SAGE CAPITAL

CC Sage Capital Absolute Return Fund (APIR: CHN5843AU)

November 2019

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	0.92%	0.67%	-	-	-	-	0.91%
Benchmark Return	0.06%	0.21%	-	-	-	-	0.24%
Active Return (After fees)	**0.86%**	**0.46%**	**-**	**-**	**-**	**-**	**0.68%**

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	$2.6 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	$1.0061
Long Exposure	136%
Short Exposure	-134%
Gross Exposure	270%
Net Exposure	1%

Platform Availabilty

Top 5 Holdings

Stock Name	Sector
Aristocrat Leisure Limited	Consumer Discretionary
Corporate Travel Management Ltd	Consumer Discretionary
BHP Group Limited	Materials
Altium Limited	Information Technology
Scentre Group	Real Estate

Sector Allocation Weight

Sector Name	Fund
Communication Services	3.86%
Consumer Discretionary	4.64%
Consumer Staples	-3.99%
Energy	0.36%
Financials	-3.87%
Health Care	-3.66%
Industrials	2.83%
Information Technology	3.69%
Materials	-3.80%
Real Estate	-0.99%
Utilities	2.19%

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.

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Performance Review

The CC Sage Capital Absolute Return Fund delivered a return of 0.92% during November which resulted in an outperformance of 0.86% over the RBA Cash Rate of 0.06%.

Positive attribution for the month was driven by long positions in Corporate Travel Management (CTD) (reaffirmed guidance for strong growth), Appen (APX) (upgraded profit guidance), Caltex Australia (CTX) (takeover proposal from Alimentation Couche-Tard), James Hardie Industries (JHX) (strong margin beat in the quarterly result) and EML Payments (EML) (accretive acquisition of Prepaid Financial Services in Europe). Negative attribution came from underweight positions in CSR (stronger house prices driving expectations of a building rebound), Sims Group (SGM) (market anticipating that the recent downgrades were the bottom of the scrap cycle), Bingo Industries (BIN) (upgraded guidance on better merger synergies with Dial a Dump) and Webjet (WEB) (gave improved guidance at AGM, driven by growth in WebBeds). A long position in Lynas Corporation (LYC) (easing trade tensions reduce fears for rare earth supply) was also a drag.

Market Review

November was a strong month for the market as risk appetite improved on the hopes of a trade deal. Some signs of a bottoming in global growth and a recovery in domestic house prices also boosted sentiment. The market was dominated by growth and low volatility with Information Technology (+11.0%), Healthcare (+8.9%), Consumer Staples (+8.3%) and Telecommunications (+7.5%) being the best performing sectors. Resources within the Materials sector were also strong performers. Financials (-2.1%) was the worst performing sector dragged down by the banks which have been hit by margin pressures from lower rates, capital raisings and the Westpac APRA scandal. Utilities (-0.6%) and REITs (+2.4%) also lagged in the strong market.

Market Outlook

The equity market continues to be supported by the abundant liquidity being supplied by central banks. The global industrial production cycle appears to be troughing with PMI’s stabilising in major economies and new orders improving in the US. A positive outcome from a US-China trade deal and more certainty around Brexit post the UK election should boost business sentiment. The global IP cycle is improving irrespective of a trade deal as global credit conditions have eased and the inventory cycle is normalising, but a deal will help to drive a stronger recovery.

Bond yields may drift higher as activity rebounds and support a rotation towards value and cyclicals, but they remain anchored by the expectation that central banks are on hold until they see the whites of the eyes of inflation. This should be a broadly supportive environment for the equity market.

The largest threat for markets is if central banks get what they say they are hoping for, being a rise in inflation. There are some signs of inflation increasing in the US as the labour market continues to tighten and wages growth accelerates, but the transmission through to inflation has been very slow and is unlikely to surprise materially in the near term. A sluggish growth environment with central banks trying to stimulate with easy money and asset purchases is actually a positive one for asset prices, but may not be the best long term policy setting for productivity growth.

In this environment, Sage continue to look for companies that can deliver solid earnings growth independently from the economic cycle. The portfolio is reasonably balanced between value and momentum so it’s not overly influenced by the style turbulence occurring in markets currently. Sage have a broad preference for global cyclicals over domestic ones, energy and base metals over bulks in resources and growth companies delivering genuine earnings leverage.