

### Fund Performance

Returns <sup>1</sup>	Month	Quarter	FYTD	6 Months	1 Year	3 Years p.a.	Since Inception (20-Aug-2019)
Fund Net Return	9.35%	-15.58%	-	-10.01%	-	-	-7.35%
Benchmark Return	8.78%	-20.32%	-	-15.48%	-	-	-13.17%
<b>Active Return (After fees)</b>	<b>0.57%</b>	<b>4.74%</b>	-	<b>5.46%</b>	-	-	<b>5.81%</b>

### 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

<b>Structure</b>	Australian unit trust
<b>Investment Style</b>	An equitised/active extension long/short strategy
<b>Net Asset Value</b>	\$10.8 million <sup>2</sup>
<b>Inception Date</b>	20 Aug 2019
<b>Benchmark</b>	S&P/ASX 200 Accumulation Index
<b>Management Fee</b>	0.79% p.a. <sup>3</sup>
<b>Administration Fee</b>	0.10% p.a. <sup>3</sup>
<b>Performance Fee</b>	20.5% p.a. <sup>4</sup>
<b>Distributions</b>	Semi-annually at 31 December and 30 June
<b>Minimum Suggested Investment Period</b>	At least 5 years
<b>Exit Price</b>	\$0.9219
<b>Long Exposure</b>	113%
<b>Short Exposure</b>	-13%
<b>Gross Exposure</b>	126%
<b>Net Exposure</b>	99%

### Top 5 Holdings

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

### Sector Allocation Weight <sup>6</sup>

Sector Name	Fund	Benchmark	Active
Communication Services	4.02%	3.72%	0.30%
Consumer Discretionary	7.97%	6.58%	1.39%
Consumer Staples	5.38%	6.80%	-1.42%
Energy	4.71%	4.27%	0.44%
Financials	26.75%	26.39%	0.36%
Health Care	10.51%	13.38%	-2.87%
Industrials	9.59%	8.20%	1.40%
Information Technology	3.55%	2.90%	0.65%
Materials	19.71%	19.09%	0.62%
Real Estate	5.15%	6.63%	-1.48%
Utilities	2.07%	2.05%	0.03%
Cash	0.58%	0.00%	0.58%

### 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

<sup>1</sup> 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. <sup>2</sup> 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. <sup>3</sup> All figures disclosed include the net effect of GST and RITC. <sup>4</sup> 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. <sup>6</sup> Relative Sector Breakdown shows portfolio weights relative to the S&P/ASX 200 Accumulation Index.

## Performance Review

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The CC Sage Capital Equity Plus Fund (the Fund) delivered a return of 9.35% in April which resulted in an outperformance of 0.57% over the S&P/ASX 200 Accumulation Index return of 8.78%. The equity market staged a strong rebound post the 20.7% plummet in March, hence the majority of the positive attribution came from the Fund's overweights and negative attribution from underweights. In addition, April featured numerous updates from companies regarding the impact of the coronavirus pandemic, many of which were key drivers of big share price moves.

Key contributors to performance were overweight positions in Evolution Mining (EVN) up 34% driven by a solid quarterly report and a strong gold and copper price, Seven Group (SVW) up 36% as management noted that the coronavirus pandemic had limited impact on its mining/construction business, Star Entertainment Group (SGR) up 41% and Corporate Travel Management (CTD) up 46% as market gained comfort around its balance sheet strength and ability to reduce costs and Senex Energy (SXY) up 34% as energy stocks rallied.

Key detractors for the month included underweight positions in Afterpay (APT), Adelaide Brighton (ABC), Santos (STO) and Worley all of which rallied hard after being sold down heavily in March.

## Market Review

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The markets carried their momentum from the end of March, rallying strongly in April. The S&P/ASX 200 Accumulation Index was up 8.78% and has bounced 21.51% off its lows in March. The market optimism was triggered by signs that new COVID-19 infections were peaking in several countries including Australia, as well as strong fiscal and monetary responses. This led many to believe that the shock from coronavirus pandemic would follow the trajectory of normal natural disasters with a sharp contraction followed by a swift recovery. Investors reduced equity risk premiums and began pricing stocks on a post COVID-19 basis. Considering this sentiment, it was no surprise that sectors hit hardest in March bounced strongly in April. First among these was Energy (+24.8%) which rallied on better than expected supply cuts and a view that global demand will rebound in second half of the year. Consumer Discretionary (+15.94%) and REITs (+13.73%) performed strongly as investors looked towards the end of the domestic lockdown. Sectors that held up well during March were generally among the laggards such as Consumer Staples (+2.39%), Utilities (+2.74%) and Healthcare (+2.83%). Financials (+2.83%) bucked the recovery trend as bank capital raises and impairments continued to weigh on the sector.

## Market Outlook

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The market has been infected by optimism recently as it surged back from its mid-March lows. This reflects the financial and economic stability provided by massive central bank liquidity support and significant fiscal support from governments. There has also been significant progress in slowing COVID-19 infection rates across many countries which has prompted the start of some easing in lockdown restrictions. However, looking at the composition of the equity market rally provides a less bullish picture. Much of the rebound has been driven by Technology and other growth and defensive stocks returning to near highs, while there has been some rebound in oversold cyclicals. Banks on the other hand, have barely moved from their lows. The Sage Capital investment team (Sage) finds this a concerning signal as the banks represent the engine house of the economy and have the greatest leverage to poor outcomes. This indicates that the market is still very worried about the economic outlook, but cheap money is helping to lift valuations across the market.

Sage agrees with this outlook and sees many areas for negative feedback loops to develop within the economy. Foremost are the likely ongoing restrictions on the movement of people internationally. While some countries have the virus growth under control, the ongoing persistence of infections and further growth across emerging markets makes the movement of people problematic. This has huge implications for some of Australia's largest export earners, being tourism and education. While it is possible to see some limited entry of skilled migrants through a quarantining process, this will not be feasible for large scale tourism or student entry. The other impact will be through a reduction in net migration. With the departure of many students and others on temporary visas it is even possible that net migration and population growth could turn negative. This has obvious implications for aggregate demand in the economy, but also undermines the fundamentals for housing and infrastructure construction, which are big employers in the economy.

While considering impacts on Australia's external sectors it is also worth thinking about Australia's terms of trade. Iron ore prices have been boosted by significant supply disruption in Brazil with dam collapses and poor weather. While not returning to its peak, these shipments are now starting to recover. The demand side has also been resilient with Chinese blast furnaces operating near full capacity through their lockdown, although inventories at steel traders and mills have built up. The concern is the falling demand in the rest of the world and the impact this is likely to have on Chinese steel exports and hence iron ore demand. Downside here just provides another income shock to Australia.

Probably one of the most significant areas of risk is the fact that Australia went into this crisis with a record level of household debt. It is quite likely that the shock to confidence will see households attempt to deleverage. This has negative implications for consumption which flows through to business investment, lower employment and sets up a negative loop. This process is exacerbated if asset prices (being house prices) fall and some households find themselves in a negative equity position. This is precisely what the Australian Government and the RBA are trying to avoid with zero rates, QE and the JobKeeper package. The question is whether it will be enough.

Other risks come from the global economy and the prospect of a breakdown in credit markets given the severe synchronous global economic shock. Emerging markets are particularly vulnerable here, given their currencies may be more at risk if they attempt to start monetising fiscal deficits. Any

sort of emerging market currency/debt crisis has broader implications for global stability and demand for things like commodities where Australia is exposed. There are several more potential risks out there, but I don't want to appear to be too pessimistic.

On the positive side, the rubicon of government debt monetisation by central banks has been crossed. This provides governments around the developed world with unconstrained flexibility to drive economic growth through deficit spending. Sage's view is that this will likely be required. There is increasing support for microeconomic reform, but this simply won't move the dial enough relative to the drop in aggregate demand. Central banks, and particularly the US Federal Reserve, have provided huge liquidity injections and helped to support financial markets across both credit and equities. There will be long term costs, but this can certainly help drive a recovery if it arrives in time. The end of lock-down restrictions can also provide a boost to confidence and will be helped by a recovery in employment and some spending from pent-up demand. Timely fiscal support as the economy bounces from lock-down will be required to minimise any negative feedback loops, avoid a credit collapse and drive a sustainable recovery.

With so many possible economic and financial outcomes, Sage is looking to keep thematic risk tightly constrained, although with the strong bounce in markets, Sage has taken profits in several of the more cyclical and leveraged names that Sage bought for a rebound. The investment team's focus remains on companies who can grow earnings through this turbulent environment. Sage has retained exposure to Healthcare, Telecommunications and Consumer Staples, as well as select financial and technology companies. Sage is underweight major resource companies, preferring exposure within the mining services space. Sage is generally avoiding companies with excessive financial leverage or cyclical exposure and certainly the combination of both. The Fund is also holding a long gold position. Sage continues to like gold as a financial asset and a diversifier when central banks are printing money into weak economic activity.

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