UGC GLOBAL ALPHA Fund

Monthly Report

29 February 2024

UGC Global Alpha Fund

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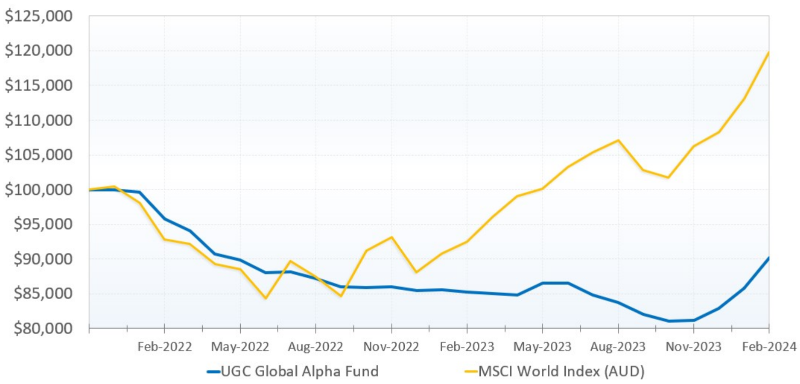
Fund Returns	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	Annualised Return Since Inception (%)
UGC Global Alpha Fund	**5.06%**	**11.10%**	**7.69%**	**5.82%**	**-4.62%**
MSCI World Index (AUD)	5.82%	12.69%	11.86%	29.41%	8.65%
Versus Benchmark	-0.76%	-1.59%	-4.17%	-23.59%	-13.27%

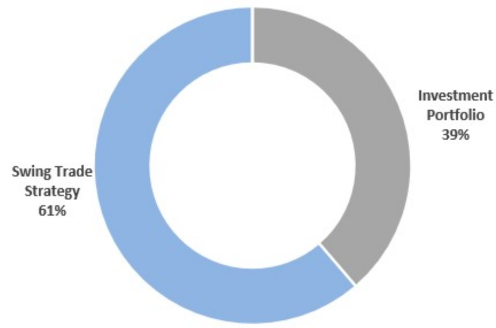
*Fund Inception 23rd December 2021

Individual Strategy Returns	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	Total Return Since Inception (%)
Short Term Strategy	1.30%	0.39%	-0.02%	-6.39%	-8.51%
Swing Trade Strategy	5.23%	19.05%	17.18%	7.24%	0.30%
Investment Portfolio	5.46%	22.10%	16.27%	36.53%	0.50%

Value of $100,000 Invested (AUD)



Fund Allocation



Monthly Portfolio Movement	*New*	*Open*	*Closed*
Short Term Strategy*	-	-	-
Swing Trade Strategy	30	9	55
Investment Portfolio	5	31	50

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

Monthly Portfolio Metrics	
Gross Exposure	108.56%
Net Exposure	108.56%

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

On face value the broad global growth indexes such as the S&P 500, Nasdaq Composite, Nasdaq 100, and Dow Jones Industrial Average are looking extended as this rally off October lows continues in early 2024. At one point February looked set to deliver a pullback to take some of the steam out of the market after a hotter than expected inflation number however, this was short lived with only a very shallow pullback which only preceded a market that marched towards new all-time highs. The likes of the S&P 500, Nasdaq Composite, Nasdaq 100 and ASX 200 all traded in rarified air as they moved into new all-time highs as we headed into the end of the month, while the Dow Jones Industrial posted an all-time closing high on February 23. Looking down the market cap spectrum into the small cap universe we saw the Russell 2000 trade near recovery highs. The shallow pullback appears to be a sign that investors and traders are willing to look through to a 2024 climate of central banks easing policy.

Earnings Season continued throughout February with five of the "magnificent seven" US Stocks reporting results for the previous quarter. These companies broadly met or exceeded expectations. At the end of February, over 90% of S&P 500 constituents had reported with nearly 75% beating analyst estimates.

The "R" word, recession, was a dominant force 12-18 months ago and while concerns remain about a possible economic slowdown, the fact is that within corporate America the concern around recession has significantly waned, according to data collated by Factset.com which scanned earnings documents of the S&P 500 there were 47 companies that cited the term recession during Q4 earnings calls which is well below the 5 year average of 85, in fact the quarter delivered the lowest number of companies citing recession in earnings calls for a quarter since Q4'21. After peaking in Q2'22 this number has declined for six straight quarters. On the flips side "soft landing" was quoted 37 times, the highest in at least three years.

The US Federal Reserves' preferred measure of inflation, the Personal Consumption Expenditures index or PCE for January came in lower at 2.4% year over year (Core PCE 2.8%) on the 29th of February after 2 months of flatlining in December and January at 2.6%, with Core PCE continuing its descent coming in at 2.8% year over year. Continued sustainable decreases to headline year-over-year inflation make it harder for the US Federal Reserve to justify a higher for longer rates mantra, however, the Fed need to see month-on-month inflation prints flatline in order to spike hopes of rate cuts. Headline CPI came in at 3.1% for January, slightly higher than forecast which brought along some downside volatility to markets that was only short lived. We look to March 20 as the next FOMC policy meeting and while probabilities of a rate cut are extremely low the market will be looking forward to June, with some economists even pointing to the back end of the year.

The US 2-Year Treasury yield displayed some heightened volatility running up 54 basis points in February to approximately 4.74% putting pressure on equities, the longer dated US 10-year Treasury yield moved in similar fashion rising 47 basis points to peak at approximately 4.34%.

Back home in Australia we are beginning to see greater evidence of consumers slowing down as the impact of rate hikes and the mortgage rollover begin to impact consumer habits. Headline CPI for the month of January was 3.4%. The most significant price rises were housing (+4.6%), Food and non-alcoholic beverages (+4.4%), Alcohol and Tobacco (+6.7%) and insurance and financial Services (+8.2%). Expect further inflation in the Alcohol segment as beer prices shoot higher due to the governments semi-annual beer tax hikes, this increase in tax is likely to push prices for a simple pint of Carlton Draught up to around $14-$16 at pubs.

Portfolio Update

February was once again very active in the Swing Trading portfolio as trading conditions allowed for an improving number of set-ups, a mid month shallow pullback on the indexes did not necessarily result in smaller and mid cap trade set-ups deteriorating. The trading activity was fairly evenly spread throughout the month. We noted that the back testing and dynamic adjustments we had included in our risk parameters has continued to allow for the strategy to stay in positions longer but also capture profits at various price target levels. These adjustments along with a market displaying reasonable momentum have been a strong addition to the arsenal to improve the return profile of trades.

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.

Over February the Swing Trade strategy took 30 new trades. In addition the early stages of February allowed for the booking of profits from a number of carried over positions from January prior to the shallow pullback that commenced around the 13th of the month. From the 13th to the 21st of February there was a clear lull in trading as the shallow pullback eroded away at the number of trade set-ups, but also our appetite for risk. However, while we had reluctance to add meaningful exposure for around a week we continued to monitor for set-ups with the view that the environment would likely change very quickly. This was the case around the 21st February when we began to see many set-ups begin to materialise and we once again increased exposures aggressively as the opportunities began to stack up. Three of the better results came from positions we took in January and exited in February, being Cloudflare (approx. +22%), Doordash (approx. +10%), and Eyepoint Pharmaceuticals (approx. +16%).

Looking at the investment portfolio, we took advantage of significant price moves across indexes and some individual stock names taking action that continued to pivot portfolios away from large cap indexes and reducing stock exposures to some of the companies that appear most extended since October 2023 lows. We re-positioned the portfolio to take some weight out of large and mega cap technology indexes and continue to rotate the portfolio towards small and medium market caps, this was achieved through increasing the allocation to the ARK Innovation ETF and the ProShares Ultra Russell 2000 ETF. At a stock level we trimmed names such as Nvidia, Apollo Global Management, ASML, Meta, Microsoft, Palo Alto and ServiceNow.

February delivered solid returns for the month with the Nasdaq Composite up +6.12%, the Nasdaq 100 +5.29%, the S&P 500 +5.17% and the Dow Jones Industrial Average +2.22%. The S&P ASX 200 lagged its global peers posting a +0.234% return for the month. The Fund delivered a return of 5.06%.

This month delivered the lion's share of earnings updates across the portfolio of stocks with just a few left to report through March. Looking over the 24 portfolio companies that reported, the overall earnings snapshot was largely positive, 19 companies delivered an Earnings Per Share (EPS) beat, 1 company matched EPS forecasts and 4 companies had a miss on EPS. On the top line Revenue 20 companies beat revenue estimates, 2 matched estimates while 2 delivered misses, with only Tesla missing both EPS and Revenue misses. Lululemon, Xero and ServiceNow are set to report towards the end of March.

On the radar looking forward our greatest concern is how long this bull market rally can continue without a more severe pullback in the range of 8-12%, it's our view that for a healthy bull market to evolve we need to see pullbacks occur, thus allowing the market to digest moves higher, the longer we go without a pullback brings us closer to the next one and likely at a larger quantum. Should economic conditions remain resilient, no resumption of inflation and Central banks begin to pivot we view any material pullback as a time to deploy more capital.

Key Takeaways:

- Equity markets punched through all time highs in February.
- Solid Earnings season from corporate America, management concerns around recession risk has largely dissipated.
- US Core PCE continues to fall, however, headline CPI remains too high for a prospect of a rate cut within the first half of this year.
- Looking for cues in next US Federal Reserve (March) update on potential for any policy adjustments in June.
- Australian inflation data continues to fall however, little joy when buying a beer and renewing insurance.
- Trading activity continues to be elevated compared to much of the previous 2 years.
- Trade set-ups continue to present but we are very cognizant of a heated market that is yet to pullback in a meaningful way, overall exposure will be managed with trailing hedges, trading positions will be dictated by number of set-ups and desired exposure targets.
- Long Term Investment portfolio continues to reduce mega cap exposure, increasing cash and incrementally increasing exposure to more small, mid and large cap investments.
- Portfolio exposure was approximately 108% to close out February.
- Bull market rally is still looking extended and we expect a pullback at some point. Any pullback should be viewed as an opportunity to deploy capital.

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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