

Fund Performance

Returns ¹	Month	Quarter	FYTD	6 Months	1 Year	3 Years p.a.	Since Inception (20-Aug-2019)
Fund Net Return	2.09%	9.79%	2.09%	-7.31%	-	-	1.72%
Benchmark Return	0.50%	7.62%	0.50%	-14.25%	-	-	-6.55%
Active Return (After fees)	1.59%	2.18%	1.59%	6.94%	-	-	8.27%

Fund Benefits

About the Fund

- The CC Sage Capital Equity Plus Fund (the Fund) is an active extension long/short strategy.
- It takes both long and short positions where the proceeds from the short positions are reinvested in long positions to retain exposure to the equity market.
- It provides exposure to a diversified portfolio of stocks aiming to provide an improved risk/return trade-off and more consistent returns over time.

Fund Facts

Structure	Australian unit trust
Investment Style	An equitised/active extension long/short strategy
Net Asset Value	\$12.0 million ²
Inception Date	20 Aug 2019
Benchmark	S&P/ASX 200 Accumulation Index
Management Fee	0.79% 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	\$1.0122
Long Exposure	114%
Short Exposure	-15%
Gross Exposure	130%
Net Exposure	99%

Platform Availability

HUB 24 Super & IDPS	Macquarie Wrap
Netwealth	Praemium IDPS

Top 5 Holdings

Stock Name	Sector
CSL Limited	Health Care
BHP Group Limited	Materials
Commonwealth Bank of Aust	Financials
National Australia Bank Limited	Financials
Woolworths Group Limited	Consumer Staples

Sector Allocation Weight ⁶

Sector Name	Fund	Benchmark	Active
Communication Services	2.01%	4.27%	-2.26%
Consumer Discretionary	5.45%	7.05%	-1.60%
Consumer Staples	7.05%	6.64%	0.41%
Energy	3.26%	3.76%	-0.50%
Financials	27.00%	26.80%	0.19%
Health Care	14.11%	11.69%	2.43%
Industrials	8.22%	7.22%	0.99%
Information Technology	5.06%	3.62%	1.43%
Materials	22.57%	20.51%	2.06%
Real Estate	3.82%	6.55%	-2.73%
Utilities	0.53%	1.87%	-1.34%
Cash	0.92%	0.00%	0.92%

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 Equity Plus Fund ('the Fund') - Class A, and is based on month end unit prices in Australian Dollars. Net return is calculated after Fund management fees and operating costs. 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 Equity Plus Fund ARSN 634 148 913 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. ⁶ Relative Sector Breakdown shows portfolio weights relative to the S&P/ASX 200 Accumulation Index.

Performance Review

The CC Sage Capital Equity Plus Fund delivered a return of 2.09% in July which resulted in outperformance of 1.59% over the S&P/ASX 200 Accumulation return of 0.50%. The equity market consolidated the strong gains of the June quarter and although it has regained much of its COVID-19 related losses it remains in negative territory for the calendar year.

Key stock contributors for the month were an overweight position in Credit Corp (CCP) (+22%) which delivered a solid result and guidance for the coming year that will likely prove to be conservative and a short position in Adbri (ABC) (-31%) which lost a major customer contract for its lime production. Our overweight in Senex Energy (SXY) (+20%) also contributed to performance, following a strong production report and significant reserve upgrade. Other notable positive contributions came from a long position in QBE Insurance (QBE) (+12%) with the stock price responding well post a trading update that showed strengthening insurance premiums and a short position in AMP (-21%) which issued a very poor earnings update. Key detractors for July were short positions in Fortescue Metals (FMG) (+26%) and Mineral Resources (MIN) (+22%) which rallied on the back of continued strength in the iron ore price and long positions in Ampol (ALD) (-10%) and Star Entertainment Group (SGR) (-10%).

Market Review

In July, the S&P/ASX 200 Accumulation Index was up 0.50%, but there were some significant winners and losers. The market tracked largely sideways as the willingness of investors to look beyond the current pandemic and factor in ongoing government support was tested by the increasing realisation that the impacts might last for years and life is not going back to normal quickly. Growth stocks generally performed well as bond yields continued to drift lower, but the real stars were mining stocks, aided by a weak \$US which boosted commodity prices.

Materials (+5.8%) was the best performing sector as a surging iron ore price, along with copper and gold, helped to drive many mining stocks higher. Information Technology (+4.6%) continued to perform strongly with strength in buy now, pay later and data centre stocks. Communication Services (+4.0%), Consumer Staples (+3.4%) and Consumer Discretionary (+2.7%) were also solid performers with Telstra doing well on a value bounce and some broader strength across the retailing sector with shifting patterns of consumption. Energy (-6.6%) was the worst performing sector once again as many stocks displayed a greater sensitivity to weak spot oil pricing and took significant asset writedowns in their recent quarterly reports. Healthcare (-3.9%) was weaker, dragged down by CSL with mounting concerns that weakness in blood plasma collections will flow through to profits. Industrials (-3.7%) and Financials ex REITs (-1.1%) were also soft as construction and mining services stocks struggled while banks continued to face headwinds from mounting deferred loans.

Market Outlook

The massive disruption to the global economy from COVID-19 will continue to be the major influence on markets for some time to come. As we move through the pandemic, Sage Capital is starting to see some more adaptive behaviour as people become accustomed to living with the virus risk. This has manifested itself in a rebound in economic activity in many countries as they have reopened their economies. However, it has also resulted in a second wave of infections globally with daily infections spiking to new highs. This has created a stop/start pattern with many countries having to reimpose restrictions. This is most apparent in Australia with Victoria moving to a full lockdown after its recent outbreak. The downside of Australia's early success in containing the virus is that outbreaks, while minor on a global scale, are creating significant economic damage through further lockdowns.

The impact of the second wave on recovery momentum is unclear, although the improvement in high frequency economic data like unemployment claims in the US has stalled out and started deteriorating again. Sage Capital would expect some of the economic recovery to begin faltering with further restrictions on mobility, but the cocktail of free money and aggressive fiscal support is muddying the waters. While the overall pace of recovery may be unclear, the relative winners and losers within the economy remain stark. One of the likely enduring changes is the working from home phenomenon. Forced lockdowns have combined with some excellent videoconferencing and productivity software to boost the attractiveness of working from home for many, including ourselves. This is reflected in elevated vacancy levels in CBD offices which is likely to pressure releasing spreads and underlying values. It also raises questions around infrastructure planning and the appropriate type of road and public transport connectivity for cities. Sage Capital remain cautious on office property given these headwinds. Another significant shift has been the accelerated shift to online retailing and away from bricks and mortar. This trend has been in place for some time but has accelerated with many physical stores being closed during lockdown. It is quite likely that as more people experience the convenience of shopping from home that online penetration continues to rise from these elevated levels. This continues to be a highly disruptive thematic for retailers without an online presence and shopping centres.

Other sectors facing serious short-term cyclical disruption include education, tourism and housing construction. The fact that the recent outbreak in Victoria came from ineffective quarantine measures for returning travellers means that it may be some time before the borders are reopened on a significant scale which will significantly affect our migrant intake. This will impact the education sector with fewer international students, those businesses geared towards inbound tourism and the construction sector via lower population growth and housing demand. There may be some offsets with Australians choosing to holiday at home, although some of this spending appears to be boosting online goods consumption. There is also broad uncertainty around the full impact on the overall economy. Much of the pain of lockdowns has been experienced in the unlisted sector across restaurants, pubs, clubs, small retailers and the array of small businesses that service them. The banking sector does have exposure here, but with extended forbearance on non-performing loans and the significant government fiscal support, it is unclear where bad debts will finish. With a flat yield curve and ongoing margin pressure we prefer to keep the bulk of our financials exposure away from the banks.

China has been quite successful in containing its COVID-19 outbreak and is one of the few economies to be experiencing a V-shaped recovery. This has been driven by easing policy measures and directed infrastructure spending while the services sector has recovered more slowly. Record levels of steel production and supply issues in Brazil have combined to drive iron ore prices significantly higher which has been beneficial to many Australian mining stocks. This may be nearing a peak as supply begins to improve out of Brazil and Chinese iron ore and steel inventories build, but the weakness in the \$US is putting a bid under most commodity prices. Sage Capital prefer to maintain exposure to this dynamic through a long gold exposure.

Central banks are likely to keep policy very accommodative. Low bond yields and flat curves are driving multiple expansion and strong momentum across the growth space. This is becoming very stretched and the market remains vulnerable to sharp style rotations on small shifts in sentiment. Sage Capital continue to maintain tight sectoral positioning to minimise exposure to these sudden style shifts while capitalising on our investment insights within sectors.

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