SAGE CAPITAL

CC Sage Capital Equity Plus Fund (APIR: CHN8862AU)

December 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	-1.65%	2.14%	-	-	-	-	5.27%
Benchmark Return	-2.17%	0.68%	-	-	-	-	3.80%
Active Return (After fees)	**0.52%**	**1.45%**	**-**	**-**	**-**	**-**	**1.47%**

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	$12.1 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	$1.0506
Long Exposure	141%
Short Exposure	-43%
Gross Exposure	184%
Net Exposure	97%

Platform Availabilty

HUB 24 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
ANZ Banking Group Limited	Financials

Sector Allocation Weight [5]

Sector Name	Fund	Benchmark	Active
Communication Services	1.70%	3.56%	-1.86%
Consumer Discretionary	9.00%	6.68%	2.32%
Consumer Staples	2.22%	5.70%	-3.48%
Energy	6.00%	5.44%	0.57%
Financials	29.97%	29.82%	0.15%
Health Care	8.74%	10.44%	-1.70%
Industrials	9.96%	8.44%	1.51%
Information Technology	4.44%	2.52%	1.92%
Materials	15.54%	18.14%	-2.60%
Real Estate	6.08%	7.41%	-1.33%
Utilities	3.68%	1.85%	1.84%
Cash	2.67%	0.00%	2.67%

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

[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, 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] Fund size 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. [5] Relative Sector Breakdown shows portfolio weights relative to the S&P/ASX 200 Accumulation Index.

SAGE CAPITAL

CC Sage Capital Equity Plus Fund (APIR: CHN8862AU)

December 2019

Performance Review

The market gave up some of its gains in the final month of the year with the S&P/ASX 200 Accumulation Index falling by 2.17%. The CC Sage Capital Equity Plus Fund fell by 1.65% which resulted in an outperformance of 0.52%.

Positive attribution in December was driven by an underweight position in Whitehaven Coal (WHC) which underperformed after it downgraded FY20 production guidance on water supply issues. Other positive contributors included an overweight position in Lynas Corporation (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. Underweight positions in Goodman Group (GMG) and Coles Group (COL) also helped in December as both stocks were pressured by rising global bond yields as the trade dispute between China and the U.S. appeared to be approaching resolution. Lastly, the Fund benefited from an overweight 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 an underweight position in Fortescue Metals Group (FMG) which rallied with expectations of increased infrastructure stimulus by China. This iron ore exposure was partially offset by an overweight in BHP Group (BHP) and Sage is still of the view this pair will work in the Funds favour during 2020. An overweight position in Appen (APX) 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 underweight position in Bega Cheese (BGA) detracted from the Fund performance this month as the company stuck to guidance released in its disappointing October downgrade.

Market Review

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

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.