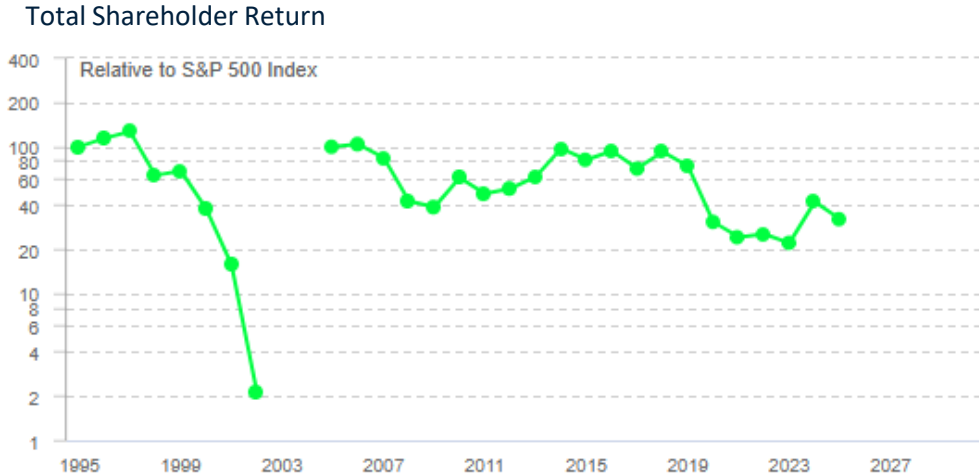
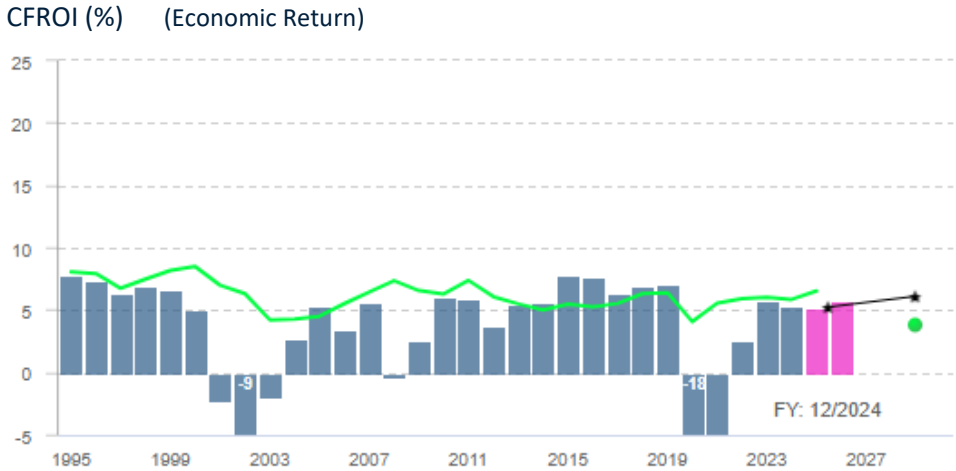


Total Shareholder Return

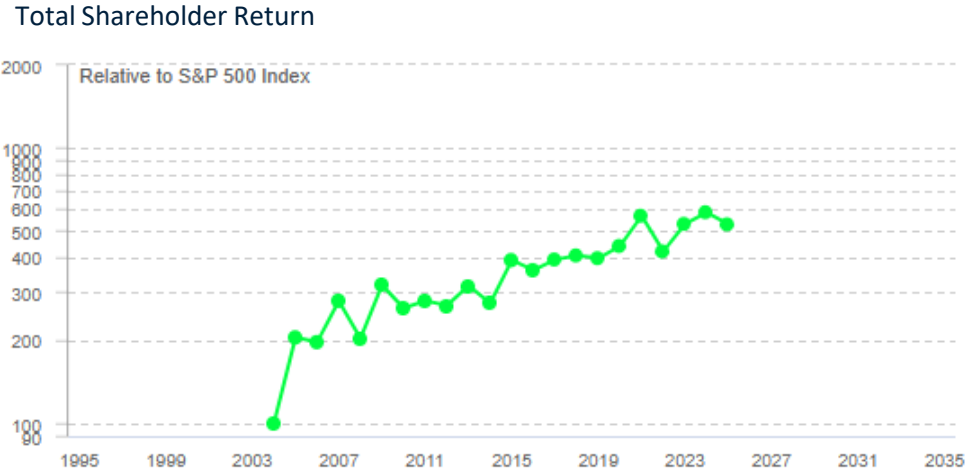
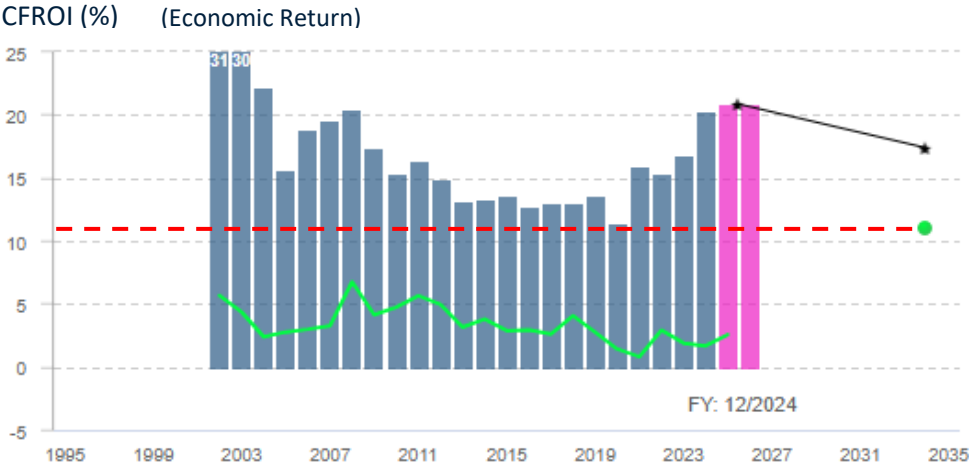


Cheap vs Expensive

UNITED AIRLINES



ALPHABET

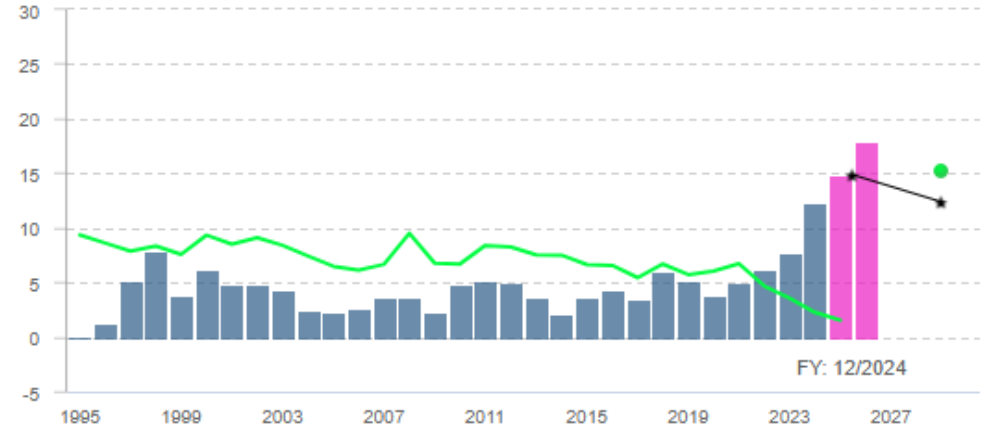


Source: UBS HOLT Lens

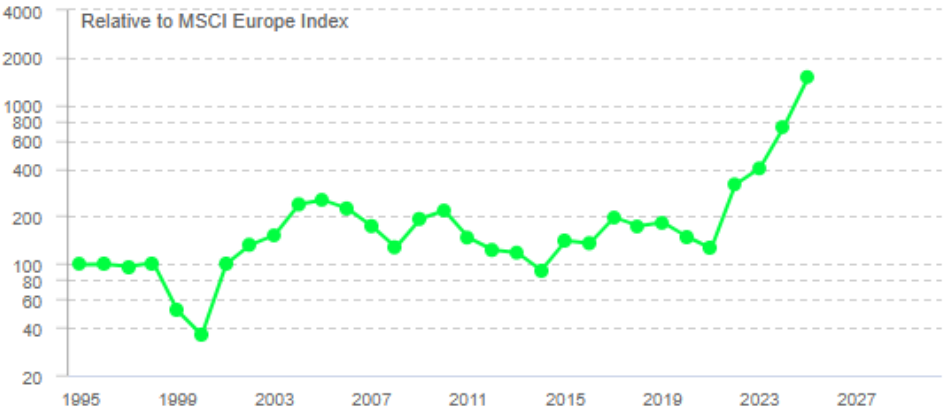
Expensive vs Cheap

RHEINMETALL

CFROI (%) (Economic Return)



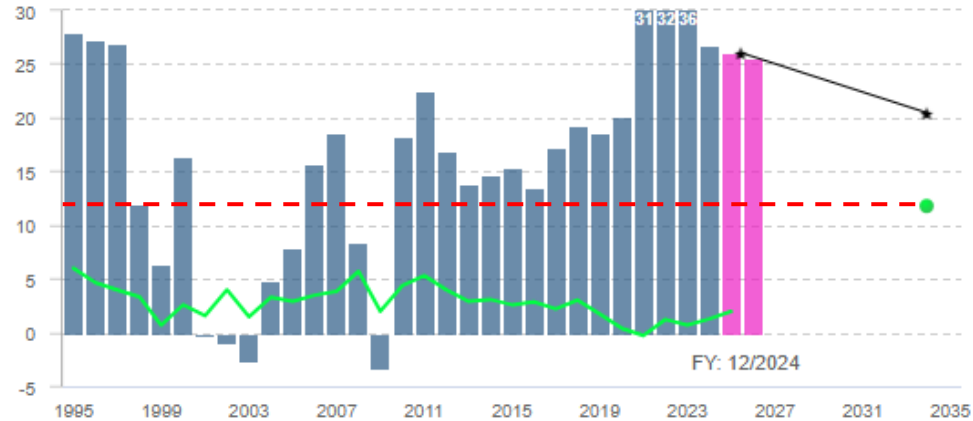
Total Shareholder Return



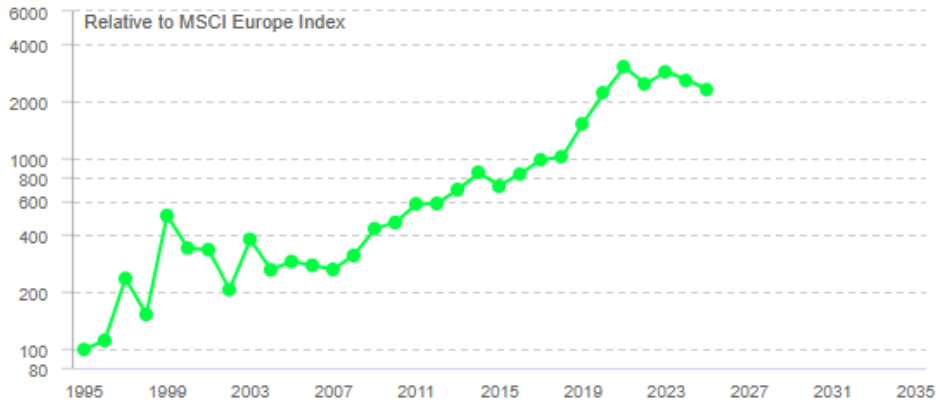
Source: UBS HOLT Lens

ASML

CFROI (%) (Economic Return)



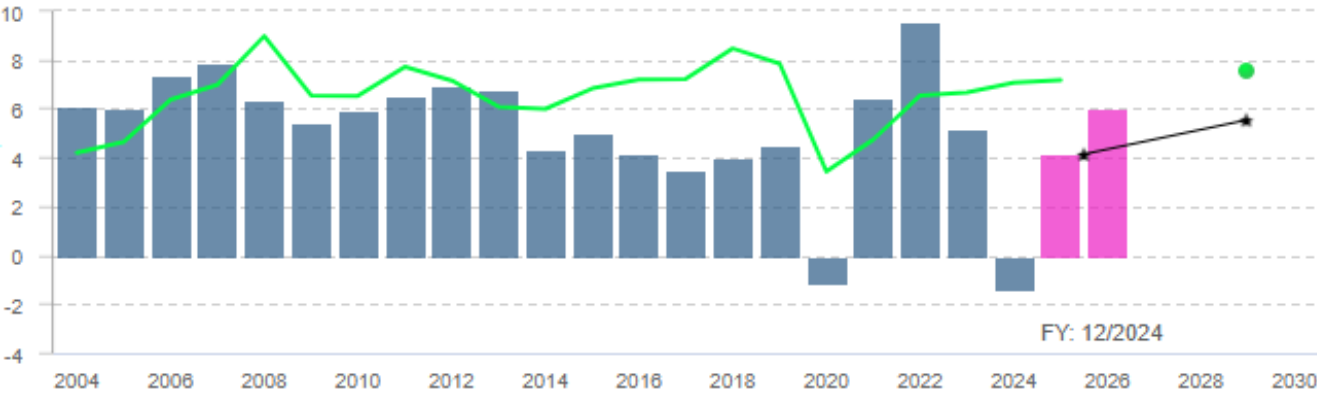
Total Shareholder Return



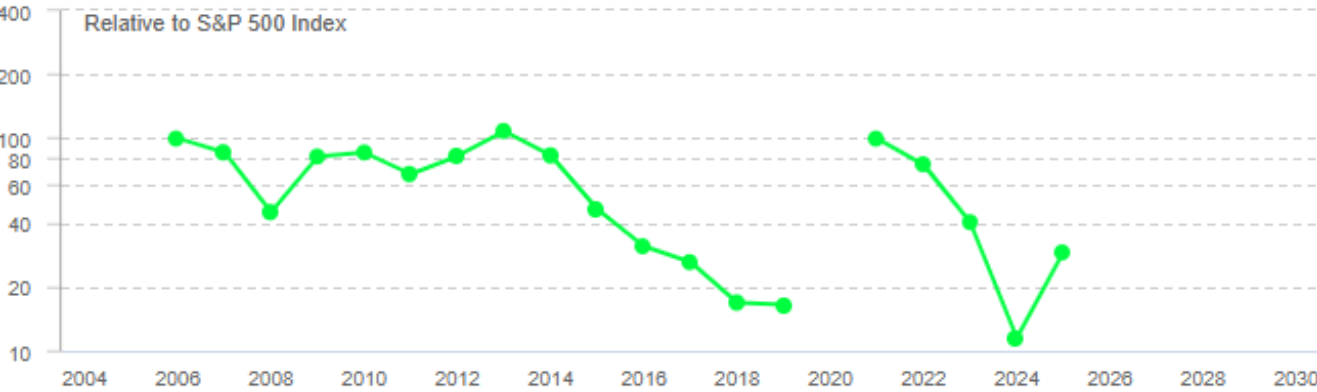
Really Cheap?

Hertz

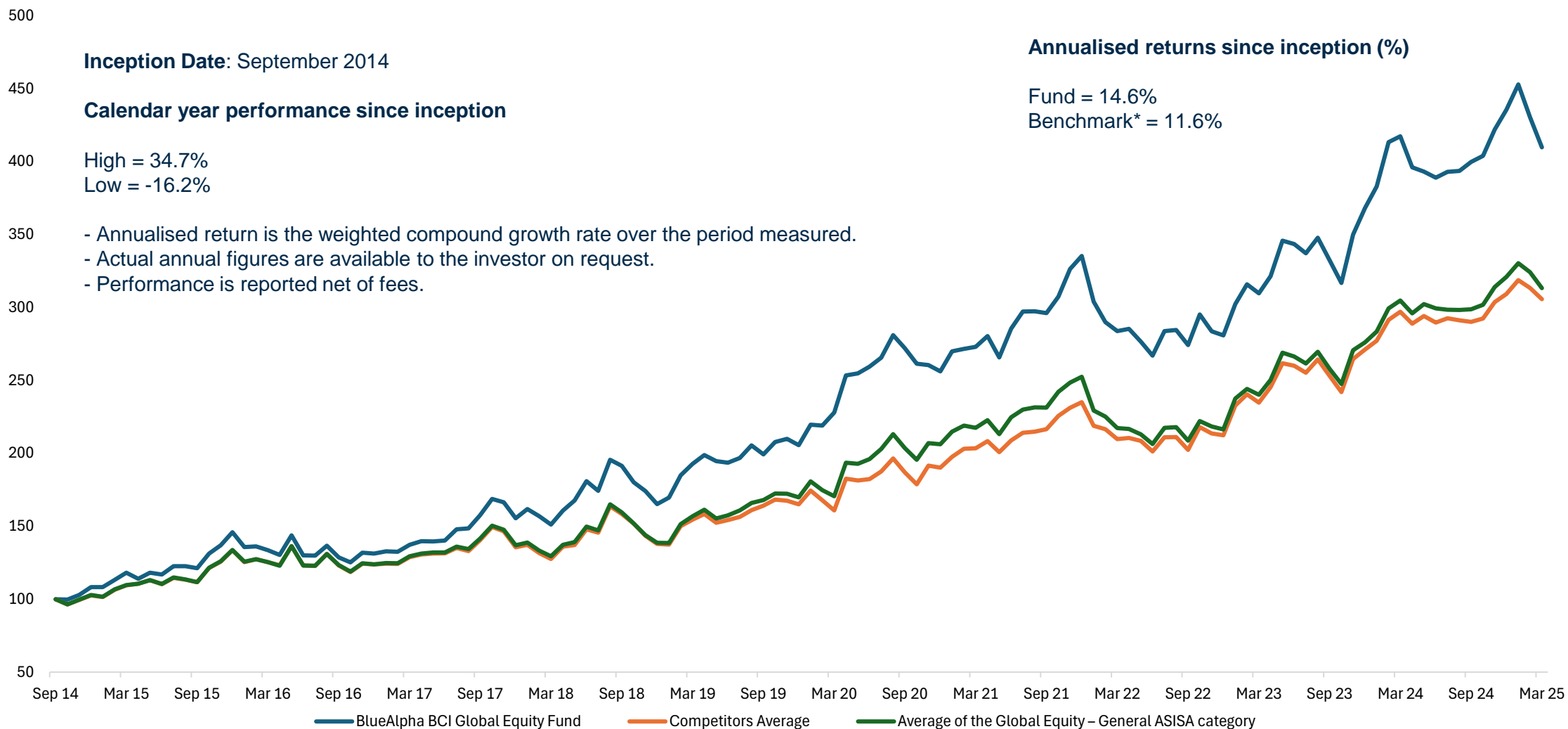
CFROI (%) (Economic Return)



Total Shareholder Return



Source: UBS HOLT Lens



Source: Bloomberg, BlueAlpha, Moneymate

Past performance is not necessarily indicative of future performance. The Investment performance is for illustrative purposes only.

10 Year Annualised performance: Fund: 13.2% | Benchmark: 10.7%

Performance as at 31 March 2025. * Benchmark: Average of the Global Equity – General ASISA category

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