

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	4.25%	6.59%	-	-	-	-	9.74%
Benchmark Return	4.98%	6.08%	-	-	-	-	8.97%
Active Return (After fees)	-0.74%	0.51%	-	-	-	-	0.76%

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	\$12.6 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	\$1.0920
Long Exposure	143%
Short Exposure	-45%
Gross Exposure	188%
Net Exposure	99%

Top 5 Holdings

Stock Name	Sector
CSL Limited	Health Care
BHP Group Limited	Materials
Commonwealth Bank of Aust	Financials
National Australia Bank Limited	Financials
Westpac Banking Corp	Financials

Sector Allocation Weight ⁶

Sector Name	Fund	Benchmark	Active
Communication Services	2.38%	3.67%	-1.29%
Consumer Discretionary	8.82%	6.65%	2.17%
Consumer Staples	1.91%	5.87%	-3.96%
Energy	5.66%	5.22%	0.44%
Financials	31.82%	29.73%	2.08%
Health Care	10.98%	11.14%	-0.16%
Industrials	8.14%	8.20%	-0.05%
Information Technology	4.95%	2.67%	2.28%
Materials	15.32%	17.58%	-2.26%
Real Estate	5.01%	7.49%	-2.48%
Utilities	3.64%	1.77%	1.87%
Cash	1.37%	0.00%	1.37%

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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Platform Availability

HUB 24 IDPS

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 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 market rose strongly in the first month of 2020 with the S&P/ASX 200 Accumulation Index up by 4.98%. The CC Sage Capital Equity Plus Fund rose by 4.25% which resulted in an underperformance of 0.74%.

The equity market was strong during the month with some signs of stabilisation in global growth, a trade truce between the U.S. and China and ample liquidity from central banks supporting valuations. This trend did falter at the end of the month though with the coronavirus outbreak in China. The Fund was generally performing well during the month, but net long positions across travel, gaming and tourism were negatively impacted from the coronavirus outbreak.

January saw strong outperformance by technology and defensive growth stocks, so unsurprisingly the largest stock contributions came from the long positions in Afterpay (APT), Woolworths (WOW) and Appen (APX). A long position in Saracen (SAR) also benefitted as the gold price surged in the wake of coronavirus uncertainty. A short position in Flight Centre (FLT) was also beneficial as the travel sector was impacted by the coronavirus.

The coronavirus outbreak impacted long positions in Corporate Travel (CTD) and Star Group (SGR) due to its impact on travel and tourism as well as a long position in Western Areas (WSA) which was dragged lower on a weaker nickel price from global growth concerns. A short position in Polynovo (PNV) also detracted which rallied on the release of its product in new markets as well as the broad support for growth stocks and the healthcare sector.

Market Review

The market was strong during January as a rally in bonds helped to drive the growth and defensive sectors in the market. Bonds rose initially with some softer manufacturing and wage growth data out of the U.S., but this kicked into another gear as the coronavirus began to spread. The market proved quite resilient to this new threat to global growth, managing to hold on to the majority of its gains, and proving how effective easy money has been at suppressing volatility. The best performing sectors were Healthcare (+12.0%), Information Technology (+11.1%), Consumer Staples (+8.2%), Telecommunications (+8.1%) and REITs (+6.4%). The worst performing sectors were Utilities (+0.6%), Energy (+0.7%), Materials (+1.8%), Industrials (+1.9%) and Consumer Discretionary (+4.6%).

Market Outlook

At the start of the year, Sage has seen clear evidence of a bottoming in the global growth cycle. Recent data out of the U.S., Europe and China has shown an improvement in the industrial cycle and an easing in trade tensions between the U.S. and China was beginning to boost consumer and business confidence. However, the growth outlook has been thrown into disarray with the emergence of coronavirus in Wuhan, China. The impact of the virus will be temporary, but the timing and magnitude of the impact is very uncertain. On the positive side, China has gone to extreme lengths in virtually shutting down the country to contain the virus, but this will have a significant impact on short term growth. The interruption to just-in-time global supply chains will have cascading effects around the global economy, far more so than trade disputes. Australia is also poorly positioned on this front given its reliance on commodity prices, tourism and education from China. On top of the impacts of a disastrous bushfire season, this interruption to business could have solvency impacts across small and medium businesses. The virus impact could also precipitate further stimulus and a sharper rebound, but given the broad level of uncertainty, the portfolio's direct exposure was neutralised to sensitive areas such as tourism, education and commodities and will look for further certainty to take advantage of oversold opportunities.

Sage's medium term view remains that global growth appears to be stabilising as the manufacturing cycle bottoms out. Recent rate cuts around the world are helping to support the consumer, housing and the services sector. 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 maintain a 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 global cyclicals that have run too hard. Sage maintain a gold overweight as the equities have lagged the gold price, tensions continue to rise across the Middle East and central banks will keep the liquidity tap on full with the uncertainty surrounding coronavirus.

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