



**UGO GLOBAL ALPHA FUND**  
ABN 41 762 685 247

FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2023

**UGC GLOBAL ALPHA FUND  
ABN 41 762 685 247  
TRUSTEE REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

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**UGC GLOBAL ALPHA FUND**  
**ABN 41 762 685 247**  
**TRUSTEE REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2023**

The Director of the Trustee, VT No. 2 Pty Ltd, present their report on the UGC Global Alpha Fund ('the Fund') for the year ended 30 June 2023. In order to comply with the provisions of the *Corporations Act 2001* the Director reports as follows:

**1. Directors of VT No. 2 Pty Ltd**

The names of the Director of the Trustee are:

Craig Mathew Dunstan

**2. Principal Activities**

The Fund is a return-focused hedge fund targeting high returns through the investment cycle, while attempting to protect the portfolio against the risk of substantial loss. The Investment Manager invested in a portfolio of shares, Exchange Traded Funds (ETF) and Contract for Differences (CFD) through the brokerage platform Saxo Capital Markets. An Exchange-Traded Fund (ETF) is a type of investment and exchange-traded product. A Contract for Differences is an arrangement made in financial derivatives trading where the differences in the settlement between the open and closing trade prices are cash-settled. The Fund 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.

The Fund was established on 15 September 2020 and issued the first units on the commencement date of 23 December 2021.

**3. Operating Results**

The operating (loss) of the Fund for the financial year ending 30 June 2023 was (\$2,227,247) (2022: (\$554,813)).

**4. Review of Operations**

The first information memorandum was issued on 18 October 2021. The Fund started operation on 23 December 2021. Since its inception, the Fund issued 16,068,633 (2022: 13,840,393) units and net of redemptions has 15,789,546 on issue, invested in a portfolio of shares, ETF, CFDs, and currency.

The Fund will start with two strategies, but may add more over time. The first strategy, is a total return-focused, concentrated, capital growth biased investment approach, focused on medium to long-term investments in largely growth focused listed equities across the world's major investment markets. The second strategy is a short to medium-term tactical swing trading strategy, which will target smaller but quicker returns in an active, concentrated, high turnover portfolio allocation.

The Investment Manager will deploy leverage across both portfolios by utilising a range of instruments including margin loans, derivatives, and leveraged exchange-traded funds to enhance the returns of the portfolio, but will also utilise such instruments in strategies such as short selling and hedging with a view to protecting the portfolio against meaningful downside movements.

**Strategy No.1 – Investment Strategy**

a. Cash 5% (Saxo and Operation account)

The Investment Manager will aim to hold approximately 5% of the Fund's net assets in an Australian dollar cash account for liquidity purposes. The Investment Manager will have the ability to hold more or less than this amount on a tactical temporary basis (typically 3 to 6 months) depending on the Investment Manager's assessment of prevailing market conditions.

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**4. Review of Operations (continued)**

**b. Tactical Asset Allocation 20%**

The Investment Manager has the discretion to use the following instruments to position the portfolio accordingly:

- Individual stocks/equities
- Individual stock options contracts
- ETFs, including but not limited to leveraged and inverse ETFs
- CFDs including but not limited to index, stock, and ETF CFDs

**c. Stock Allocation 75%**

This section of the portfolio allocates to different individual stocks with typical initial allocations starting off at approximately 2.5% of the Fund assets.

**Strategy No. 2 – Trading Strategy**

Strategy No.2 to trading focuses on exploiting short-term, but more frequent, price movements in stocks. The Investment Manager will also aim to utilise tactical short selling and hedging strategies, as and when it believes it is appropriate to best protect the portfolio against adverse market movements or to take advantage of profit opportunities.

The Investment Manager expects profitable trades to be approximately 40% to 60% of all trades taken. This compares to Strategy No. 1 where the Investment Manager expects a higher success rate over time closer to approximately 70% to 80%.

<b>Trades</b>	<b>FY23 No. of Trades</b>	<b>FY23 %</b>	<b>FY22 No. of Trades</b>	<b>FY22 %</b>
Profitable Trades	127	32.32%	71	29.71%
Total Trades	393		239	

**Borrowing**

The Investment Manager intends on limiting the maximum net exposure to no more than 250% of the Fund's net assets, however, there is no guarantee that this limit will be maintained or adjusted by the Investment Manager from time to time.

The Investment Manager expects to limit these net short positions to no more than 100% of the Fund's equity.

<b>Exposure</b>	<b>FY23 Amount</b>	<b>FY23 %</b>	<b>FY22 Amount</b>	<b>FY22 %</b>
Net Exposure	\$21,173,720	154.48%	\$26,845,677	219.66%
Short Position	\$1,207,953	8.81%	\$2,998,893	24.54%
Net Assets	\$13,706,048		\$12,221,629	

**5. Review of Performance**

The UGC Global Alpha Fund's objective is to generate an after-fee, pre-tax return of 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. The Fund's performance for the financial year is as follows:

<b>Unit Class</b>	<b>2023 % p.a.</b>	<b>2022 % p.a.</b>	<b>5%+MSCI World Index (AUD)</b>	<b>2023 % p.a.</b>	<b>2022 % p.a.</b>
Ordinary Units	-1.70	-18.31*	Index	26.07	-12.04

\*Annualised.

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**6. Unit Prices**

The redemption price of the UGC Global Alpha Fund as at 30 June was \$0.8656 (2022: \$0.8806) after the 0.275% sell spread to the redemption price.

<b>Date</b>	<b>Application Price</b>	<b>Redemption Price</b>
30/06/2022	\$0.8854	\$0.8806
30/06/2023	\$0.8704	\$0.8656

The availability and timing of redemptions are subject to the terms of the Fund's Constitution.

**7. Distributions Paid or Recommended**

Distributions are expected to be paid within 60 business days following the end of each financial year. Distributions to investors will take into account the number of Units held by the Investors on the day each distribution is calculated. Distributions will be made from the income earned by the Fund over the course of the preceding period.

There was no distribution declared for financial year ending 30 June 2023 (2022: nil).

**8. Applications Held**

As at 30 June 2023, the value of pending unit allocations was \$nil (2022: \$510,000).

**9. Redemption Arrangements**

As specified in the Information Memorandum, Investors will be able to withdraw from the fund subject to available liquidity and submitting a valid withdrawal request. Subject to available liquidity, withdrawal requests will ordinarily be satisfied within 20 business days of the end of each quarter in which the 90 days of notice period expires.

Where there is insufficient liquidity to satisfy all withdrawal requests, investors redemptions will be satisfied on a pro-rata basis each calendar quarter until all withdrawal requests are satisfied.

As detailed in the Fund's Constitution the Trustee is not under any obligation to buy back, purchase or redeem units from unitholders. No units were redeemed by the Trustee during the reporting period.

**10. Options**

No options over issued units or interests in the Fund were granted during or since the end of the financial year and there were no options outstanding at the date of this report. The Directors and executives of the Trustee hold no options over interests in the Fund.

**11. Proceedings on Behalf of the Fund**

No person has applied for leave of court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of their proceedings. The Fund was not a party to any such proceedings during the period.

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**12. Value of Fund Assets**

The gross asset value of the Fund at the end of the financial year was \$13,736,804 (2022: \$12,248,445). The net asset value at the end of the financial year was \$13,706,048 (2022: \$12,221,629).

**13. Significant Changes in State of Affairs**

Apart from those matters referred to in the previous sections of this Report, there have been no other significant changes to the state of affairs of the Fund during the financial year.

**14. After Reporting Date Events**

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years other than as disclosed in this report.

**15. Future Developments**

There are no future developments to report on which are not otherwise disclosed in this report.

**16. Indemnifying Officers or Auditor**

During or since the end of the financial year, the Trustee has paid insurance premiums to insure each of the aforementioned Directors as well as officers of the Trustee against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the Trustee, other than conduct involving a willful breach of duty in relation to the Trustee.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Trustee has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Trustee or of any related body corporate against a liability incurred as such an officer or auditor.

**17. Fees, Commissions or Other Charges by the Trustee, Investment Manager or Related Parties**

Fees of \$264,313 (plus GST) (2022: \$128,848) were paid or payable by the Fund to the Investment Manager for the financial year.

Fees of \$31,250 (plus GST) (2022: \$25,000) were paid or payable to the Trustee for the financial year. In addition, fees of \$21,525 (plus GST) (2022: \$10,984) were paid or payable to the Administration Manager.

The Investment Manager is entitled to an annual performance fee of 20% (plus GST) of all returns of the Fund above 10% per annum for any Financial Year, subject to the Fund exceeding its high watermark. As at 30 June 2023, no performance fee was payable (2022: nil).

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**18. Units held by the Trustee, Investment Manager or Related Parties**

As at 30 June 2023, 7,744,008 (2022: 7,867,397) units were held by the Investment Manager and the related parties of the Investment Manager.

**19. Interests in the Fund**

The movement of units on issue in the Fund during the year is set out in Note 5 to the financial statements. The value of the Fund's assets and liabilities is disclosed on the Statement of Financial Position and derived using the basis set out in Note 1 to the financial statements.

**20. Rounding of Amounts**

The Fund is of a kind referred to in the *Australian Securities and Investments Commission's Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191*. Consequently, amounts in the financial statements have been rounded to the nearest dollar in accordance with that legislative instrument.

**21. Environmental Issues**

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Signed in accordance with a resolution of the Board of the Trustee, VT No. 2 Pty Ltd by:

*Craig Dunstan*

**Craig Dunstan**

Director

Date: 15 August 2023

**UGC GLOBAL ALPHA FUND**  
**ABN 41 762 685 247**  
**STATEMENT OF PROFIT AND LOSS AND**  
**OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$	2022 \$
<b>Revenue and other income</b>			
Bank interest	7	4,281	333
Dividend income – Saxo	8	21,585	11,733
<b>Total revenue and other income</b>		<b><u>25,866</u></b>	<b><u>12,066</u></b>
<b>Expenses</b>			
Administration manager fees	3(b)	21,525	10,984
Investment management fees	6	264,313	128,848
GST expense (non-claimable)		8,168	6,798
Trustee fees	3(a)	31,250	16,146
Other expenses	10	16,767	15,185
Saxo trading costs	12	315,711	223,318
Investment loss	13	1,595,379	165,600
<b>Total expenses</b>		<b><u>2,253,113</u></b>	<b><u>566,879</u></b>
<b>Operating (loss) before finance costs attributable to unitholders</b>	5	<b><u>(2,227,247)</u></b>	<b><u>(554,813)</u></b>
<b>Total comprehensive income / (loss)</b>		<b><u>(2,227,247)</u></b>	<b><u>(554,813)</u></b>



**UGC GLOBAL ALPHA FUND**  
**ABN 41 762 685 247**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2023**

	Notes	2023 \$	2022 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2	9,324,165	9,733,673
Investment assets	4	4,382,096	2,467,239
Reduced Input Tax Credit		8,005	12,929
<b>TOTAL CURRENT ASSETS</b>		<b>13,714,266</b>	<b>12,213,841</b>
<b>NON-CURRENT ASSETS</b>			
Capitalised expense and amortisation	9	22,538	34,604
<b>TOTAL NON-CURRENT ASSETS</b>		<b>22,538</b>	<b>34,604</b>
<b>TOTAL ASSETS</b>		<b>13,736,804</b>	<b>12,248,445</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Investment management fees payable	11(b)	22,881	20,393
Other expense payable	11(a)	7,875	6,423
<b>TOTAL CURRENT LIABILITIES</b>		<b>30,756</b>	<b>26,816</b>
<b>TOTAL LIABILITIES</b>		<b>30,756</b>	<b>26,816</b>
<b>NET ASSETS</b>		<b>13,706,048</b>	<b>12,221,629</b>
<b>REPRESENTED BY:</b>			
Issued units	5 (a)	15,468,173	13,761,500
Undistributed (loss) attributable to unitholders	5 (b)	(2,782,060)	(554,813)
Foreign exchange revaluation	14	(110,396)	(110,396)
Investment revaluation reserve	15	1,130,331	(874,662)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>13,706,048</b>	<b>12,221,629</b>

**UGC GLOBAL ALPHA FUND  
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FOR THE YEAR ENDED 30 JUNE 2023  
CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023**

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or the end of the financial year.

**UGC GLOBAL ALPHA FUND**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Bank interest	7	4,281	333
Realised investment income		(1,595,379)	(165,600)
Fees paid		(633,561)	(402,268)
Tax paid		(3,244)	(19,728)
Dividend income	8	21,585	11,733
Net cash (used in) operating activities		<u>(2,206,318)</u>	<u>(575,530)</u>
<b>Cash flows from investing activities</b>			
Payment for investments		90,136	(3,452,297)
Net cash provided by/(used in) investing activities		<u>90,136</u>	<u>(3,452,297)</u>
<b>Cash flows from financing activities</b>			
Proceeds from units issued	5 (a)	1,945,000	13,761,500
Payment for the redemption of units	5 (a)	(238,327)	
Net cash provided by financing activities		<u>1,706,673</u>	<u>13,761,500</u>
Net (decrease) / increase in cash and cash equivalents		(409,508)	9,733,673
Cash and cash equivalents at the beginning of year		9,733,673	-
<b>Cash and cash equivalents at the end of year</b>	2	<u><u>9,324,165</u></u>	<u><u>9,733,673</u></u>

**UGC GLOBAL ALPHA FUND**  
**ABN 41 762 685 247**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The financial report is for the entity UGC Global Alpha Fund ('the Fund') as an individual entity. The Fund is an unregistered managed investment scheme established and domiciled in Australia. The Trustee of the Fund is VT No. 2 Pty Ltd.

**Basis of Preparation**

**(a) Statement of compliance**

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The financial report of the Fund complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

The Fund is a for-profit entity for the purpose of preparing financial statements.

**(b) Basis of measurement**

The financial report is prepared on the historical cost basis except for the following material items in the statement of financial position:

Investment assets are measured at fair value.

**(c) Functional and presentation currency**

These financial statements are presented in Australian dollars, which is the Fund's functional currency.

**(d) Use of estimates and judgements**

The preparation of financial statements requires the Directors of the Trustee to undertake a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

**Significant accounting policies**

**(a) Financial instruments**

Financial assets and financial liabilities are recognised on the Fund's Statement of Financial Position when the Fund becomes a party to the contractual provisions of the instrument.

**(i) Measurement**

Financial assets and financial liabilities are held at fair value through profit or loss.

Under this approach, financial assets and financial liabilities are generally measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition.

Subsequent to initial recognition, all financial instruments are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

**UGC GLOBAL ALPHA FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets are based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices on the reporting date, while financial liabilities are priced at current offer prices.

*Fair value in an inactive or unquoted market*

The fair values of financial assets and liabilities that are not traded in an active market are determined through the valuation policy identified in the Information Memorandum for the Fund.

**(ii) Categorisation**

The Fund's investments are categorised as follows:

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

*Financial liabilities and equity*

Financial liabilities and equity instruments issued by the Fund are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

*Issued units*

The Fund issues units which have a limited life under the Fund's Constitution and are classified as a liability in accordance with *AASB 132 Financial Instruments: Presentation*.

Where the Fund buys back any of its units from unitholders, the consideration paid, including any directly attributable incremental costs are recognised as a reduction in liability attributable to the Fund's unitholders.

**(b) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST, and accruals are shown exclusive of GST.

**(c) Income tax**

Under current legislation, the Fund is not liable for income tax provided its taxable income is fully distributed to unitholders.

**UGC GLOBAL ALPHA FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Critical judgements and significant accounting estimates**

The preparation of financial statements requires the Directors of the Trustee to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**(e) Trade and other payables**

Trade and other payables represent the liabilities for goods and services received by the Fund that remain unpaid at the end of the financial year. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**(f) Revenue and other income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue is deferred when fees are received upfront but where associated services are yet to be performed. Any consideration deferred for more than one year is treated as a financing arrangement and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest method, which, for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of Goods and Services Tax (GST).

**(g) Trade receivables**

Trade receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(d) for further discussion on the determination of impairment losses.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(h) Foreign exchange**

Items included in the financial records are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Australian dollars, which is the presentation currency of the Fund.

**(i) Provisions**

Provisions are recognised when the Fund has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**(j) New accounting standards and interpretations**

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

**UGC GLOBAL ALPHA FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**NOTE 2: CASH AND CASH EQUIVALENTS**

Cash on deposit is held in a Macquarie Bank CMA.

	<b>2023</b>	<b>2022</b>
<b>Account</b>	<b>\$</b>	<b>\$</b>
Macquarie operations account	357,136	567,278
SAXO trading account	8,967,029	9,166,395
<b>Total</b>	<b>9,324,165</b>	<b>9,733,673</b>

**NOTE 3: TRUSTEE AND ADMINISTRATION FEES**

The Trustee is entitled to an annual fee, subject to minimum fee of \$25,000 (2022: \$25,000), equal to 0.10% per annum of the fund's gross asset value; calculated from execution of the Trust Deed and paid to the Trustee on commencement of the Fund monthly in arrears.

<b>(a) Trustee fees</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Trustee fees	25,000	25,000
Trustee fees amortisation	6,250	(8,854)
	<b>31,250</b>	<b>16,146</b>

**(b) Administration manager fees**

The Administration Manager is entitled to an administration fee of:

- \$15,000 per annum where there are less than 25 Investors;
- \$20,000 per annum where there are between 25 and 50 Investors; or
- \$25,000 where there are 51 or more Investors.

Plus \$5,000 per annum for each additional non-segregated unit class and \$10,000 for each additional segregated unit class offered to Investors beyond the first. The fee is paid to the Administration Manager monthly in arrears from processing of the first Application to invest in the Fund.

The administration fee is subject to an annual increase of 5% on 1 January of each year.

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Administration manager fees	21,525	10,984
	<b>21,525</b>	<b>10,984</b>



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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 4: INVESTMENTS**

As at 30 June, the Fund has the following investments:

	<b>2023</b>	<b>2022</b>
<b>Asset</b>	<b>\$</b>	<b>\$</b>
Foreign exchange loss	(225,293)	(526,424)
CFDs	2,529	117,058
Exchange traded products (ETF, ETC & ETN)	387,775	863,644
Stock Allocation	4,217,085	2,012,961
<b>Total Exposure</b>	<b><u>4,382,096</u></b>	<b><u>2,467,239</u></b>

**NOTE 5: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

**(a) Issued units**

	<b>2023</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>Units</b>	<b>\$</b>	<b>Units</b>	<b>\$</b>
Opening balance	13,840,393	13,761,500	-	-
Units issued – applications	2,228,240	1,945,000	13,840,393	13,761,500
Units redeemed - redemptions	(279,087)	(238,327)	-	-
<b>Closing balance</b>	<b><u>15,789,546</u></b>	<b><u>15,468,173</u></b>	<b><u>13,840,393</u></b>	<b><u>13,761,500</u></b>

**(b) Undistributed (loss) attributable to unitholders**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Opening balance	(554,813)	-
Operating (loss) before finance costs attributable to unitholders	(2,227,247)	(554,813)
<b>Closing balance</b>	<b><u>(2,782,060)</u></b>	<b><u>(554,813)</u></b>

**(c) Capital management**

The Fund regards total unitholders' interests as capital. The objective of the Fund is to provide unitholders with income-generating and capital growth. The Fund aims to achieve this objective mainly through potential investment properties located predominantly in Australian capital cities.

The Fund aims to invest to meet the Fund's investment objectives while maintaining sufficient liquidity to meet its commitments, including unitholder redemptions. The Investment Manager regularly reviews the performance of the Fund, including asset allocation strategies, investment and risk management.

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**NOTE 6: PERFORMANCE FEES & INVESTMENT MANAGEMENT FEES**

The Investment Manager is entitled to a management fee of 2% (plus GST) per annum of the Fund's gross asset value, payable monthly in arrears.

The Investment Manager will also be entitled to a performance fee of 20% (plus GST) of returns generated by the Fund above 10% for any financial year, subject to the Fund exceeding its high watermark. No performance payable to the Investment Manager for the financial year (2022: nil).

	<b>2023</b>	<b>2022</b>
	\$	\$
Investment Manager fees	264,313	128,848
	<b>264,313</b>	<b>128,848</b>

**NOTE 7: BANK INTEREST**

	<b>2023</b>	<b>2022</b>
	\$	\$
Macquarie cash management account interest	4,281	333
	<b>4,281</b>	<b>333</b>

**NOTE 8: DIVIDEND INCOME**

The Fund generates income from the receipt of dividends from the equity securities in which it invests. During the reporting year, \$21,585 (2022: \$11,733) has been received or accrued as dividend income.

	<b>2023</b>	<b>2022</b>
	\$	\$
Dividend income received	21,585	11,733
	<b>21,585</b>	<b>11,733</b>

**NOTE 9: CAPITALISED EXPENSES AND AMORTISATION**

	<b>2023</b>	<b>2022</b>
	\$	\$
Capitalised legal fees	3,893	3,893
Less: amortisation	(1,168)	(389)
	<b>2,725</b>	<b>3,504</b>

	<b>2023</b>	<b>2022</b>
	\$	\$
Capitalised trustee fees	12,500	12,500
Less: amortisation	(9,897)	(3,646)
	<b>2,603</b>	<b>8,854</b>

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**NOTE 9: CAPITALISED EXPENSES AND AMORTISATION (continued)**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Capitalised establishment fees	25,510	25,509
Less: amortisation	(8,300)	(3,263)
	<u><b>17,210</b></u>	<u><b>22,246</b></u>

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Capitalised legal fees	2,725	3,504
Capitalised trustee fees	2,603	8,854
Capitalised establishment fees	17,210	22,246
<b>Total capitalised expenses and amortisation</b>	<u><b>22,538</b></u>	<u><b>34,604</b></u>

**NOTE 10: OTHER EXPENSES**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Establishment fees	5,037	3,263
Tax return fees	2,995	2,850
Other administration expenses	3,250	4,560
Legal fees	779	389
Interest expense - Saxo account	-	4,123
Online investor portal access	2,950	-
Expense recoverable by Trustee	1,756	-
	<u><b>16,767</b></u>	<u><b>15,185</b></u>

**NOTE 11: OTHER EXPENSES PAYABLE**

**(a) General**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Tax return fees	2,995	2,850
Other accrued fees	2,796	3,573
Trustee fees	2,083	-
	<u><b>7,874</b></u>	<u><b>6,423</b></u>

**(b) Investment Manager fees**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Investment Manager fees	22,881	20,393
	<u><b>22,881</b></u>	<u><b>20,393</b></u>

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**NOTE 12: SAXO TRADING COSTS**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Saxo trading costs	315,711	223,318
	<u><b>315,711</b></u>	<u><b>223,318</b></u>

**NOTE 13: INVESTMENT LOSS**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Investment loss	1,595,379	165,600
	<u><b>1,595,379</b></u>	<u><b>165,600</b></u>

**NOTE 14: FOREIGN EXCHANGE REVALUATION**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Foreign exchange revaluation / (devaluation)	(110,396)	(110,396)
	<u><b>(110,396)</b></u>	<u><b>(110,396)</b></u>

**NOTE 15: INVESTMENT REVALUATION RESERVE**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Investment revaluation reserve	1,130,331	(874,662)
	<u><b>1,130,331</b></u>	<u><b>(874,662)</b></u>

**NOTE 16: RELATED PARTY TRANSACTION**

**(a) Trustee**

The Trustee of the Fund for the financial year was VT No.2 Pty Ltd.

Fees of \$31,250 (plus GST) (2022: \$16,146) were paid or payable by the Fund to Vasco VT No.2 Pty Ltd for its role as Trustee for the year, of which \$1,719 (2022: \$1,260) is claimable by the Fund as reduced input tax credit.

**(b) Investment manager**

The Investment Manager of the Fund is UGC Asset Management Pty Ltd.

Fees of \$264,313 (plus GST) (2022: \$128,848) were paid or payable by the Fund to UGC Asset Management Pty Ltd for its role as Investment Manager for the year, of which \$19,823 (2022: \$9,664) is claimable by the Fund as reduced input tax credit.

**(c) Administration manager**

The Administration Manager of the Fund is Vasco Fund Services Pty Ltd, a related party of the Trustee.

Fees of \$21,525 (plus GST) (2022: \$10,984) were paid or payable by the Fund to Vasco Fund Services Pty Ltd for its role as Administration Manager for the year, of which \$1,614 (2022: \$693) is claimable by the Fund as reduced input tax credit.

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**NOTE 16: RELATED PARTY TRANSACTION (continued)**

**(d) Key management personnel**

The Fund does not employ personnel in its own right. However, it has an incorporated Trustee, VT No. 2 Pty Ltd, and Investment Manager, UGC Asset Management Pty Ltd, to manage the activities of the Fund. The Directors of the Trustee and Investment Manager are key management personnel of those corporate entities. No compensation is paid directly by the Fund to Directors or to any of the key management personnel of the Trustee and Investment Manager. Payments made by the Fund to the Trustee and Investment Manager do not specifically include any amounts attributable to the compensation of key management personnel.

**NOTE 17: CONTINGENT LIABILITIES**

There are no contingent liabilities at the end of the year.

**NOTE 18: EVENTS SUBSEQUENT TO REPORTING DATE**

As at the date of this report, there have been no other events subsequent to the reporting date that require additional disclosure

**NOTE 19: FINANCIAL RISK MANAGEMENT**

**(a) Liquidity risk**

There is a risk that some underlying investments of Fund may not be able to be sold without incurring large transaction costs or quickly enough to prevent or minimise loss. That said, the underlying investments of the Fund are predominately invested in highly liquid Australian and international listed or over-the-counter financial market instruments.

The Fund reserves its right to reject any withdrawal requests at its absolute discretion. Investors should be aware that there could be large discrepancies in the value of their investment at the time of requesting a withdrawal and the amount they ultimately receive from the Fund for the Units as a result of market fluctuations between the time of applying for a withdrawal and the withdrawal being processed.

**(b) Credit risk**

Credit risk is the risk that a counterparty fails to discharge an obligation to the Fund. The Fund is exposed to this risk for various financial instruments, for example, placing money at financial institutions or interest revenue that is paid in arrears. The Fund's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date.

The Investment Manager manages the exposure to credit risk on an ongoing basis. The Fund's management considers that all financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

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**NOTE 19: FINANCIAL RISK MANAGEMENT (continued)**

**(c) Leveraging risk**

Leveraging (or gearing) may involve the use of borrowed money or derivatives to increase the investment amount. Leverage magnifies exposure to potential gains and losses of an investment. As a result, Investors can expect larger fluctuations in the value of an investment in the Fund compared to the same investment which is not leveraged. When asset values are rising by more than the costs of the leverage, the returns will generally be higher than if the investment was not leveraged. When asset values are falling, leveraging can multiply the capital loss. If the fall is dramatic there can be even more implications for leveraged investments. For example, where money is borrowed and the lender requires the leverage level to be maintained below a predetermined limit (margin). Where asset values fall dramatically, the leverage level may rise above the margin, forcing assets to be sold by the margin provider when values may be continuing to fall. In turn, this could lead to more assets having to be sold and more losses realised.

Withdrawals (and applications) may be suspended in such circumstances, preventing Investors from accessing their investments at a time when values continue to fall. There is also a risk that if the margin provider is unable to sell positions quickly enough to cover the margin gap, the Fund will effectively become insolvent – the Fund will attempt to manage this insolvency risk by seeking a further indemnity from the Investment Manager in order to cover this gap where the assets of Fund are not sufficient to do so. While this is an extreme example, significant market falls have occurred in the past. Other circumstances (such as the lender requiring the loan to be repaid for other reasons) may also prevent a leveraged investment from being managed as planned, leading to loss.

**(d) Foreign exchange risk**

The Fund trades in domestic and offshore markets and is managed from the perspective of an Australian investor base. The Fund is expected to hold a substantial proportion of its assets offshore and in non-AUD denominated assets. The Fund is therefore exposed to the risk of exchange rate movements.

**(e) Short selling risk**

The key risk of short selling is that, if the price of the asset increases, the Fund must pay a greater amount to buy back the security and the potential loss could be significant. Other risks include, the lender of the security (in the case of individual equities) may request its return which may result in the

Fund having to liquidate at a loss and not at a time of the Fund's choosing; if the broker is declared insolvent before the security borrowed by the Fund is repaid, the Fund may be unable to recover the equivalent collateral posted with the broker. This may result in loss to the Fund, and in turn the Investors.

The Fund may short sell to generate returns in declining securities/markets, to provide a hedge to a long security or market exposure, and to increase return potential using leverage. Being able to short sell means that the Fund's total (gross) equity market exposure may exceed 100% of the Fund's NAV. This means the impact of the Investment Managers investment decisions, along with the potential for profit or loss, is greater than traditional long only funds. The Investment Manager intends managing the risks associated with leveraging the Fund's investments through the use of the risk management trading tools such as trailing stops and hedging.

**(f) Market risk**

The Fund is exposed to market risk through its use of financial instruments and specifically to interest rate risk and property value risk, which results from both its operating and investing activities. Market risk is the risk that changes in market prices which will affect the Fund's income. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk is monitored by the Investment Manager.

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**NOTE 19: FINANCIAL RISK MANAGEMENT (continued)**

**(g) Interest rate risk**

The Fund's interest rate risk is monitored by the Investment Manager.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

**(h) Derivatives risk**

Derivatives are contracts that have a value derived from another source such as an asset, market index or interest rate. There are many types of derivatives including swaps, options and futures. They are a common tool used to manage risk or improve returns. Some derivatives allow the investment managers to earn large returns from small movements in the underlying asset's price. However, they can lose large amounts if the price movement in the underlying asset is unfavourable. Risks particular to derivatives include the risk that the value of the derivative may not move in line with the underlying asset and the risk that a particular derivative may be difficult or costly to trade.

**NOTE 20: TRUSTEE DETAILS**

The registered office and the principal place of business of the Trustee are:

VT No. 2 Pty Ltd

Level 4

99 William Street

Melbourne Victoria 3000

**UGC GLOBAL ALPHA FUND**  
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**DIRECTORS' DECLARATION**

The sole Director of VT No. 2 Pty Ltd, the Trustee, declares that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Australian Accounting Standards and the *Corporations Regulations 2001*; and
  - (b) give a true and fair view of the Fund's financial position as at 30 June 2023 and of its performance for the period ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the sole Director of VT No. 2 Pty Ltd by:

*Craig Dunstan*

**Craig Dunstan**

Director

Date: 15 August 2023