

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	1.78%	4.10%	18.20%	12.65%	15.49%	-	11.30%
Benchmark Return	1.45%	3.00%	15.20%	11.47%	6.48%	-	4.60%
Active Return (After fees)	0.33%	1.10%	3.00%	1.18%	9.01%	-	6.70%

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	\$39.0 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	\$1.1675
Long Exposure	114%
Short Exposure	-17%
Gross Exposure	131%
Net Exposure	98%

Top 5 Active Holdings⁶

Stock Name	Sage Group*
Woolworths Group Ltd	Defensives
Credit Corp Group Ltd	Yield
The Star Entertainment Group Ltd	Defensives
Corporate Travel Management Ltd	Global Cyclicals
CSR Ltd	Domestic Cyclicals

Sector Allocation Weight⁷

Sage Group*	Fund	Benchmark	Active
Defensives	15.19%	16.19%	-1.00%
Domestic Cyclicals	5.80%	7.41%	-1.61%
Global Cyclicals	4.24%	3.75%	0.49%
Gold	2.37%	2.61%	-0.24%
Growth	14.67%	17.32%	-2.65%
REITs	4.35%	5.95%	-1.60%
Resources	21.33%	19.03%	2.29%
Yield	29.90%	27.74%	2.16%
Cash	2.16%	0.00%	2.16%

*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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Platform Availability

AMP MyNorth	Ausmaq
BT Panorama	BT Wrap
Colonial First Wrap	HUB 24
Macquarie Wrap	Mason Stevens
Netwealth	Powerwrap
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. ⁶ Relative Sector Breakdown shows portfolio weights relative to the S&P/ASX 200 Accumulation Index.

Performance Review

The CC Sage Capital Equity Plus Fund delivered a return of 1.78% in February versus the S&P/ASX 200 Accumulation Index which rose 1.45%, resulting in outperformance of 0.33%.

Most of the Sage Groups* were positive contributors to performance, the strongest being Global Cyclical and Resources, offset somewhat by underperformance within Domestic Cyclical.

Within Global Cyclical, stock selection in the travel stocks, all of which were strong in January due to market enthusiasm around the COVID-19 vaccine rollout, drove performance. Long positions in Corporate Travel (CTD +22%) and Flight Centre (FLT +18%) were strong contributors, funded to some degree by a short position in Qantas whose share price did not rise quite as much (QAN +11%).

The Resources group was another strong contributor for the month. The portfolio was positioned slightly overweight to the resources sector as a whole in February given the rebound in global activity. Positive performance was driven by Lynas Rare Earths (+25%), OZ Minerals (+20%), Karoon Energy (KAR +12%), IGO Limited (IGO +10%) and Nickel Mines (NIC +11%). A short position in Fortescue Metals (FMG + 11%) proved to be a reasonable funding source in the group despite rising. Additionally, a short position in AGL Energy (AGL -18%), which sits in the Defensives group, was a strong contributor.

The primary detractor of performance this month was the portfolio's stock selection within the Domestic Cyclical group. Our long position in GWA Group (GWA -12%) impacted as it fell post its result commentary regarding negative mix impacts from its exposure to commercial construction as opposed to renovations and detached housing. Conversely, short positions in Adbri (ABC +13%) and Boral (BLD +7%) negatively impacted as both stocks bounced with stronger commentary around housing demand.

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

Market Review

The February earnings reporting season didn't elicit too many surprises. Retailer profits were strong, particularly those exposed to products related to the home, as working from home has materially impacted household spending patterns. Companies in hospitality and travel are still experiencing severely muted conditions, however the market was prepared to look through shorter term COVID-19 impacts and buy into the recovery and reopening trade following increasingly encouraging results from vaccine rollouts and their efficacy. Conversely, in many cases there was a muted or even negative response to extremely strong profits for companies viewed as COVID-19 beneficiaries. The market responded positively to earnings beats in the banking and housing construction sectors. These sectors have been boosted by low rates and support measures, although the market was far more willing to capitalise these earnings with likely further upside to the cycle.

Market Outlook

Sage Capital have previously written about the risk of a stronger recovery pushing the market out of the goldilocks zone of average growth and very supportive policy and this started to come to fruition at the end of the month with a rapid steepening in the yield curve. This largely reflects a return of inflation expectations to pre-pandemic levels, but we also saw real yields begin to tick higher. This move higher in yields has had the effect of compressing valuation multiples across the market with some significant underperformance in the growth sector.

As the vaccine rollout and economic recovery moves forward there is likely to be a continued rotation towards cyclical and value. Sage Capital continue to favour companies with strong earnings outlooks and exposure to an economic recovery while remaining cautious on stocks where valuations have become stretched or boosted by easy liquidity and speculation. Sage Capital remain broadly neutral across the Sage Groups after trimming exposures to commodities with a small overweight to Yield and Defensives funded by underweights in Growth.

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