SAGE CAPITAL

CC Sage Capital Equity Plus Fund (APIR: CHN8862AU)

August 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	-2.55%	1.37%	1.42%	5.83%	-0.13%	8.21%	13.98%	11.45%
Benchmark Return[2]	-0.73%	3.92%	3.00%	6.74%	2.13%	9.56%	10.68%	6.78%
Active Return (After fees)	**-1.82%**	**-2.55%**	**-1.58%**	**-0.91%**	**-2.26%**	**-1.35%**	**3.30%**	**4.67%**

About Sage Capital

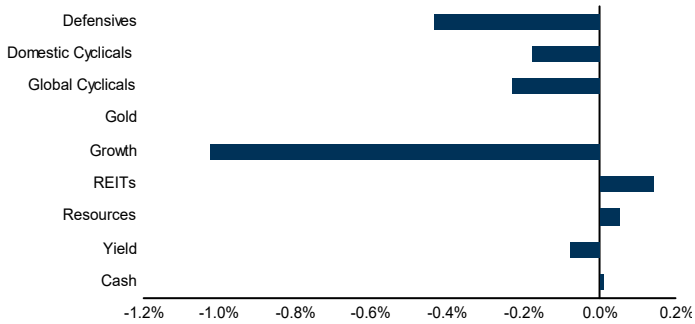
As an Australian equities long short manager, Sage Capital views the market through eight unique Sage Groups enabling the team to focus on individual stock drivers and hedge systematic market risks. This style and cycle neutral investment process is designed to deliver consistent returns regardless of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

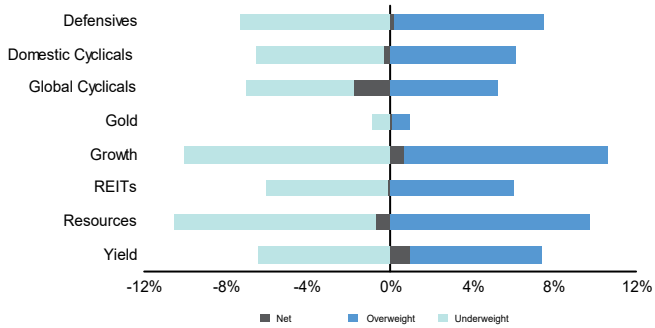
Contributors to Fund Performance*



Fund Facts

Investment Style	An Australian equity active extension long short strategy
Net Asset Value	$338.8 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	118
Number of short positions	61
Since Inception	
Information Ratio [6]	1.4
Tracking Error [6]	3.4%

Platform Availabilty

AMP MyNorth	ANZ Grow Wrap	Ausmaq
BT Panorama	Colonial First Wrap	Colonial FirstChoice
HUB24	IOOF eXpand	IOOF Pursuit
Macquarie Wrap	Mason Stevens	Netwealth
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 -2.55% in August underperforming the S&P/ASX 200 Accumulation Index by -1.82% which returned -0.73%.

The Sage Groups that were the strongest contributors to performance were REITs and Resources with Growth and Defensives being detractors. The key drivers of performance in REITs were long positions in Goodman Group (ASX: GMG +14%) which reported its full year results highlighting a strong pipeline for Data Centre development, Mirvac (ASX: MGR +3%) which reported stronger second half apartments sales and a short position in Charter Hall Long Wale REIT (ASX: CLW -14%) which fell on disappointing guidance due to higher interest costs. Resources were driven by a short position in Alumina (ASX: AWC -24%) which gave lower bauxite volume and free cash flow guidance, and a short position in Iluka Resources (ASX: ILU -17.5%) which lowered its production guidance citing weaker demand for synthetic rutile due to subdued economic activity in China.

On the negative side, the Growth Sage Group was impacted by a long position in Resmed (ASX: RMD -24%) which fell after reporting weaker gross margins in its Q4 results, with investor fears that new GLP-1 weight loss drugs would in time materially reduce the market for sleep apnoea masks. Also, within Growth, a short position in Cochlear (ASX: COH +14%) detracted after guiding to stronger than expected FY24 growth driven by increasing referral rates for adults. The Defensives Sage Group performance was impacted by long positions in Coles Group (ASX: COL -10%) which fell after reporting increased theft impacts on gross margin and delivery centre cost blowouts, and AGL (ASX: AGL -7%) which fell after profit taking following an incredible run into August.

Market Review

The S&P/ASX 200 Accumulation Index was down 0.73% in August as the company reporting season weighed on it with consensus earnings per share (EPS) revisions of -3.6%. Total forward EPS revisions are now -9.3% calendar year to date. The most consistent theme throughout reporting season was higher than expected capital expenditure, impacting stocks across various Sage Groups, from mining to telcos to waste management companies. Commodities were on average higher, with iron ore and oil both up modestly while Australian inflation continued its downward trajectory printing at 4.9% year on year in July. The strongest Sage Group was Domestic Cyclicals driven by building stocks and retailers which produced better than expected results versus low expectations. The weakest Sage Groups were Defensives which proved far less resilient than one would have imagined, most stocks within the sector underperforming in a weaker market.

Portfolio Positioning and Market Outlook

Reporting season has come and gone for another year, with continued earnings downgrades across the board but an expectation that the world and Australia in particular, may yet avoid the recession that the bond market has been warning about for some time. Globally, inflation appears to be bottoming out across many developed markets. Oil, which was the initial trigger to the inflationary spike in 2021, has continued its march upwards since June 2023. This will most likely flow through to broader goods inflation over the next three to six months. During the last 12 months, equities have enjoyed the dual tailwind of inflation falling and better than feared growth, but with oil prices rallying and services inflation still elevated, this dynamic is becoming increasingly fragile, and we expect tougher conditions going forward.

In Australia, the consumer is slowing but is so far performing better than feared. This appears to be driven by the over 55 age cohort, who is benefiting from the combination of higher asset prices and higher deposit rates. The fixed rate to variable rate mortgage transition, although now past its peak, still has a way to go and pressure on younger more indebted consumers will continue to build over the next year. The Australian labour market remains tight, but like the US there are some signs that this tightness is easing, both hours worked and new job listings are weakening. During reporting season, retailers bounced on the view that this is the bottom for the consumer. However, Sage Capital disagrees and remains cautious on the sector, particularly areas exposed to housing. A gradual slowdown is coming, whether this forms a technical recession is hard to say at this point.

Commodities have started to recover during the last couple of months driven by oil and iron ore. Oil rallied on tight supply as both the Saudis and Russians extended production cuts, while US shale output continues to slow and the US Strategic Petroleum Reserve is now no longer being sold. OPEC+ seems intent on maintaining higher prices and years of underinvestment creates little slack elsewhere. Sage Capital continue to like this dynamic and hold an overweight position in oil and gas. Against this, we are heading into a period of seasonally strong supply for iron ore with worsening spreads for steel producers. Steel exports are already at record levels and with Chinese local government balance sheets in severe stress, it's viewed as unlikely there will be a material increase in domestic steel consumption.

Overall across the portfolio, Sage Capital retains a preference for stocks with strong pricing power able to drive their own growth independent of the economic cycle. Sage Capital continues to maintain low net exposure to the Sage Groups to limit exposure to unpredictable macro risks. The portfolios are well diversified, liquid and positioned to weather the myriad of unknowns.

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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.

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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