CC Sage Capital Equity Plus Fund (APIR: CHN8862AU)

Class A

January 2022

Fund Performance

Returns[1]	1 month	3 months	6 months	FYTD	1 year	2 years p.a.	Since inception p.a. (20-Aug-2019)
Fund Net Return	-5.40%	-2.21%	1.18%	2.68%	16.89%	11.02%	13.12%
Benchmark Return[2]	-6.35%	-4.30%	-3.81%	-2.75%	9.44%	2.97%	6.08%
Active Return (After fees)	**0.95%**	**2.09%**	**4.99%**	**5.43%**	**7.45%**	**8.05%**	**7.04%**

About Sage Capital

As an Australian equities long short manager, Sage Capital views the market through eight unique Sage Groups enabling the team to focus on individual stock drivers and hedge systematic market risks. This style and cycle neutral investment process is designed to deliver consistent returns regardless of the market environment.

The Sage Capital investment team owns 100% of the firm and invests alongside its clients.

About the Fund

The CC Sage Capital Equity Plus Fund aims to achieve positive returns in excess of the S&P/ASX 200 Accumulation Index, after fees and expenses, over the long term by taking both long and short positions in selected Australian shares.

Fund Facts

Investment Style	An Australian equity active extension long short strategy
Net Asset Value	$177.5 million [3]
Inception Date	20 Aug 2019
Benchmark	S&P/ASX 200 Accumulation Index
Management Fee	0.79% p.a.[4]
Administration Fee	0.10% p.a.[4]
Performance Fee	20.5% p.a.[5]
High Water Mark	Yes
Distributions	Semi-annually at 31 December and 30 June

Platform Availabilty

AMP MyNorth	ANZ Grow Wrap	Ausmaq
BT Panorama	Colonial First Wrap	HUB24
IOOF eXpand	IOOF Pursuit	Macquarie Wrap
Mason Stevens	MLC Wrap/Navigator	Netwealth
Powerwrap	Praemium	Xplore Wealth

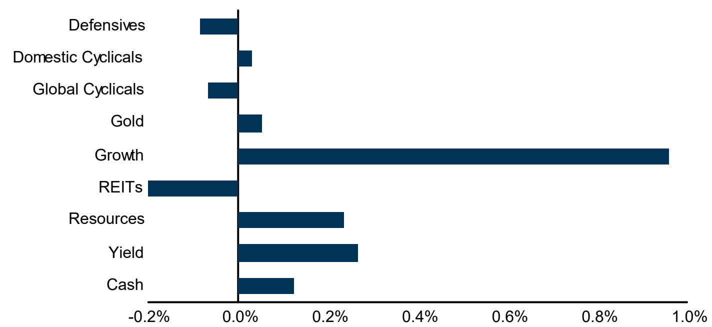
Contact Details

Phone: 1800 940 599

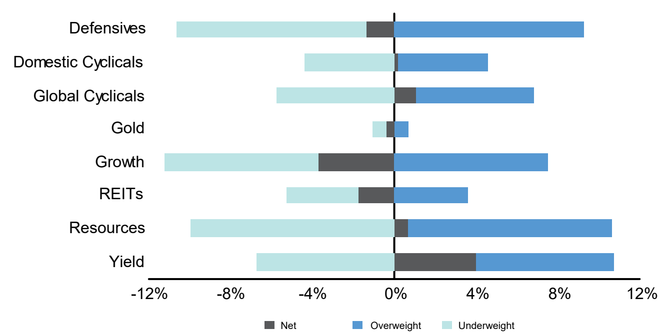
Email: clientservices@channelcapital.com.au

Web: www.sagecap.com.au

Sage Group Contributors to Active Performance (Gross of Fees)



Sage Group Allocation Weights



Portfolio Metrics

As at end of month	
Long exposure	125%
Short exposure	-26%
Gross exposure	151%
Net exposure	99%
Number of long positions	114
Number of short positions	52
Since Inception	
Information Ratio [6]	2.4
Tracking Error [6]	2.9%

[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 management fees and operating costs. Individual investor level taxes are not taken into account when calculating net returns. This is historical performance data. The value of an investment can rise and fall and past performance is not indicative of future performance. [2] Benchmark refers to the S&P/ASX 200 Accumulation Index. [3] Net Asset Value is calculated as Fund assets less Fund liabilities. [4] All figures disclosed include the net effect of GST and RITC. [5] Performance Fee of 20.5% (including the net effect of GST and RITC) based on outperformance of the Fund Benchmark, net of the Management Fee.[6] Refer to Definition of Terms at the end of the report.

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Performance Review

The CC Sage Capital Equity Plus Fund delivered outperformance of 0.95% in January, returning -5.40% versus the S&P/ASX 200 Accumulation Index which fell 6.35%.

Key contributors to performance by Sage Groups* were Growth, Resources and Yield. Performance in the Growth Sage Group was driven by underweight positions in Reece (REH -20%), Xero (XRO -20%), REA Group (REA -13%) and Points Bet Holdings (PBH -31%) all of which were trading at very high valuations so were particularly vulnerable to the step up in bond yields during the month. The Resources Sage Group was driven by overweight positions in Santos (STO +13%) which rallied on higher oil prices and BHP (+12%) due to a significant upweighting in the index and higher iron ore prices. Performance in the Yield Sage Group was driven by an underweight position in Australian Ethical (AEF) which had been trading at very high valuation multiples.

The REITs Sage Group was a detractor from performance, largely driven by an overweight position in Charter Hall (CHC -19%) which fell along with the overall REITs sector on the back of higher bond yields and an unappreciated move into equity funds management.

Market Review

Stock specific news flow was light in January as usual, however, minutes from the recent US Federal Reserve meeting had a big impact on the equities market. The S&P/ASX 200 Accumulation Index fell -6.35% as bond yields climbed higher on the back of higher inflation and the US Federal Reserve flagging it would soon be appropriate to raise interest rates and end bond purchases. The strongest performing Sage Group was Resources (+4.9%) which was also the only Sage Group to give positive absolute returns. The weakest Sage Groups were Growth (-13.9%), Gold (-12.6%) and REITs (-9.7%). The Resources Sage Group was driven by strength in energy and iron ore stocks as oil jumped 17% on the back of global supply concerns and iron ore rose 24% on the expectation of increasing Chinese demand and stimulus measures. The rise in bond yields was the key driver behind the weakness in the Growth, Gold and REITs Sage Groups as stocks in these groups experienced material valuation multiple compression.

Portfolio Positioning and Market Outlook

The equity market is at an inflection point following the pivot to a more hawkish monetary policy stance by the US Federal Reserve. Recent tightening by the Bank of England and a removal of forward guidance by the European Central Bank also raises the prospect of a synchronised tightening in global liquidity conditions. As the Sage Capital investment team has been flagging, this move to combat persistently high inflation is not a favourable backdrop for asset prices. The sharp market de-rating in January, with valuation multiple contractions focused around expensive equities, is likely to continue as central banks begin to drain liquidity from the system. Fundamentally the economy is growing and corporate profits are healthy, however stock prices will continue to be impacted heavily by monetary policy. The RBA has flagged that interest rates are likely to go up sooner than the original 2024 guidance but highlighted that Australia's wage inflation is much lower than the US, where a rate hike is likely to happen much earlier. The timing of a rate hike in Australia will depend on the rate of wage growth as a driver of more persistent inflation, but leading indicators already show this accelerating as unemployment approaches record lows.

The upcoming reporting season should see companies deliver solid top line growth, however the impact of rising costs and the ability to raise prices to compensate will be in the spotlight. Sage Capital continues to prefer companies with strong pricing power and the ability to control or pass on costs. Russia-Ukraine tensions are likely to continue to drive oil price volatility, along with underinvestment and improving demand, which would have flow on effects to inflation and risk premia. Geopolitical tensions, including China-Taiwan remain a tail risk for markets.

As always, the portfolios are well diversified and Sage Capital remain relatively neutral across the Sage Groups which allows the portfolio to be well insulated from systematic macro risks whilst benefiting from bottom-up stock selection.

Fund Disclosures

Key service provider changes	Nil
Key individual changes	Nil
Risk profile or investment strategy material changes	Nil

*Sage Capital uses a custom grouping system for long short positions (Defensives, Domestic Cyclicals, Global Cyclicals, Gold, Growth, REITs, Resources and Yield). With a focus on the principal macro earnings drivers for each stock, Sage Groups allow for comparisons to GICS for selecting stocks within a sector.

Definition of Terms:

Tracking Errror - The standard deviation of excess returns (net of fees).

Information Ratio - The excess return of the Fund (net of fees), divided by the tracking error.

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