# UGC PLATINUM ALPHA FUND

Monthly Report

29 February 2024

# UGC Platinum Alpha Fund

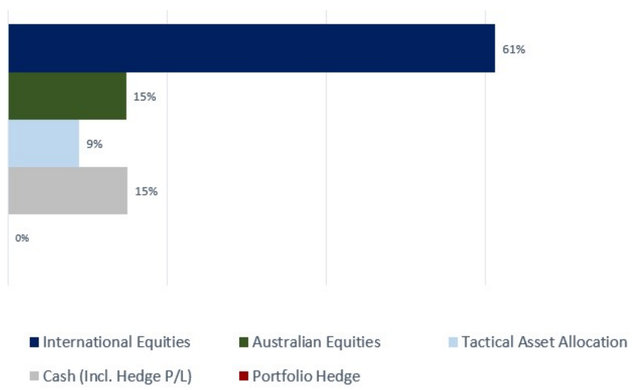
## Monthly Report - 29 February 2024

| Fund Returns | 1 Month (%) | 3 Month (%) | 6 Month (%) | 1 Year (%) | Annualised Return Since Inception (% pa) |
|---|---|---|---|---|---|
| **UGC Platinum Alpha Fund** | **5.37%** | **14.02%** | **9.47%** | **26.72%** | **8.36%** |
| MSCI World Index (AUD) | 5.82% | 12.69% | 11.86% | 29.41% | 21.81% |
| Versus Benchmark | -0.45% | 1.33% | -2.39% | -2.69% | -13.45% |

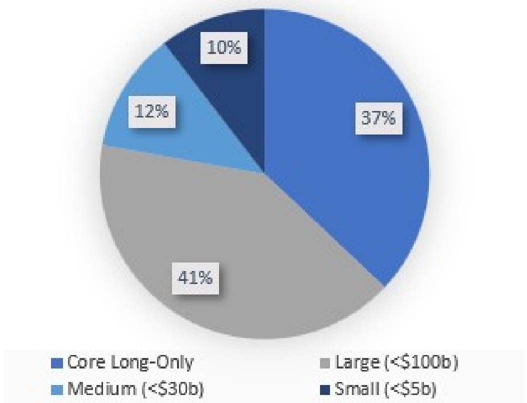
*Fund Inception 10th June 2022

### Value of A$100K Invested (AUD)


### Asset Allocation




### Stock Allocation by Market Cap. (AUD)




| Key Information | |
|---|---|
| **Investment Manager** | UGC Asset Management Pty Ltd |
| **Trustee** | VT No. 2 Pty Ltd |
| **Fund Inception** | June 2022 |
| **Min. Investment Amount** | $50,000 |
| **Management Fee** | 1.5% per annum |
| **Performance Fee** | 15% subject to Hurdle Rate and High Watermark |
| **Recommended Investment Time** | 5+ Year |

### 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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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

The funds portfolio saw a lot of action through February, as we continued to make adjustments with the aim of taking advantage of the significant price moves higher across indexes and some targeted large and mega cap technology names. The funds portfolio saw adjustments to the type of market exposure in the Tactical Asset Allocation, as we re-positioned from overweight large and mega cap technology indexes and continued 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 exposure from some of the most extended names such as Nvidia, Apollo Global Management, ASML, Meta, Microsoft, Palo Alto and ServiceNow. This activity aided in some side stepping of the pullback in the middle of the month as net portfolio exposure was reduced.

February delivered solid gains 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 improved by 5.37%.

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

**About the Strategy**

Investment and trading activities are conducted in global equity markets. The managers 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 is a total return focused, concentrated, capital growth biased investment approach with a specific focus on medium to long term investments in largely growth focused listed shares across the worlds major investment markets. The managers also have 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 3% per annum above the MSCI World Index (AUD) or 13% per annum on an absolute basis over a rolling 5 years period.

**Strategy Type**

Total return focused concentrated global equity fund

**Asset Allocation**

Global Growth

**Benchmark**

MSCI World Index (AUD)

**Performance Fee**

15% (plus GST) of returns generated by the Fund above 10% for any Financial Year, subject to the Fund exceeding its High Watermark.

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.
- Portfolio companies delivered a solid Q4'23 Earnings update, approximately 80% beat on EPS and 83% beat on revenues.
- A very active month in the portfolio with adjustments made to the Tactical Asset Allocation and some trimming of extended individual stock weights.
- We continued to adjust the funds portfolio to reduce mega cap exposure, increasing cash and incrementally increasing exposure to more small, mid and large cap investments.
- Average Net Portfolio Exposure is approximately 80.98%, a reduction from January.
- 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.

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

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

# UGC Platinum Alpha Fund

Monthly Report - 29th February 2024

## Platinum Alpha Fundamental Review

| Name | Revenue Growth | | | EPS Growth | | | ROA | | | ROE | | | PE | | | PEG | | Cash / Debt |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Australian Equities** | 2023 | 2024 | 2025 | 2023 | 2024 | 2025 | 2023 | 2024 | 2025 | 2023 | 2024 | 2025 | 2023 | 2024 | 2025 | 2023-24 | 2024-25 | Cash/ Debt |
| Australian Ethical Investment Ltd | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 11.5 |
| CAR Group Ltd | 40.9% | 11.0% | 10.9% | -50.8% | 15.3% | 13.5% | 8.2% | 9.3% | 10.4% | 10.7% | 12.2% | 13.7% | 38.9 | 33.7 | 29.7 | -2.2 | 2.3 | 0.2 |
| Hub24 Ltd | 18.1% | 18.3% | 13.9% | 81.3% | 30.1% | 20.5% | 14.6% | 17.5% | 19.4% | 13.5% | 16.3% | 18.1% | 48.1 | 37.0 | 30.7 | 0.9 | 1.5 | 1.9 |
| Netwealth Group Ltd | 23.3% | 17.6% | 14.9% | 26.3% | 20.5% | 15.3% | 70.9% | 78.4% | 82.6% | 63.5% | 67.5% | 69.0% | 45.1 | 37.4 | 32.5 | 1.9 | 2.1 | 7.0 |
| REA Group Ltd | 1.6% | 12.9% | 11.4% | 26.2% | 20.6% | 17.5% | 19.0% | 21.6% | 23.0% | 28.0% | 31.3% | 31.6% | 52.2 | 43.3 | 36.8 | 2.2 | 2.3 | 0.6 |
| Xero Ltd | 20.7% | 17.4% | 16.1% | 237.9% | 62.4% | 41.1% | 7.3% | 10.8% | 14.5% | 13.1% | 17.5% | 19.8% | 139.8 | 86.1 | 61.0 | 0.9 | 1.7 | 0.9 |
| **International Equities** | 2023 | 2024 | 2025 | 2023 | 2024 | 2025 | 2023 | 2024 | 2025 | 2023 | 2024 | 2025 | 2023 | 2024 | 2025 | 2023-24 | 2024-2025 | 2023 |
| Airbnb Inc | 11.7% | 11.8% | 12.3% | -39.9% | 14.1% | 14.7% | 15.0% | 15.3% | 12.2% | 35.4% | 32.1% | 27.0% | 36.9 | 32.4 | 28.2 | -2.9 | 2.3 | 5.1 |
| Autodesk Inc | 9.8% | 11.6% | 11.0% | 92.4% | 12.9% | 15.5% | 13.9% | 15.5% | 13.4% | 67.8% | 67.2% | 37.1% | 31.5 | 27.9 | 24.2 | 0.6 | 2.0 | 1.0 |
| Amazon.com Inc | 11.6% | 11.4% | 10.5% | 42.6% | 28.3% | 27.2% | 7.8% | 8.9% | 8.1% | 20.0% | 19.1% | 18.6% | 42.2 | 32.9 | 25.8 | 1.2 | 1.2 | 1.0 |
| ASML Holding NV | 0.3% | 25.8% | 11.1% | -8.7% | 51.6% | 19.0% | 18.2% | 24.0% | 25.4% | 52.9% | 67.5% | 64.3% | 45.6 | 30.1 | 25.3 | 2.1 | - | 1.5 |
| Apollo Global Management Inc | -47.6% | 14.8% | 1.0% | -5.2% | 16.7% | 17.6% | 1.6% | 2.0% | - | 72.2% | 53.3% | 41.3% | 14.2 | 12.2 | 10.3 | 2.5 | 0.7 | 2.0 |
| Meta Platforms Inc | 17.3% | 12.5% | 11.5% | 30.2% | 15.4% | 14.6% | 19.0% | 18.7% | 17.1% | 29.3% | 26.5% | 24.5% | 24.3 | 21.1 | 18.4 | 1.1 | 1.4 | 3.4 |
| Alphabet Inc | 11.3% | 10.5% | 8.5% | 25.2% | 15.1% | 13.7% | 20.0% | 20.0% | 17.4% | 27.0% | 27.6% | 24.9% | 20.9 | 18.2 | 16.0 | 1.0 | 1.3 | 7.6 |
| Lululemon Athletica Inc | 18.5% | 13.9% | 12.0% | 86.6% | 14.0% | 14.5% | 24.9% | 25.4% | 24.9% | 42.6% | 39.3% | 34.9% | 37.3 | 32.7 | 28.6 | 0.7 | 2.3 | - |
| LPL Financial Holdings Inc | 9.7% | 15.4% | 11.4% | 16.8% | 19.8% | 19.4% | 9.4% | 10.3% | 10.7% | 47.3% | 49.4% | 54.6% | 16.8 | 14.0 | 11.7 | 0.9 | 0.7 | 0.6 |
| Mastercard Inc | 12.0% | 12.5% | 12.5% | 21.6% | 16.6% | 15.7% | 31.1% | 32.8% | 39.6% | 179.8% | 163.2% | 162.0% | 33.1 | 28.4 | 24.5 | 1.7 | 1.8 | 0.6 |
| MercadoLibre Inc | 21.7% | 22.6% | 14.7% | 75.9% | 39.0% | 31.5% | 8.2% | 9.1% | 7.4% | 42.1% | 38.4% | 32.5% | 43.8 | 31.5 | 23.9 | 0.8 | 0.9 | 1.3 |
| Microsoft Corp | 15.3% | 14.3% | 14.4% | 20.4% | 14.6% | 18.0% | 20.9% | 18.3% | 18.3% | 36.6% | 32.1% | 30.5% | 35.7 | 31.2 | 26.4 | 2.0 | 1.9 | 1.2 |
| Monster Beverage Corp | 11.6% | 10.0% | 10.4% | 136.5% | 13.5% | 12.2% | 18.2% | 18.4% | 17.4% | 21.6% | 21.1% | 19.9% | 33.2 | 29.2 | 26.0 | 0.4 | 2.3 | - |
| Netflix Inc | 14.4% | 12.2% | 9.4% | 42.4% | 23.4% | 18.4% | 14.9% | 16.8% | 17.1% | 33.2% | 34.2% | 32.8% | 35.4 | 28.7 | 24.2 | 1.1 | 1.4 | 0.5 |
| NVIDIA Corp | 80.1% | 22.3% | 11.1% | 105.2% | 22.4% | 13.0% | 64.5% | 50.8% | 32.8% | 79.5% | 59.6% | 41.3% | 35.9 | 29.3 | 25.9 | 0.6 | 1.7 | 2.7 |
| ServiceNow Inc | 21.4% | 20.7% | 21.1% | 57.1% | 20.9% | 23.1% | 11.0% | 10.9% | 9.7% | 25.9% | 22.9% | 20.8% | 56.2 | 46.5 | 37.8 | 1.4 | 2.1 | 3.3 |
| Palo Alto Networks Inc | 15.8% | 14.2% | 16.7% | 327.9% | 11.8% | 18.5% | 11.5% | 9.0% | 9.1% | 50.7% | 34.6% | 32.2% | 51.3 | 45.9 | 38.7 | 0.3 | 3.0 | 1.3 |
| Shopify Inc | 21.1% | 20.1% | 21.3% | 903.5% | 30.1% | 32.1% | 9.6% | 12.6% | 12.0% | 11.3% | 14.1% | 15.8% | 74.9 | 57.5 | 43.6 | 0.2 | 1.8 | 5.5 |
| Tesla Inc | 12.0% | 19.8% | 15.8% | -30.3% | 36.1% | 22.8% | 5.1% | 6.8% | 7.7% | 14.1% | 13.0% | 14.1% | 54.6 | 40.1 | 32.6 | 18.9 | 1.4 | 5.6 |
| Visa Inc | 9.8% | 10.4% | 11.0% | 44.3% | 12.5% | 14.0% | 21.7% | 22.4% | 22.9% | 49.0% | 50.1% | 49.6% | 28.5 | 25.4 | 22.3 | 1.0 | 1.9 | 1.0 |
| Workday Inc | 15.8% | 16.9% | 16.6% | 6.3% | 17.7% | 16.8% | 4.5% | 5.7% | 7.1% | 13.3% | 13.7% | 14.3% | 40.2 | 34.2 | 29.3 | 3.3 | 2.0 | 2.6 |
| *AVERAGE* | 15.32% | 15.42% | 12.75% | 87.37% | 22.90% | 19.24% | 18.11% | 18.90% | 19.21% | 41.55% | 39.37% | 36.35% | 42.9 | 34.1 | 28.3 | 1.6 | 1.7 | 2.8 |
| *AVERAGE (excluding outliers)* | 12.24% | 15.14% | 12.62% | 39.91% | 22.17% | 18.78% | 18.16% | 18.94% | 19.34% | 41.75% | 39.80% | 37.20% | 36.5 | 33.4 | 27.8 | 2.2 | 1.7 | 2.4 |
| **S&P 500** | 4.40% | 5.93% | 5.47% | 0.49% | 13.54% | -0.13% | - | - | - | - | - | - | 21.0 | 18.49 | 16.55 | 3.0 | 2.8 | - |
| **ASX 200** | 2.27% | 3.52% | 2.57% | 5.03% | 4.34% | 4.27% | - | - | - | - | - | - | 16.6 | 15.9 | 15.3 | 3.5 | 3.7 | - |

**Revenue Growth**: refers to an increase in revenue over a period of time.

**EPS:** Earnings per share (EPS) is a company's net profit divided by the number of common shares it has outstanding.

**PE Ratio:** The price-to-earnings (PE) ratio is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS).

**PEG Ratio:** The price/earnings to growth ratio (PEG ratio) is a stock's price-to-earnings (P/E) ratio divided by the growth rate of its earnings for a specified time period.

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