

### Fund Performance

Returns <sup>1</sup>	1 month	3 months	6 months	CYTD	FYTD	1 year	3 years p.a.	Since inception p.a. (20-Aug-2019)
Fund Net Return	6.64%	3.75%	-2.62%	1.27%	7.18%	4.67%	12.04%	12.27%
Benchmark Return <sup>2</sup>	6.04%	0.67%	-5.41%	-4.12%	6.45%	-2.01%	4.82%	5.40%
Active Return (After fees)	0.60%	3.08%	2.79%	5.39%	0.73%	6.68%	7.22%	6.87%

### 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

<b>Investment Style</b>	An Australian equity active extension long short strategy
<b>Net Asset Value</b>	\$274.8 million <sup>3</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>4</sup>
<b>Administration Fee</b>	0.10% p.a. <sup>4</sup>
<b>Performance Fee</b>	20.5% p.a. <sup>5</sup>
<b>High Water Mark</b>	Yes
<b>Distributions</b>	Semi-annually at 31 December and 30 June

### Portfolio Metrics

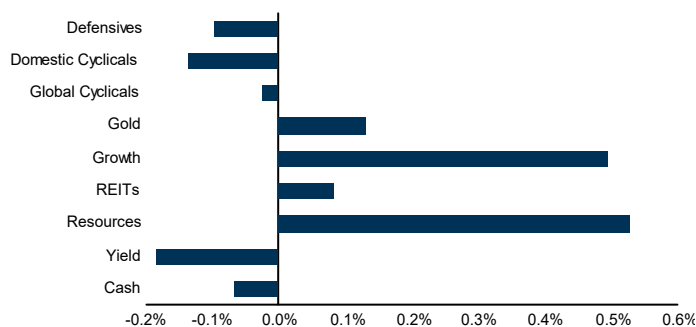
#### As at end of month

Long exposure	123%
Short exposure	-24%
Gross exposure	148%
Net exposure	99%
Number of long positions	113
Number of short positions	67

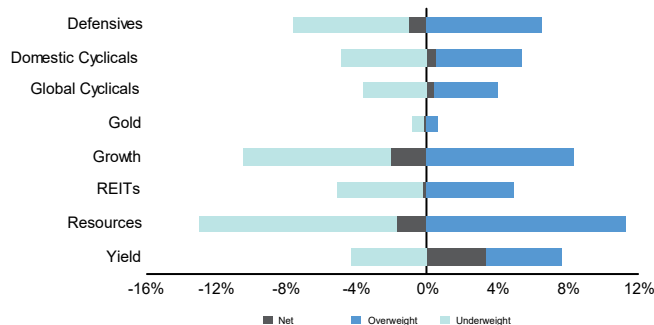
#### Since Inception

Information Ratio <sup>6</sup>	2.1
Tracking Error <sup>6</sup>	3.3%

### Contributors to Fund Performance\*



### Allocation Weights\*



### Platform Availability

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](mailto:clientservices@channelcapital.com.au)  
 Web: [www.sagecap.com.au](http://www.sagecap.com.au)

<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 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. <sup>2</sup> Benchmark refers to the S&P/ASX 200 Accumulation Index. <sup>3</sup> Net Asset Value is calculated as Fund assets less Fund liabilities. <sup>4</sup> All figures disclosed include the net effect of GST and RITC. <sup>5</sup> 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. <sup>6</sup> Refer to Definition of Terms at the end of the report.

## Performance Review

The CC Sage Capital Equity Plus Fund returned 6.64% in October versus the S&P/ASX 200 Accumulation Index return of 6.04% delivering outperformance of 0.60%.

The Resources and Growth Sage Groups\* were the strongest contributors to performance with the Yield and Domestic Cyclical Sage Groups being detractors. Resources was driven by short positions in Fortescue Metals Group (ASX: FMG -13%) and BHP Group (ASX: BHP -3%) as iron ore prices fell on lower steel demand and higher supply levels. Growth was driven by long positions in Telix Pharmaceuticals (ASX: TLX +47%) which had a strong quarterly and positive clinical trial developments and Aristocrat (ASX: ALL +13%) on the back of positive industry growth data in the US and a short position in BrainChip Holdings (BRN -26%) which continued to lack revenue traction at its quarterly.

On the negative side, Yield was driven by short positions in Commonwealth Bank of Australia (ASX: CBA +15%) and National Australia Bank (ASX: NAB +13%) as the banking sector rallied on strong results due to expanding net interest margins. Domestic Cyclical was a detractor driven by a long position in Ampol Limited (ASX: ALD -5%) which delivered a disappointing result from a loss in its fuel and infrastructure division.

## Market Review

October was a strong month for equity markets with the S&P/ASX 200 Accumulation Index rebounding 6.04%, largely reversing the fall in September, on speculation that central banks are nearing the peak of monetary policy tightening. Sage Group performance was broadly the reverse of last month with all Sage Groups positive, the strongest being Yield, REITs, Global Cyclical and Domestic Cyclical with the weakest being Resources. Yield was driven by strength in banks as the sector continues to benefit near term from expanding net interest margins expansions and REITs responded positively to the Reserve Bank of Australia surprising the market with a smaller 25 basis point (bp) hike to the cash rate. Global Cyclical strength was driven by travel stocks and general improvement in sentiment globally. Domestic Cyclical was driven by Qantas (ASX: QAN) which announced a sizeable profit upgrade and strength across discretionary retailers on the back of positive trading updates at AGMs. Resources was relatively weak driven by the large listed iron ore exposed companies (BHP, Rio Tinto, Fortescue Metals Group) as the iron ore price fell amid a new round of covid lockdowns in China and an ongoing property slump.

## Portfolio Positioning and Market Outlook

Markets have begun to hope that central banks globally are nearing the end of their tightening campaigns as the Reserve Bank of Australia and the Bank of Canada both increased interest rates less than expected. However, these hopes were more recently shattered by the US Federal Reserve when they indicated that a recession may be required to tame inflation and that the policy bias is towards overtightening rather than under tightening. Exactly how high interest rates need to go is still uncertain and represents a major risk for asset prices as inflation in the US is running at 8.2% with a target of 2% and in Australia at 7.3% and rising due to higher energy prices, rents and fresh food prices from recent flooding. Given the RBA has slowed the pace of rate rises from +50 bps to +25 bps per meeting, rate rises are likely to continue well into 2023.

October saw a slew of trading updates from companies at AGMs, many of which were very positive with higher interest rates yet to significantly impact consumer spending. The travel sector remains strong and dining out continues to rebound. Despite increased spending on services, given the health of consumers and strong labour market, discretionary retailers could have a strong Christmas before what we believe will be the inevitable slowdown next year.

Sage Capital remains positive on energy stocks and cautious on iron ore. Sage Capital believes there are numerous factors supportive of the oil price near term including OPEC production cuts, an end to US Strategic Petroleum Reserve releases after the mid-term elections, the EU sanctions on the import of Russian crude oil announced in June should begin in December further reducing supply and an eventual end to Covid lockdowns in China boosting demand. On the iron ore front, the government led infrastructure spending is not enough to stop the overall weakening in demand with global manufacturing and the domestic property sector still softening. Construction steel sales are still ~25% below normal seasonal levels. The market remains focussed on the potential end to China's Covid zero policies, but a more substantive shift in the current policy to control the over-investment in housing would be required, given the very weak medium and long term demographic backdrop.

Sage Capital continues to maintain low net exposure to the Sage Groups to limit exposure to unpredictable macro risks while focusing on individual company earnings to drive stock selection. The portfolio is as always, well diversified, liquid and positioned to weather the myriad of unknowns.

## 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 Cyclical, Global Cyclical, 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. Contributors to Active Performance is Gross of Fees.



## CC Sage Capital Equity Plus Fund (APIR: CHN8862AU)

October 2022

### Class A

#### Definition of Terms:

**Tracking Error** - 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.

The information contained in this report is provided by the Investment Manager, Sage Capital Pty Ltd ACN 632 839 877 AR No. 001276472 ('Sage Capital'). Channel Investment Management Limited ACN 163 234 240 AFSL 439007 ('CIML') is the Responsible Entity and issuer of units in the CC Sage Capital Equity Plus Fund ARSN 634 148 913 ('the Fund'). Neither CIML nor Sage Capital, their officers, or employees make any representations or warranties, express or implied as to the accuracy, reliability or completeness of the information contained in this report and nothing contained in this report is or shall be relied upon as a promise or representation, whether as to the past or the future. Past performance is not a reliable indication of future performance. This information is given in summary form and does not purport to be complete. Information in this report, should not be considered advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling units in the Fund and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice. Readers are cautioned not to place undue reliance on forward looking statements. Neither CIML nor Sage Capital have any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date of this report. For further information and before investing, please read the Product Disclosure Statement available from [www.sagecap.com.au](http://www.sagecap.com.au) and [www.channelcapital.com.au](http://www.channelcapital.com.au). A Target Market Determination for the Fund is available at [www.channelcapital.com.au](http://www.channelcapital.com.au).