CC Sage Capital Equity Plus Fund (APIR: CHN8862AU)

February 2020

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	-7.07%	-4.72%	-	-	-	-	1.98%
Benchmark Return	-7.69%	-5.18%	-	-	-	-	0.60%
Active Return (After fees)	**0.62%**	**0.46%**	**-**	**-**	**-**	**-**	**1.38%**

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	$11.7 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	$1.0148
Long Exposure	130%
Short Exposure	-34%
Gross Exposure	164%
Net Exposure	96%

Platform Availabilty

HUB 24 IDPS

Top 5 Holdings

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

Sector Allocation Weight [6]

Sector Name	Fund	Benchmark	Active
Communication Services	5.17%	3.60%	1.58%
Consumer Discretionary	7.18%	6.54%	0.63%
Consumer Staples	4.94%	5.91%	-0.97%
Energy	3.48%	4.65%	-1.17%
Financials	27.77%	30.55%	-2.79%
Health Care	14.53%	11.68%	2.86%
Industrials	8.39%	8.17%	0.22%
Information Technology	-0.95%	2.40%	-3.35%
Materials	14.31%	16.93%	-2.63%
Real Estate	7.02%	7.74%	-0.72%
Utilities	3.73%	1.84%	1.89%
Cash	4.44%	0.00%	4.44%

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, 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.

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Performance Review

The market retreated significantly in February with the S&P/ASX 200 Accumulation Index falling by 7.69%. The CC Sage Equity Plus Fund returned -7.07% (after fees) which resulted in an outperformance of 0.62%. The equity market collapsed after the coronavirus outbreak in China spread further into Asia, the Middle East, Europe and the US. The Fund performed well given the coronavirus outbreak in the background and a very volatile reporting season.

Underweight positions in CSR (CSR), Ramsay Health Care (RHC), Adelaide Brighton Cement (ABC), Blackmores (BKL) and Beach Energy (BPT) all added value. There was an economic overtone of growth risk around coronavirus from building activity, elective surgery and oil prices, but also stock specific disappointment through reporting season. Ramsay gave disappointing guidance, as did Beach Energy on production and capital expenditure and Adelaide Brighton on cement demand. Blackmores had a significant profit miss on higher costs and channel destocking. An overweight position in Evolution Mining (EVN) also added value as gold proved to be defensive through the turmoil. Key detractors for the month included overweight positions in NRW Holdings (NWH) and Flexigroup (FXL) which were pressured as smaller cap stocks underperformed in the risk off environment. Overweights in Corporate Travel Management (CTD) which is being significantly impacted by coronavirus and Reliance Worldwide (RWC) delivered a softer result on slower sales and higher promotional costs. An underweight position in Pro Medicus (PME) also detracted after Sage closed the position too early on the back of a solid profit result.

Market Review

The market was driven almost entirely by coronavirus fears in February. After initial concerns over the outbreak in Wuhan, the market rallied back to new highs as it appeared that the infection was under control in China. However, the spread through Iran and Italy to the rest of the world raised fears of a pandemic and saw the market collapse sharply at the end of the month. The best performing sectors were Utilities (-3.6%), Healthcare (-3.7%), REITs (-4.9%), Financials (-4.9%) and Consumer Staples (-7.1%). The worst performing sectors were Information Technology (-17.3%), Energy (-17.2%), Materials (-11.7%), Consumer Discretionary (-8.6%) and Telecommunications (-8.6%).

Market Outlook

Market sentiment has shifted markedly from the start of the year when the equity juggernaut looked unstoppable. Coronavirus (COVID-19) appears to be developing into a global pandemic and has thrown a real black swan event at markets. Risk appetite has plummeted bringing down the equity market and particularly those companies with travel or economic cyclicality exposure in their businesses. Small caps have also performed poorly as risk appetite has fallen. Defensives such as Healthcare, Consumer Staples and Telecommunications have held up well.

This defensive shift in the market is likely to persist while uncertainty remains around the duration and impact of the virus. Given the community-based transmission occurring in the world ex-China, Sage feels it won't be resolved this month. The virus will eventually be contained, either by running its course or through containment measures. China has employed some very effective containment measures through travel bans and social separation, but this has come at a huge short-term economic cost. This approach is not feasible, and perhaps not desirable, in western countries. As such, it will be interesting to Sage to see how effective softer travel restrictions and more personal responsibility are in containing the spread of the virus.

A response from central banks with an emergency cut of 50bps by the U.S. Federal Reserve and a 25bps cut by the RBA has soothed market nerves briefly, but will do very little to stop the spread of the virus and to stimulate economies already laden with debt. There should be some fiscal stimulus to come and the shape and size of this will have a significant impact on the type of recovery we will see. Sage remains cautious on the duration of the downturn though, as no one knows the extent of second order effects on the economy.

Sage has positioned the portfolio quite defensively with overweight positions in Healthcare, Telecommunications and Consumer Staples, has reduced the Fund's exposure in technology, travel, and resources stocks and is underweight Energy. In addition, Sage is also holding a long gold position. Sage likes gold as a financial asset and a diversifier when central banks are printing money into weak economic activity. There will be a great opportunity to buy into some good companies at very cheap valuations, but Sage is looking for some stability in markets before jumping in.