UGC GLOBAL ALPHA Fund

Monthly Report

30 November 2023

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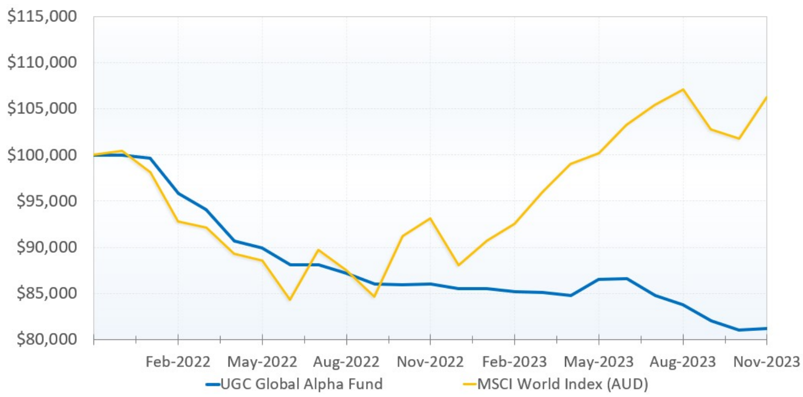
Fund Returns	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	Annualised Return Since Inception (%)
UGC Global Alpha Fund	**0.20%**	**-3.07%**	**-6.16%**	**-5.61%**	**-10.22%**
MSCI World Index (AUD)	4.44%	-0.74%	6.12%	14.12%	3.24%
Versus Benchmark	-4.24%	-2.33%	-12.28%	-19.72%	-13.46%

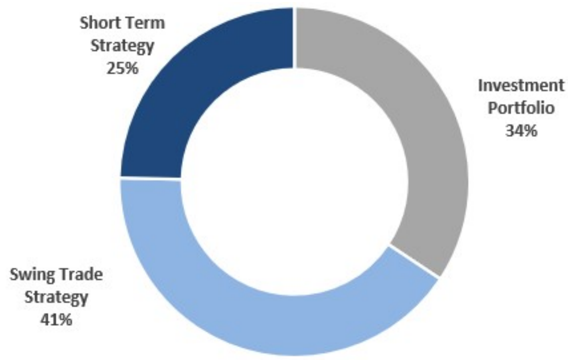
*Fund Inception 23rd December 2021

Individual Strategy Returns	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	Total Return Since Inception (%)
Short Term Strategy	0.45%	-1.06%	-6.88%	-8.03%	-10.01%
Swing Trade Strategy	0.60%	-2.14%	-9.99%	-11.42%	-16.19%
Investment Portfolio	-0.24%	-6.18%	1.07%	10.12%	-21.08%

Value of $100,000 Invested (AUD)



Fund Allocation



Monthly Portfolio Movement	*New*	*Open*	*Closed*
Short Term Strategy*	8	-	8
Swing Trade Strategy	14	2	12
Investment Portfolio	1	32	2

**Short term trades open and close intra-day only*

Monthly Portfolio Metrics	
Gross Exposure	33.87%
Net Exposure	27.84%

Key Information	
Investment Manager	UGC Asset Management Pty Ltd
Trustee	VT No.2 Pty Ltd
Fund Inception	December 2021
Min. Investment Amount	$50,000
Management Fee	2% per annum
Performance Fee	20% subject to Hurdle Rate & High Watermark
Recommended Investment time	5+ Years

Month in Review

The positive equity market movements in November were in stark contrast to those of October where large cap market indexes were in a persistent down trend from the July 2023 highs. Starting 26th October we saw the large cap market indexes move rapidly higher through November with the likes of the S&P 500 posting one of its best November rallies on record fuelled by speculation the US Federal Reserve will continue to hold interest rates steady and possibly even begin cutting as early as mid 2024.

US Consumer spending, inflation and the labour market all showed signs of cooling, evidence that growth in the US is slowing as per the US Federal Reserve's (The Fed's) intentions, putting weight into the argument that The Fed is now likely done with hiking interest rates for this cycle. It now appears that an inflection point is near and there is gathering momentum that a rate cut could come in the first 6 months of 2024. With interest rates currently set at a restrictive policy setting our view is that cuts in the range of 25 to 75 basis points spread over several months will likely be a positive development for equities, as this will help to improve valuations

UGC Asset Management Pty Ltd | Level 33, 360 Collins Street, Melbourne, Victoria, 3000, Australia

Office: 61 3 8657 7640 | Fax: 61 3 8657 7641 | Email: info@ugc.net.au | www.ugc.net.au

for growth stocks. However, if there is a need for larger cuts, especially if they are in rapid succession, this would likely result from a more significant economic slowdown and possibly a recession.

While the large cap growth indexes delivered an excellent rebound off the October lows what was pleasing to see is the moves higher did not just occur in these indexes. Looking down towards the smaller market capitalisation areas of the equity markets, the likes of the Russell 1000 and Russell 2000 indexes, which have traded for large periods over the last 2 years below their 200 Day Moving Average (DMA) and essentially sideways since May 2022, started to participate in the November rally posting gains of 9.3% and 9.1% respectively. At the end of November the Russell 2000 index was now knocking on the door of breaking through the 200 DMA while the Russell 1000 cleared this resistance level in early November with the short, medium and long term moving averages now trending higher.

The Russell indexes are typically made up of smaller and mid sized US listed and US centric companies. Industries well represented in these indexes include regional banking, financial services, transport and logistics, and manufacturing and are often the most sensitive sectors to broader economic growth. Importantly, though the Covid pandemic and subsequent supply chain disruptions forced many of these companies to strengthen their balance sheets, improve operating metrics and optimise their businesses for efficiency, they also received the biggest hit to their stock prices as interest rates took off last year. With calls for a US recession having yet to fully abate, small and mid cap stocks currently offer an opportunity to own them at their cheapest relative valuations to the S&P 500 in more than two decades. Typically smaller, more nimble and faster growing companies demand premium trading multiples or Price-to-Earnings (P/E) ratios than S&P 500 companies. With the premium being almost non-existent, this is setting up an interesting opportunity for the months and years ahead in small and mid cap stocks. If interest rates do begin to ease off and a US recession is avoided then it is quite likely that these indexes could lead the next phase of the bull market as market breadth, which has started to improve, continues its expansion. History typically shows that as a bull market typically begins to broaden out it is these smaller and mid –sized companies shares that tend to lead the next phase of a bull market. If that is the case then current valuations appear to be more than supportive of this possible development happening again.

Speaking of participation, when we take a look at the large cap indexes, in particular the Nasdaq Composite and S&P 500, which have been largely led by the "Magnificent 7" for so much of 2023 and plagued by a material lack of broad participation, through the month of November there was a very noticeable turnaround in breadth throughout the month. At the lows of October just 25% of S&P 500 companies and 18% of Nasdaq Composite companies were trading above their 200 DMA. By the end of November this picture had improved significantly with approximately 65% of companies in the S&P 500 and 40% of companies in the Nasdaq Composite trading above their 200 DMA. While we are not ringing the bell on the shift of concentration to broad participation, there are signs that market conditions are starting to normalise somewhat.

US Treasury yields took the elevator down during November with the US 2-Year Treasury yield declining 42bps from 5.07% to 4.65% and the US 10-year Treasury Yield declining 52bps from 4.88% to 4.35% on the back of softer inflation data and possible rate cuts in early 2024.

About the Strategy

UGC Global Alpha Fund, offers a total return focused, concentrated, long term capital growth, tactical swing trading and short term investment approach.

Investment and trading activities are conducted in global equity markets. Utilising a trend following breakout strategy, the Investment Manager will typically seek returns from share price appreciation while managing the funds down side risks through the use of hedging techniques and its allocation to cash. The strategy combines the use of several trading and investment techniques including short term trading, swing trading and longer term portfolio investments. The Investment Manager also has the ability to utilise leverage and short selling to manage risks and generate returns.

Target Return

The Investment Manager is targeting an after fee, pre-tax return of the greater of 5% per annum above the MSCI World Index (AUD) or 20% per annum on an absolute basis over a rolling 5 years period.

Asset Allocation

Alternative Investments

Benchmark

MSCI World Index (AUD)

Investment Style

Growth and Momentum

Performance Fee

20% (plus GST) of all returns of the Fund above 10% per annum (as at 30 June, pre-tax and distributions, after fees and expenses). The 10% p.a. hurdle rate is calculated on a simple (non-compound) interest basis. Payment of the Performance Fee is subject to a high watermark.

Portfolio Update

With the Nasdaq Composite, Nasdaq 100, S&P 500 indexes rounding out October at their lowest point since May along with the Dow Jones falling back to its March 2023 lows and the likes of the Russell 2000 retreating to October 2022 lows the fund started November with low levels of market exposure across three strategies effectively in a neutral position holding cash and with hedging activity still in play on the investment portfolio. From a technical standpoint the large cap growth indexes of the Nasdaq Composite, Nasdaq 100 and S&P 500 displayed significant indicators of further downtrend conditions as price action since June continued to deteriorate. Highlighted by lower lows across each index through August, September and October along with lower highs posted in July, September and October. Short and medium term trend lines have been in a downtrend for the most part since mid September. However a significant change occurred on the 2nd November whereby markets began to rally, albeit, mostly on softer volumes. As markets breached a key level of resistance in the middle of the month we began to once again start to increase portfolio exposure gradually, this resulted in portfolios closing out the month with approximately 54% market exposure as equities moved back to the highs of July 2023

The Swing trading and Short Term trading strategies started the month of November off slowly with little to no activity in the early stages however, stock set-up began to be far more promising as we rounded the halfway mark. From the 13th November both strategies began to see much greater trading activity. The previous two months had been far more benign, in particular October as markets broadly rolled over. Trading opportunities began to materialise through November and we ramped up the number of positions and size of positions as the month moved on with the intent to build up to our desired levels of trade size and concentration.

In the Investment portfolio we added one new name in November, Lululemon Athletica. This stock has been on our radar for some time and finally provided us with our preferred entry set-up around the 13th of November. With a market cap around US$60b it sits nicely in the next level down from the US$100b mega cap space. We have several other stocks in the US$30b - US$100b market cap range that we are also watching that are showing promising signs.

For the month of November we saw the Tech heavy Nasdaq Composite appreciate by +10.7%, the Nasdaq 100 by +10.67%, the S&P 500 by +8.92% and the 30 stock Dow Jones Industrial Average putt on +8.76% for the month. Closer to home the S&P ASX 200 lagged its global peers closing November up by +4.5%. The Fund delivered a return of approximately 0.2% vs its benchmark index MSCI World Net Index (AUD) which returned +4.44%.

While the fund started to deploy capital in the second half of the month we would note that markets have merely returned to the levels of July 2023. The Fund is well positioned to capitalise on a broadening out of stock price appreciation however until we see resistance levels breached our view is that markets are susceptible to small corrections in the short term. Seasonality trends have been strong in 2023 and these may continue into the year end with November through May typically the best months of the calendar year.

The Bull market may well have resumed in November but caution is still required as the US economy continues to slow.

Key Takeaways:

- US Consumer spending, inflation and the labour market all showed signs of cooling, evidence that growth is stalling.
- November index performance not constrained to large cap indexes this time as small caps also rallied off the October lows.
- Small and mid cap indexes still priced for recession however, recent trend reversal might be a sign of improving fortunes.
- Participation is improving, still a long way to go to become very healthy, but green shoots appearing.
- US2 year and 10 year Treasuries declined sharply, supporting higher growth stock valuations.
- Better trading set-ups started to present in the second half of November allowing us to ramp up position sizing.
- We incrementally increased the exposure of all three strategies throughout November.
- Equity market downtrend finally broken allowing us to increase portfolio exposure to the market.

Huw Davies *Ma (Fin & Bnkg)*
Co-Portfolio Manager/Senior Investment Analyst

Joel Hewish *B.Bus (Bank & Fin), GDipAppFin*
CEO/Chief Investment Officer

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