

Fund Performance

Returns ¹	Month	Quarter	FYTD	1 Year	2 Years p.a.	3 Years p.a.	Since Inception (20-Aug-2019)
Fund Net Return	6.17%	5.48%	-	-	-	-	7.52%
Benchmark Return	0.04%	0.16%	-	-	-	-	0.46%
Active Return (After fees)	6.13%	5.32%	-	-	-	-	7.06%

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

Portfolio Managers	Sean Fenton, Kelli Meagher, James Delaney, Peter Moore
Structure	Australian unit trust
Investment Style	A market neutral long/short strategy
Net Asset Value	\$6.5 million ²
Inception Date	20 Aug 2019
Benchmark	RBA Cash Rate
Management Fee	1.29% p.a. ³
Administration Fee	0.10% p.a. ³
Performance Fee	20.5% p.a. ⁴
Distributions	Semi-annually at 31 December and 30 June
Minimum Suggested Investment Period	At least 5 years
Exit Price	\$1.0720
Long Exposure	55%
Short Exposure	-53%
Gross Exposure	109%
Net Exposure	2%

Platform Availability

HUB 24 IDPS

Top 5 Holdings

Stock Name	Sector
Service Stream Limited	Industrials
National Australia Bank Limited	Financials
Coles Group Limited	Consumer Staples
Charter Hall Group	Real Estate
Saracen Mineral Holdings Limited	Materials

Sector Allocation Weight

Sector Name	Fund
Communication Services	-1.96%
Consumer Discretionary	-0.88%
Consumer Staples	-0.30%
Energy	-0.90%
Financials	3.98%
Health Care	-2.06%
Industrials	-1.89%
Information Technology	3.78%
Materials	3.32%
Real Estate	-2.06%
Utilities	1.01%

Fund Disclosures

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

Further Information

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¹ 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. ² 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. ³ All figures disclosed include the net effect of GST and RITC. ⁴ 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

The CC Sage Capital Absolute Return Fund (the Fund) delivered a return of 6.17% (after fees) during March which resulted in an outperformance of 6.13% over the RBA Cash Rate of 0.04%. The equity market collapse continued after the coronavirus outbreak spread globally, resulting in the shutdown of many parts of the global economy. The Fund performed very well given early positioning into defensive sectors such as Healthcare, Consumer Staples, Utilities and Telecommunications.

Underweight positions in Challenger (CGF), Afterpay (APT) and Commonwealth Bank (CBA) all added value as investors fretted about financial stability and default risk. Underweights in Seek (SEK) and Flight Centre (FLT) added value as the markets for job advertisements and travel took a material hit.

Key detractors for the month included overweight positions in NRW Holdings (NWH) and CIMIC Group (CIM) both of which fell heavily on fears that their balance sheets may be hit. Overweights in Aristocrat Leisure (ALL) which was impacted by casino closures and National Australia Bank (NAB) which fell on margin pressures and bad debt fears also detracted value.

Because the market fell so far in the month most of the positive attribution came from underweights and negative attribution from overweights. There will always be winners and losers as Sage Capital balances risk across the portfolio by having equal long and short positions. What drove the strong performance was a high success rate across relative stock selection in a risk-controlled manner.

Market Review

The market weakness in February turned into complete devastation in March. The S&P/ASX 200 Accumulation Index closed down 20.7%, although this was after a significant bounce from its lows of down nearly 30%. The broad spread of COVID-19 around the world and subsequent lockdowns of businesses has created an unprecedented economic and financial shock. There is great uncertainty about the magnitude and timing of the hit to growth as well as the shape of the recovery. It is not surprising that risk premiums have risen and that many asset prices have fallen significantly in this environment. Not surprisingly, sectors with defensive revenue lines such as Consumer Staples (-3.6%), Healthcare (-5.7%), Utilities (-6.2%) and Telecommunications (-14.6%) were the best performing. More of a surprise was Materials (-13.0%), which was supported by Resources and iron miners where there was an expectation of a fast return to activity and stimulus support from China. The worst performers were Energy (-37.5%), REITs (-35.1%), Financials (-27.6%) and Consumer Discretionary (-25.9%). Energy had the double hit of the breakdown in the OPEC+ alliance with Russia and Saudi Arabia failing to come to an agreement on output cuts to help stabilise the market. With memories of the GFC, stocks with financial leverage were also punished.

Market Outlook

Thinking that the economic and financial uncertainty of 2008 would never be experienced again has proved to be wrong. The COVID-19 global pandemic has hit economies and markets with one of the biggest shocks in history. The economic impact of shutting down and isolating huge swathes of the global economy is having a massive impact on business activity, profitability and financial stability and the implications are only just starting to be felt. Balancing this is some early action by central banks to provide liquidity to the financial system and by governments to provide fiscal stimulus to minimise the shock on employment and the economy. However, we are embarking on an economic experiment of unrivalled magnitude to put large sections of the economy in a coma and then successfully resuscitate it when the virus has passed.

The obvious risks to this strategy are that business and consumer confidence take a significant hit so that rising savings rates and falling investment and employment overwhelm the fiscal kick-start. The other risk is a second wave of infections as isolation restrictions are lifted. This could provide further uncertainty around the length of the economic impact. There are also valid scenarios around successful containment and a quick return to normalcy, but with the level of uncertainty this probably should not form the central case. Defensives such as Consumer Staples, Healthcare and Telecommunications have held up well and will likely continue to do so, but with the level of pricing disparity across the market they certainly may not be the best performers going forward.

Given the many and varied paths the global economy and markets can take from here, it is fruitless to bank on one particular outcome. The key to successful investing will be to maintain a balanced and diversified portfolio and to keep a close eye on how the situation develops. A defensive positioning with overweights has been maintained in Consumer Staples, Healthcare and Telecommunications, but some oversold stocks across Cyclical, Financials and Technology have been added, whilst continuing to avoid Travel related exposures and moving more underweight Resources. Large resource stocks have held up well with strong balance sheets, good cashflow and an expectation of a strong recovery in China. However, the Sage Capital investment team remain cautious on the demand hit from the rest of the world, particularly emerging markets, and the potential for this weakness to feed back into China. The Fund is also holding a long gold position. Sage Capital likes gold as a financial asset and a diversifier when central banks are printing money into weak economic activity.

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