UGC GLOBAL ALPHA Fund

Monthly Report

31 January 2024

UGC ASSET MANAGEMENT

UGC Global Alpha Fund

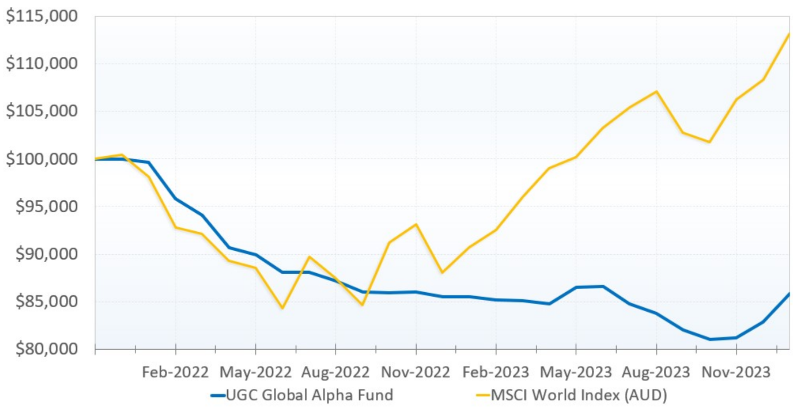
Monthly Report - 31 January 2024

Fund Returns	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	Annualised Return Since Inception (%)
UGC Global Alpha Fund	**3.61%**	**5.96%**	**1.25%**	**0.36%**	**-7.00%**
MSCI World Index (AUD)	4.46%	11.22%	7.35%	24.71%	6.10%
Versus Benchmark	-0.85%	-5.26%	-6.10%	-24.35%	-13.10%

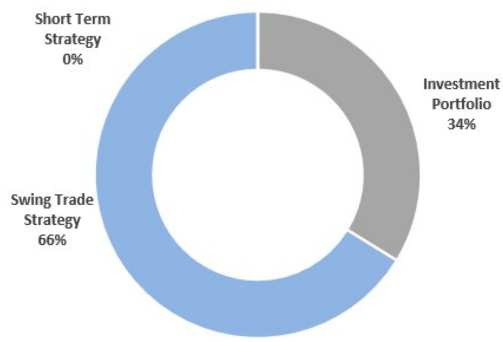
*Fund Inception 23rd December 2021

Individual Strategy Returns	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	Total Return Since Inception (%)
Short Term Strategy	-3.03%	-0.35%	-1.73%	-8.14%	-10.28%
Swing Trade Strategy	0.88%	7.92%	4.02%	-4.36%	-9.66%
Investment Portfolio	4.18%	9.55%	3.54%	22.08%	-12.63%

Value of $100,000 Invested (AUD)



Fund Allocation



Monthly Portfolio Movement	*New*	*Open*	*Closed*
Short Term Strategy*	9	-	9
Swing Trade Strategy	38	3	35
Investment Portfolio	30	62	4

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

Monthly Portfolio Metrics	
Gross Exposure	181.79%
Net Exposure	45.53%

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

We have previously noted the period from November to May is often when we see seasonal strength in equity markets and January did little to dispel this notion. Equity markets in the US and Australia touched record highs heading into the end of January. Economic conditions in the US remain resilient as data for the 4th quarter of 2023 showed real US GDP improving by 3.3% and inflation pressures continuing to ease. US labour market stats also showed a normalisation in employment conditions rather than a capitulation with the unemployment rate holding steady at 3.7% for the third month in a row and labour force participation remaining unchanged at 62.5%. New home sales showed a rebound for the month of December as mortgage rates remained largely unchanged. The consensus view on the US economy is for a “Soft Landing” with the US Federal Reserve signalling they are now at the end of the rate hiking cycle but that rate cuts will likely be pushed out until the middle of 2024 at the earliest.

There was also some positive news for the Australian economy as quarterly inflation data was released in January. For the last quarter of 2023 the headline inflation rate came in at 4.1% year

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-over-year while core inflation came in at 4.2%, lower than the Reserve Bank of Australia had forecast for the year end. The biggest contributors to inflation where Tobacco +7%, new dwelling purchases by owner-occupiers +1.5%, Domestic holiday travel & accommodation +3.9% and Medical & Hospital services +1.2%. Goods & Services was lower for the 5th consecutive quarter with some goods even displaying deflation such as clothing, footwear, furniture and household appliances. The rental market remains tight with low vacancy rates as rental prices grew 7.3% on an annual basis. Insurance premiums saw their strongest price growth since 2001 rising 16.2% over the 12 months to December 2023. Premiums were driven higher because of re-insurance renewals off the back of natural disasters and higher claim costs which fed into higher premiums for building, home and contents and motor vehicle insurance.

The US Federal Reserve held its first Federal Open Market Committee (FOMC) meeting of 2024 on the 30th and 31st of January, leaving interest rates on hold at the current target rate of 5.25%-5.5% which is a 22 year high. Evident in the press conference was the move of the FOMC guidance to walk back from its more dovish tone in the last couple of months of 2023 to a slightly more hawkish tone in an attempt to quell the markets expectations for a March 2024 rate cut. There was a lot of equity market volatility during Chairman, Jerome Powell's, press briefing, in particular his explicit comment that a rate cut at the next meeting in March is "not the most likely case". Markets had been pricing in several rate cuts this year with March as a likely starting point. This commentary saw the Algorithm and High Frequency Trading programs go into overdrive and we saw a significant increase in whipsaw price volatility during the briefing in the major US indices.

The US 2-Year Treasury yield was largely unchanged for the month of January however the US 10-year Treasury yield was far more volatile trading north of 4% for the most part of January. However, a sharp pullback in yields from the 24th January into month end saw the 10 year yield also close out the month relatively unchanged with the US Treasury yield curve remaining inverted and warning of potential recessionary conditions ahead.

We continue to keep a watch out for improved stock market breadth to confirm the health of the recent market movements higher, however while December provided some optimism, January's breadth markers did not extend the improvement. In November and December the number of stocks included in the Nasdaq Composite that were trading above their 200 Day Moving Averages (DMA) increased rapidly topping out at approximately 50% while the S&P 500 also enjoyed a similar dynamic rallying off its lows in October to top out at approximately 80% of constituents above their 200 DMA. With those same indexes moving to new price highs in January but the number of stocks in both indexes trading above their 200 day moving average declining, this suggests yet again that investors are becoming more selective.

Portfolio Update

The improving trading conditions allowed for the fund to increase both the number of positions taken and the size of positions taken throughout the month. We saw continued improvement in trading conditions up until the end of the month as markets wobbled on the back of comments from US Federal Reserve Chairmen Jerome Powell.

While December saw a spike in activity within the Short Term trading strategy this was dialled down significantly in January as profitable trade ideas became rather sparse even while markets where improving. By the middle of the month a decision was made to allocate all short term trading capital toward the Swing Trading strategy. The Short Term strategy only took 9 trades for the month while the Swing Trading strategy entered 38 new positions. The number of trade ideas that presented through January increased considerably as the trading environment continued to improve on previous months. While the volume of trades was not as high as December the small

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.

adjustments to the entry, exit and stop losses we made enabled positions to be "live" for longer and for us to capture larger positive returns. A driving factor in the positions being held for longer periods was the adoption of a tweak to our risk parameters and the relationship this has on our position sizing. As part of our ongoing trade optimisation program, we have been able to identify some minor tweaks to our entry and exit criteria that has enabled us to better manage our trading positions from the perspective of position sizing and that has allowed us to remain in trades longer. These adjustment have provided us with greater confidence in the quality of the trades we are taking and the potential for more profitable trades as a percentage of all trades taken.

Looking at the investment portfolio, this allocation also increased its exposure to the market throughout January on the back of continued positive technical signals underpinning the improvement in market conditions. Around the 8th of January, on the back of a short term pullback, we increased the portfolio's overall exposure to the market by increasing position sizes in the Tactical Asset Allocation component of the portfolio and Autodesk and by adding new investments to the portfolio in ARK Innovation Fund ETF (ARKK:US) and MercardoLibre (MELI:US). In a strong start to the year the Nasdaq Composite closed the month up +1.02%, the Nasdaq 100 +1.85%, the S&P 500 +1.59% and the Dow Jones Industrial Average +1.22%. The S&P ASX 200 lagged its global peers posting a +1.184% return for the month. The UGC Global Alpha Fund delivered a return of +3.61%, while the strategy's benchmark index the MSCI World Net Index (AUD) returned +4.46%.

Toward the end of January the US earnings season kicked off with companies reporting their Q4'23 and FY'23 results. While the bulk of S&P 500 earnings are reported in February we did see several portfolio companies release earnings in the last days of January. Those included Netflix, ASML, Tesla, Visa, Alphabet, Microsoft and Mastercard. Of the seven portfolio companies that reported five beat analyst estimates for Earnings (EPS) and six of the seven beat analyst estimates for Revenue. As at 31 January, with just 25% of S&P 500 companies having reported their earnings and with most of the large technology names yet to have released their results, it is too early to determine if this earnings season will surpass expectations overall, but clearly the market is once again focused on company fundamentals rather than macroeconomic and geopolitical risks which have dominated market moves over the past two years. Those companies that have reported inline with estimates have seen far less volatility around their earnings releases, those that have beaten expectations have generally benefited materially and those that have disappointed... well, they have been put to the sword as one would expect.

We continue to remain optimistic about the prospects for 2024 however, markets are still susceptible to short term bouts of volatility. Given the speed at which this most recent rally in the major indexes has occurred and the short term extended nature of many stocks within our investment universe, February could see us begin to harvest some of these short term returns if the rally continues.

Key Takeaways:

- Equity markets remain strong with some indexes touching record highs in January.
- US Federal Reserve left rates on hold once again.
- US FOMC moved to a more hawkish tone in January, albeit rate hikes are likely over, but rate cuts will likely be pushed back till later this year.
- US Fed Chairman Powell all but rules out a March interest rate cut.
- Stock participation suggests some short term divergences in breadth increasing chances of a correction sometime soon.
- The UGC Global Alpha Fund's capital is now fully deployed in its investment and trading activities after the bear market of 2022 and the narrow recovery of 2023 has passed.
- The UGC Global Alpha Fund's portfolio has now started taking advantage of improved conditions in small, medium and large cap investments and trading ideas.

As always, we look forward to providing you with further updates next month.

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CEO/Chief Investment Officer

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Some numerical figures in this publication have been subject to rounding adjustments.

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