

### Fund Performance

Returns <sup>1</sup>	Month	Quarter	FYTD	1 Year	2 Years p.a.	3 Years p.a.	Since Inception (20-Aug-2019)
Fund Net Return	1.01%	2.68%	-	-	-	-	1.94%
Benchmark Return	0.07%	0.19%	-	-	-	-	0.30%
<b>Active Return (After fees)</b>	<b>0.94%</b>	<b>2.49%</b>	-	-	-	-	<b>1.63%</b>

### Fund Benefits

#### About the Fund

- CC Sage Capital Absolute Return Fund (the Fund) is a market neutral or absolute return strategy, giving investors exposure to Sage Capital's stock selection skills while eliminating exposure to the underlying equity market.
- The Fund provides a source of uncorrelated returns to equity markets - where short positions and long positions offset each other.

### Fund Facts

<b>Portfolio Managers</b>	Sean Fenton, Kelli Meagher, James Delaney, Peter Moore
<b>Structure</b>	Australian unit trust
<b>Investment Style</b>	A market neutral long/short strategy
<b>Net Asset Value</b>	\$2.7 million <sup>2</sup>
<b>Inception Date</b>	20 Aug 2019
<b>Benchmark</b>	RBA Cash Rate
<b>Management Fee</b>	1.29% p.a. <sup>3</sup>
<b>Administration Fee</b>	0.10% p.a. <sup>3</sup>
<b>Performance Fee</b>	20.5% p.a. <sup>4</sup>
<b>Distributions</b>	Semi-annually at 31 December and 30 June
<b>Minimum Suggested Investment Period</b>	At least 5 years
<b>Exit Price</b>	\$1.0163
<b>Long Exposure</b>	127%
<b>Short Exposure</b>	-126%
<b>Gross Exposure</b>	253%
<b>Net Exposure</b>	1%

### Platform Availability

### Top 5 Holdings

Stock Name	Sector
Aristocrat Leisure Limited	Consumer Discretionary
The Star Entertainment Group Ltd	Consumer Discretionary
Corporate Travel Management Ltd	Consumer Discretionary
Macquarie Group Limited	Financials
Afterpay Limited	Information Technology

### Sector Allocation Weight

Sector Name	Fund
Communication Services	-3.68%
Consumer Discretionary	5.01%
Consumer Staples	-6.39%
Energy	1.57%
Financials	1.70%
Health Care	-2.44%
Industrials	3.13%
Information Technology	3.73%
Materials	-3.37%
Real Estate	-2.01%
Utilities	3.53%

### Fund Disclosures

Key service provider changes	Nil
Key individual changes	Nil
Risk profile or investment strategy material changes	Nil

### Further Information

Phone:	1800 940 599
Email:	distribution@channelcapital.com.au
Web:	www.channelcapital.com.au

<sup>1</sup> Performance is for the CC Sage Capital Absolute Return Fund ('the Fund') - Class A, and is based on month end unit prices in Australian Dollars. Net return is calculated after Fund management fees, operating costs and taxation. Individual Investor level taxes are not taken into account when calculating net returns. This is historical performance data. It should be noted the value of an investment can rise and fall and past performance is not indicative of future performance. <sup>2</sup> Net Asset Value refers to the CC Sage Capital Absolute Return Fund ARSN 634 149 287 and is calculated as Fund assets less Fund liabilities. <sup>3</sup> All figures disclosed include the net effect of GST and RITC. <sup>4</sup> Performance Fee of 20.5% based on outperformance over the Fund Benchmark, net of the Management Fee and includes the net effect of GST and RITC.

## Performance Review

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The CC Sage Capital Absolute Return Fund delivered a return of 1.01% during December which resulted in an outperformance of 0.95% over the RBA Cash Rate of 0.07%.

On the positive side of the ledger in December, the largest contribution came from the short position in Whitehaven Coal (WHC) which underperformed after it downgraded FY20 production guidance. Other positive contributors included the long position in Lynas (LYC) which announced it was in final stages of a tender with the U.S. Department of Defence for a heavy rare earth separation plant. Short positions in Goodman Group (GMG) and Coles Group (COL) also helped in December. Both shares fell as global bond rates rose when further escalations in the trade dispute between China and the U.S. appeared to be put on hold. Lastly, the Fund benefited from a long position in OohMedia (OML) when it upgraded its earnings expectations for FY19 as advertising bookings exceeded expectations in the final quarter of 2019.

Key detractors for the month included a short position in Fortescue Metals Group (FMG) which rallied with expectations of increased stimulus package from China. This iron ore exposure was partially offset by a long in BHP and Sage is still of the view this pair will work in the Fund's favour during 2020. A long position in Appen was another key detractor, although there was no stock specific news, the share price retracted some ground following its earnings upgrade the previous month. Finally, the short position in Bega Cheese detracted from the Fund performance this month as the company stuck to guidance released in its disappointing October downgrade.

## Market Review

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December saw the Australian equity market finish the year on a weak note, as rising bond yields driven by hopes of a trade truce between the U.S. and some stronger economic data pressured multiples. Not surprisingly, the best performing sectors were those with some earnings leverage and resilience to rising yields, including Materials (+1.5%), Utilities (+0.8%), Energy (-1.5%) and Financials (-1.6%). The worst performing sectors tended to be the defensive and higher multiple ones including Consumer Staples (-8.1%), Telecommunications (-5.8%), Information Technology (-4.6%), REITs (-4.4%) and Industrials (-3.0%). Much of this sector performance was a reversal of the previous month.

## Market Outlook

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At the start of a new year it is always interesting to look at what new trends may develop across the market. Last year was a great one for most asset classes as disappointing growth and fears of recession drove bond yields lower, central banks eased in response and equity multiples expanded. The equity market rally was aided by progress in trade talks between the U.S. and China which boosted hopes that growth would recover in 2020. This Goldilocks scenario of growth being neither too hot nor too weak may be a difficult line for the market to tread in 2020. That said, it's also unclear what will shift the market significantly in either direction.

Global growth appears to be stabilising as the manufacturing cycle bottoms out. A stabilisation in global auto sales and stronger commodity prices are starting to support activity and inventory destocking is ending. A stronger growth environment should be generally positive for the earnings outlook and be supportive of equities, as long as growth isn't so strong that it threatens central bank monetary accommodation. Inflation still looks reasonably quiescent although there are signs of stronger inflationary trends in the U.S. where labour markets have tightened, supporting wages growth and prices. This is unlikely to be enough to alter the U.S. Federal Reserve from its watch and wait approach with policy, particularly without much pressure from growth in the rest of the world. This is an environment where bond yields may drift higher, but are unlikely to pressure equity multiples too aggressively.

With this outlook, Sage maintains its style neutral approach with a balance between value and momentum. Within growth Sage have a preference for high quality scalable platforms that tend to be in the technology and healthcare sectors over more mature businesses. Across value Sage is seeing opportunities across small and mid-cap industrials and financials over builders and fund managers that have now run too hard. Sage have added to their gold overweight recently as the equities have underperformed the gold price materially, tensions continue to rise across the Middle East and central banks keep the liquidity tap on full.

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