UGC GLOBAL ALPHA Fund

Monthly Report

31 March 2024

UGC Global Alpha Fund

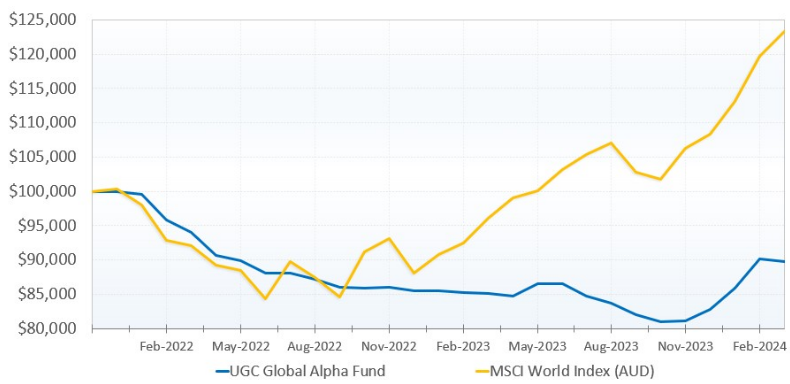
Monthly Report - 31 March 2024

Fund Returns	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	Annualised Return Since Inception (%)
UGC Global Alpha Fund	**-0.49%**	**8.32%**	**9.44%**	**5.46%**	**-4.66%**
MSCI World Index (AUD)	3.02%	13.88%	20.01%	28.44%	9.74%
Versus Benchmark	-3.50%	-5.56%	-10.57%	-22.98%	-14.40%

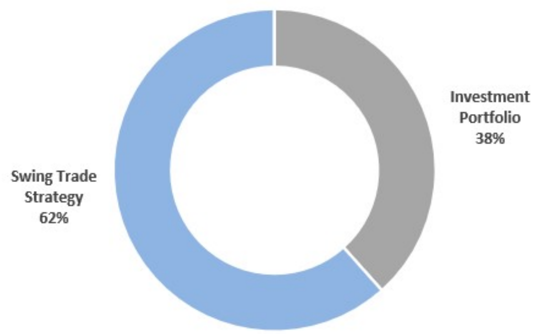
*Fund Inception 23rd December 2021

Individual Strategy Returns	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	Total Return Since Inception (%)
Short Term Strategy	0.01%	-1.76%	0.61%	-5.53%	-8.50%
Swing Trade Strategy	-0.63%	10.94%	18.06%	7.83%	-0.33%
Investment Portfolio	0.30%	14.96%	20.75%	34.36%	0.80%

Value of $100,000 Invested (AUD)



Fund Allocation



Monthly Portfolio Movement	*New*	*Open*	*Closed*
Short Term Strategy*	-	-	-
Swing Trade Strategy	14	5	16
Investment Portfolio	1	2	0

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

Monthly Portfolio Metrics	
Gross Exposure	67.28%
Net Exposure	74.46%

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

March might have delivered new all time highs across a swathe of market indexes however, for the technology heavy Nasdaq Composite and Nasdaq 100 they did not progress at the same magnitude we have become used to seeing since bouncing off October 2023 lows. March seemed to be more of a slow rotation away from the biggest technology names into broader economic sectors as represented by stocks making up the S&P 500, the Dow Jones and the Russell 2000 index. We saw new all time closing highs on the 28th March for the S&P ASX 200 at 7901.2, the Dow Jones Industrial index at 39,807.37, the S&P 500 at 5,254.35, while earlier in the month, on 22nd March both the Nasdaq 100 and Nasdaq Composite hit an all time closing high of 18,339.44 and 16,428.82 respectively. The technology heavy indexes have been leading the trends for over 18 months and recent price action might be a sign of a market that is extended and looking to take a breather.

In a surprising turn of events considering large parts of Europe are in a recession the European Stoxx 600 also struck a new all time high on 28th March, in a sure fire sign of investors looking through the current economic headwinds on the continent. All

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this could turn south though as global market indexes surge higher on the back of solid economic data suppressing the expectations of rate cuts later in the year. Some less than favorable data such as accelerating inflation prints could de-rail the notion of cuts in 2024.

The inflation headline is beginning to rear its head in the US as CPI has begun to tick higher again. With headline inflation warming up again the notion of interest rate cuts is beginning to shift, the market has grown comfortable with 3 cuts into the end of of 2024 however rumblings and mumblings of fewer and even no rate cuts is putting some ice on things for now. With the headlines getting attention we would anticipate a pick up in volatility however, the US economy remains strong and has so far managed to absorb the interest rate hikes.

The US 2-Year Treasury yield and the longer dated US 10-year Treasury yield where relatively flat for the month of March with both climbing 11 basis point s.

The Reserve Bank of Australia (RBA) left rates on hold at 4.35% after their March board meeting which from 2024 has taken on a new look. The board has shifted from regular monthly meetings followed by a 2:30pm release on the first Tuesday of the month to a model that looks much more like the US Federal Reserves, Open Market Committee whereby the board meets every 6 weeks or 8 times a year to deliberate over 2 days. The board noted encouraging signs that inflation was moderating here in Australia as goods inflation moderates however services inflation remains elevated and is moderating at a more gradual pace. Higher rates are proving effective to create a sustainable balance between aggregate demand and supply in the economy. Labour conditions are continuing to ease all be it gradually however remains tighter than is ideal for full employment and inflation targets.

From an economic perspective while inflation shows signs of moderating the RBA governor outlined that the economic outlook remains uncertain. December national accounts confirmed a slowing in growth while household consumption growth remains weak driven by high inflation and interest rates. Real incomes have largely stabilised with some growth forecast into the end of 2024 to support consumption. While favourable signs on goods price inflation abroad, services price inflation has remained persistent with the board concerned we will see a similar trend here in Australia. While the board noted several risks it was not all doom and gloom, you might remember the mortgage cliff that was supposed to derail the Australian economy as mortgages rolled off low fixed rates into higher floating rates, well the RBA estimates that only around 5% of households with a variable rate mortgage have mortgage and essential living expenses greater than income. To support this the bi-annual Financial Stability Review (released in March) found while many households and businesses continue to face challenges, most continue to service debt and meet expenses on schedule. The Financial Stability Review also found that most households have continued to manage the pressure that inflation and interest rates are placing on their finances and that these pressures are expected to ease a little as inflation moderates further.

Portfolio Update

Trading for the month of March was somewhat subdued when compared to January and February. In the swing trading portfolio after a very active beginning to the year we only entered 16 new trades and closed the month out holding five open positions, four of which showing moderate gains. Throughout March the trading environment gradually deteriorated as we saw broader indexes trade sideways and lower through the middle of the month. This weakness saw carried over positions from February begin to deteriorate, through the middle of the month we tighten risk levels through a mix of tightening stop loss levels and gradually unwinding profitable positions. Through tightening stop losses we managed to lock in many of the gains at a position

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.

level that had been carried over from February while also locking in gains from shorter duration trades entered in March, by the end of the month the swing trade strategies portfolio was tracking at approximately 58.25% exposure while a total portfolio gross exposure was reduced to approximately 67.28%. At an individual position level KB Homes was the best trade from the month closed out at approximately +8% and its homebuilding peer Lennar Corp approximately +5.56%. Both positions had their overall exposure reduced going into Lennar Corps earnings enabling the fund to capture much of the gains despite the market not liking the overall Lennar earnings update.

In the investment portfolio activity was fairly benign as we bought some Australian Ethical Funds (AEF:US) to bring up from underweight to target weight and invested in a new position in Pinterest (PINS:US). This took the funds portfolio net market exposure higher. With the strength we have seen in markets through the end of 2023 and into the first two months of 2024 we made adjustments to tighten up trigger levels at which point portfolio hedging would come into effect.

March was relatively flat when compared to the first 2 months of the year for the tech heavy Nasdaq Composite up +1.19%, the Nasdaq 100 +1.17%, while the broader S&P 500 +3.10% was the leader of the pack with the Dow Jones Industrial Average +2.08%. The S&P ASX 200 was a bit of a shining light vs. global peers posting a +2.57% return for the month. The Fund delivered a return of -0.49%, while the benchmark index the MSCI World Net Index (AUD) returned +3.02%. With March coming to a close we also welcomed the end of the quarter, returns on a quarterly basis saw the Nasdaq Composite up +10.93%, the Nasdaq 100 +10.34%, the S&P 500 +10.79% and the Dow Industrial Average +5.6%. The S&P ASX 200 was a significant laggard to global indexes posting a +3.52% return for the quarter. The Fund delivered a return of +8.32%, while the benchmark index, the MSCI World Net Index (AUD) returned +13.88% over the March Quarter.

While March saw a lot of stocks trading sideways we did continue to see continued improvement at an individual stock level as price charts continue to build on their recovery bases. We have been spending a lot of time trawling the small and mid cap universe for stocks displaying our ideal technical set-ups. Our stock shopping list has been growing with several companies having had research completed and biding their time for ideal buy points. With interest rate cuts yet to materialise, but on the table in the back half of 2024 we are seeing investors dipping their toes into this sector of the market, much like we have been, in anticipation of the improving environment should central banks begin cutting this year. On face value it would appear the volume buying is yet to come through however, when the tide turns we would expect this sector of the market to outstrip the performance of the large and mega cap indexes that have been the story of the last 18 months. We are optimistic however in the short term believe we could experience a pull back that will present excellent buying opportunities.

Key Takeaways:

- Equity markets punched through all time highs again in March.
- Despite parts of Europe in recession the Euro Stoxx 600 index posted a new all time high in March.
- Reserve Bank of Australia left rates on hold, pointed to concerns that economic outlook is uncertain however inflation is falling, incomes stabilised and household balance sheets coping with higher cost of living (inflation and interest rates).
- March was relatively flat in the technology laden US indexes while broader US indexes representative of more sectors in the economy outperformed.
- Back home the ASX 200 outshone its US peers for the month but has been a significant laggard over the March quarter.
- Lower activity across the portfolio with Pinterest added and Australian Ethical increased to target weight.
- Small and Mid caps activity is gradual, volume buying yet to hit as investors dip toes in the water pre emoting rate cuts in 2024.

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

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

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

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