

Fund Performance

Returns ¹	Month	Quarter	FYTD	6 Months	1 Year	3 Years p.a.	Since Inception p.a. (20-Aug-2019)
Fund Net Return	1.01%	13.52%	14.69%	14.69%	8.56%	-	10.26%
Benchmark Return	1.21%	13.70%	13.20%	13.20%	1.40%	-	3.82%
Active Return (After fees)	-0.20%	-0.18%	1.49%	1.49%	7.16%	-	6.44%

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	\$35.3 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	\$1.1372
Long Exposure	122%
Short Exposure	-23%
Gross Exposure	145%
Net Exposure	99%

Platform Availability

AMP North	BT Panorama
BT Wrap	HUB 24 Super & IDPS
Macquarie Wrap	Mason Stevens
Netwealth	Praemium IDPS
Xplore Wealth	

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 and operating costs. 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. ⁵ Active Holdings shows portfolio weights relative to the S&P/ASX 200 Accumulation Index. ⁷ Relative Sector Breakdown shows portfolio weights relative to the S&P/ASX 200 Accumulation Index.

Top 5 Active Holdings⁶

Stock Name	Sage Group*
Woolworths Group Ltd	Defensives
The Star Entertainment Group Ltd	Defensives
Credit Corp Group Ltd	Yield
Ansell Ltd	Global Cyclicals
Breville Group Ltd	Growth

Sector Allocation Weight⁷

Sage Group*	Fund	Benchmark	Active
Defensives	16.06%	16.96%	-0.90%
Domestic Cyclicals	7.51%	7.71%	-0.20%
Global Cyclicals	4.21%	3.88%	0.33%
Gold	2.67%	3.02%	-0.35%
Growth	15.03%	18.29%	-3.26%
REITs	4.79%	6.50%	-1.71%
Resources	19.82%	17.49%	2.34%
Yield	29.25%	26.15%	3.11%
Cash	0.64%	0.00%	0.64%

*Sage Capital uses a custom grouping system for long short positions.

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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Performance Review

The CC Sage Equity Plus Fund delivered a return of 1.01% in December, versus the S&P/ASX 200 Accumulation Index which rose 1.21%, resulting in an underperformance of 0.20%. The equity market was up slightly across the month, trading in a reasonably narrow range. There was broad consolidation of the COVID-19 vaccine induced cyclical rotation, but the market lacked a clear direction or a catalyst outside of easy money.

Key stock contributors for the month included a long position in Credit Corp (CCP +25.0%) which jumped strongly following the accretive acquisition of the debt ledgers of Collection House (CLH). As well as providing an immediate earnings accretion, it also highlights the superior position of Credit Corp within the domestic market with clean accounts and a strong balance sheet. With most of its competition in some form of restructuring this also provides the company with an opportunity to further deploy its strong balance sheet and grow share within the market. This outcome represents a vindication of one of Sage's earliest strong conviction ideas where the investment team was short CLH. Other contributors included a short position in Webjet (WEB -12.1%) where its enterprise value had rebounded far in excess of its recovery potential following positive vaccine news. This is now true of many stocks in the travel and re-opening space, but Webjet was a very effective hedge against a long position in Flight Centre (FLT) where the investment team still see value and a greater potential for earnings recovery. A short position in Magellan Financial Group (MFG -9.3%) was also beneficial as weaker fund performance weighed on fund flows and saw the stock de-rate relative to the market.

A key detractor was a short position in Fortescue Metals Group (FMG +28.5%) which rose strongly as the iron ore price hit new highs. This position is hedging overweights in BHP Billiton (BHP), Rio Tinto (RIO) and a range of base metal exposures that offer better value and aren't as close to the top of the cycle as iron ore. An overweight position in Appen (APX -21.7%) was also a detractor. While this had been one of our preferred long positions in the technology space due to its exposure to the rapidly growing data AI sector, the lack of earnings visibility and the contract nature of some of its earnings has led us to cut the position.

Market Review

The S&P/ASX 200 Accumulation Index rose by 1.20%, trading in a tight range relative to recent volatility. The best performing Sage Groups across the market were Resources (+10.6%) and REITs (+0.4%), while the other Sage Groups were negative, including Global Cyclical (-2.3%), Growth (-1.5%), Gold (-0.5%), Defensives (-0.4%), Yield (-0.2%) and Domestic Cyclical (-0.1%).

Market Outlook

Even as vaccine roll-outs began, Covid-19 continued to induce lockdowns throughout much of the world and new virus variants reported in South Africa and the UK are causing alarm. Meanwhile in Australia, state border openings have remained short-lived as an outbreak in Sydney caused some localised lock-downs and many people were forced to cancel Christmas plans. Tensions between China and Australia continued to escalate although this has had no impact on the Iron Ore trade – by far the most significant export to China.

Markets continued to be positive on reflation and economic recovery – looking forward to the end of coronavirus and some political risks removed with a Brexit deal finalised and an incoming Biden administration. However, after a record breaking return and aggressive value rotation in November, the market took somewhat of a breather and outside of Resources, many of November's most bought stocks underperformed.

The near term outlook for the global economy remains challenged, with COVID-19 outbreaks emerging in countries where the virus was previously under control, including Australia and uncontrolled spread through much of the Northern Hemisphere. Meanwhile, new COVID-19 concerns came from the UK and South Africa where mutated forms of the virus appear to be far more infectious. Nonetheless, vaccine roll-outs are gaining pace, currently underway across Europe and North America and are due to begin in Australia from February. The market is likely to continue to look through these short term challenges with a resolution firmly in sight and plenty of monetary and fiscal support along the way. The investment team see the potential for earnings recovery for a wide range of companies impacted by lockdowns, although share prices for many have now recovered to levels where the risk reward prospects are marginal.

As at the date of writing in early January, the Democrats have gained control of the US Senate, with the prospect of a pro-fiscal government leading to higher US and global economic growth as well as higher bond yields. 10 year bond yields have pushed above 1% in the US and Australia and implied inflation expectations have moved above 2% in the US for the first time since 2018. This is being driven by global fiscal deficits that are being monetised by central banks and is also showing up in commodity markets. Financial flows are driving commodity prices higher across the board, which has seen strong outperformance by Resources companies. Sage has been increasing its overweight to this sector as an inflation hedge, but also with positive leverage to both economic recovery and financial flows.

The prospects of economic recovery have provided some challenges to the leadership of technology and growth within the market, but the likelihood of central banks allowing inflation to run hot and keeping real yields deeply negative is high. Many growth companies continue to find buying support, even as bond yields move higher, but there are some clear elements of speculative excess emerging in the market. This is perhaps best exemplified by the surge in Bitcoin to new highs or the meteoric rise of Tesla, along with the mania developing around new IPO's. It is difficult to be decisive on when this may all end, so maintain a preference for growth companies with strong earnings track records and the ability to continue to surprise on the upside.

CC Sage Capital Equity Plus Fund (APIR: CHN8862AU)

Class A

December 2020

Looking forward to reporting season we are likely to see some strong results from discretionary retail and consumer staples as people continue to spend more on goods, particularly around the home. Sage has been increasing its exposure to these companies, and while there may be an element of over earning, this has rarely been capitalised into share prices.

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