SAGE CAPITAL

CC Sage Capital Equity Plus Fund (APIR: CHN8862AU)

March 2023

Class A

Fund Performance

Returns[1]	1 month	3 months	6 months	CYTD	FYTD	1 year	3 years p.a.	Since inception p.a. (20-Aug-2019)
Fund Net Return	-0.52%	3.81%	11.83%	3.81%	12.40%	1.48%	21.47%	12.26%
Benchmark Return[2]	-0.16%	3.46%	13.19%	3.46%	13.63%	0.10%	16.52%	6.68%
Active Return (After fees)	**-0.36%**	**0.35%**	**-1.36%**	**0.35%**	**-1.23%**	**1.38%**	**4.95%**	**5.58%**

About Sage Capital

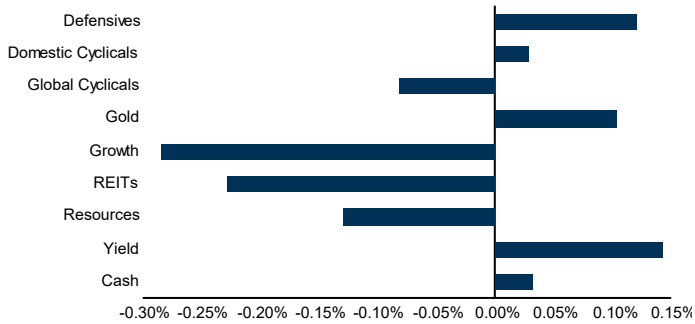
As an Australian equities long short manager, Sage Capital views the market through eight unique Sage Groups enabling the team to focus on individual stock drivers and hedge systematic market risks. This style and cycle neutral investment process is designed to deliver consistent returns regardless of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

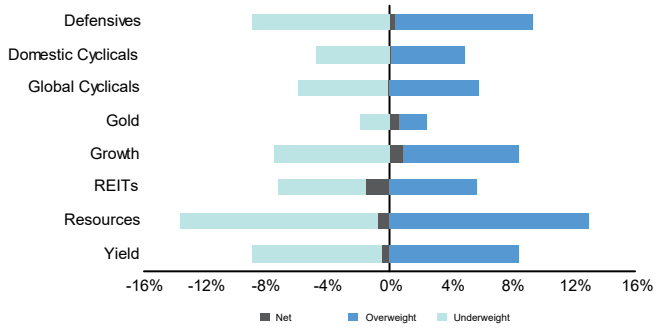
Contributors to Fund Performance*



Fund Facts

Investment Style	An Australian equity active extension long short strategy
Net Asset Value	$310.6 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

Allocation Weights*



Portfolio Metrics

As at end of month	
Long exposure	130%
Short exposure	-31%
Gross exposure	161%
Net exposure	99%
Number of long positions	116
Number of short positions	66
Since Inception	
Information Ratio [6]	1.7
Tracking Error [6]	3.3%

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

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[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 returned -0.52% in March versus the S&P/ASX 200 Accumulation Index return of -0.16%.

The Yield and Defensives Sage Groups* were the strongest contributors with the weakest being the Growth and REITs Sage Groups. In Yield, performance was driven by a short position in Computershare (ASX: CPU -13%) which fell with declining US interest rate expectations and short positions in Westpac Banking Corporation (ASX: WBC -4%) and Commonwealth Bank of Australia (ASX: CBA -2%) which underperformed as competition for deposits and home loans intensified. Defensives outperformance was driven by a short position in A2 Milk Company (ASX: A2M -12%) following a profit warning from milk supplier Synlait and a long position in Sonic Healthcare (ASX: SHL +10%) which continued its strong momentum from its result last month.

On the negative side, key detractors in the Growth Sage Group were short positions in REA Group (ASX: REA +13%) which rallied on proposed price increases and a stabilisation in property prices and Cochlear (ASX: COH +7%) which benefited from a market preference for quality defensive earnings. The REITs Sage Group were also a detractor this month with long positions in Charter Hall (ASX: CHC -17%) and Dexus (ASX: DXS -8%) underperforming with unlisted market valuation fears following the collapse of Silicon Valley Bank in the US.

Market Review

The S&P/ASX 200 Accumulation Index finished down -0.16% in March. The strongest Sage Groups were Gold and Resources with the weakest being REITs and Yield. With company reporting season just behind us, most of the Sage Group movements this month can be viewed as knock-on effects from the collapse of Silicon Valley Bank and later Credit Suisse. Gold was strong driven by a weaker USD and flight to safety effects as people withdrew deposits from US banks. Relative strength in Resources was driven by a weaker USD and continued optimism about the Chinese economic recovery and a boost from corporate activity in the lithium space at the end of the month.

Weakness in REITs was driven by debt contagion fears as regional banks were large lenders in the US commercial real estate space. The Yield Sage Group underperformance was driven by both the reduction in interest rates globally with lower investment yields and increased discounting by banks on mortgages who are competing aggressively to re-sign customers as their fixed rates loans expire over the next six months.

Portfolio Positioning and Market Outlook

Sage Capital believes that current market expectations for interest rate cuts later this year, juxtaposed with strong company earnings growth, is a very unlikely outcome for equity markets. The lagged and blunt impact of monetary policy makes a soft-landing scenario such as this a nigh impossible balancing act for central bankers to manage towards. Overall, the outlook for the global economy became less clear during the month of March. The collapse of Silicon Valley Bank and later Credit Suisse, led to significant changes in global interest rate expectations as people withdrew bank deposit and rushed to safe havens in US treasuries and gold. Ironically, despite the significant increase in interest rates, this was not a credit event, but an old-fashioned duration mismatch caused by a combination of lending long and borrowing short, and deficient regulation. The reaction from the US Federal Reserve officials was lightning fast and reopened the all-important bond market after a two week impasse. However, some caution is warranted as it will take time to determine the full impact these events have had on credit availability and flow on effects to the real economy. Headline inflation continues to weaken globally with lower goods, logistics and energy prices but core inflation remains stubbornly high and well above target. Sage Capital believes central bankers, wary of the mistakes of the past, are unlikely to change their tightening bias but will tread more carefully as signs of weakening growth and economic stress will likely become more obvious over the next six months. Recent moves by OPEC to put a floor under oil prices with production cuts and the inability of the US to respond through further releases from their Strategic Petroleum Reserve, increase the risk of a rebound in headline inflation as well.

In Australia, consumer spending remains resilient, but the combination of higher rents, higher mortgage costs and lower savings buffers makes Sage Capital cautious on the outlook in the second half of the year. Increased migration offers some hope to ease the tightness in labour markets, but in the short term is likely to exacerbate inflationary pressures through increased consumption and by adding pressure to an already very tight housing rental market. The Reserve Bank of Australia has recently paused in its tightening path, to observe the impacts of recent volatility and the roll-off of fixed to variable mortgages. This likely raises the risk of more work to be done later if inflationary pressures become more embedded.

Overall, Sage Capital continues to prefer companies with resilient earnings streams and pricing power in industries such as healthcare, insurance and telecommunications. Sage Capital is cautious on banks as aggressive competition for deposits and loans will reduce margins going forward. Sage Capital continues to focus on individual company earnings to drive stock selection and maintain low net exposure to the Sage Groups to limit exposure to unpredictable macro risks. 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 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. Contributors to Active Performance is Gross of Fees.

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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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