

### 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	-0.95%	-2.43%	-1.78%	7.06%	-1.78%	7.06%	10.82%	10.22%
Benchmark Return <sup>2</sup>	0.25%	0.69%	1.13%	1.23%	1.13%	1.23%	0.50%	0.54%
Active Return (After fees)	-1.20%	-3.12%	-2.91%	5.83%	-2.91%	5.83%	10.32%	9.68%

### About Sage Capital

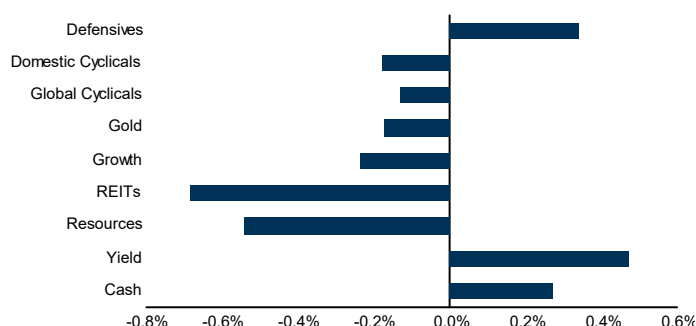
As an Australian equities long short manager, Sage Capital views the market through eight unique Sage Groups enabling the team to focus on individual stock drivers and hedge systematic market risks. This style and cycle neutral investment process is designed to deliver consistent returns regardless of 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 Absolute Return Fund aims to provide an uncorrelated source of returns whilst eliminating equity market exposure, where long and short positions offset each other.

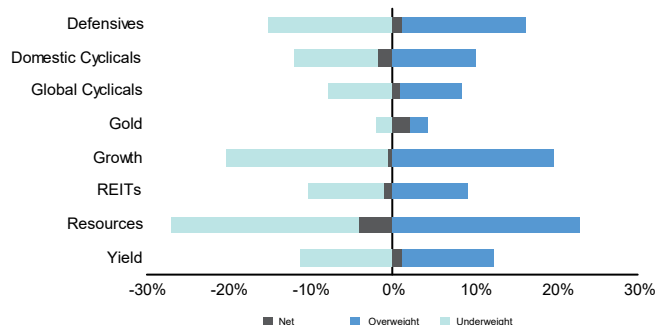
### Contributors to Fund Performance\*



### Fund Facts

<b>Investment Style</b>	An Australian equity market neutral long short strategy
<b>Net Asset Value</b>	\$512.0 million <sup>3</sup>
<b>Inception Date</b>	20 Aug 2019
<b>Benchmark</b>	RBA Cash Rate
<b>Management Fee</b>	1.29% 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

### Allocation Weights\*



### Portfolio Metrics

#### As at end of month

Long exposure	104%
Short exposure	-105%
Gross exposure	209%
Net exposure	-1%
Number of long positions	54
Number of short positions	79

#### Since Inception

Sharpe Ratio <sup>6</sup>	1.6
Volatility <sup>6</sup>	6.2%
Maximum monthly drawdown	-4.1%

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<sup>1</sup> Performance is for the CC Sage Capital Absolute Return 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 RBA Cash Rate Total Return 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 Absolute Return Fund returned -0.95% in December versus the RBA Cash Rate of 0.25%.

The Yield and Defensives Sage Groups\* were the strongest contributors with REITs and Resources Sage Groups being detractors. Performance in Yield was driven by QBE Insurance Group (ASX: QBE +4%) which continued to rally after a strong performance update in late November. Defensives was driven by a short position in Endeavour Group (ASX: EDV - 8%) which fell over concerns around regulatory changes in gaming that would impact its Hotels division and a long position in Telstra Group (ASX: TLS 0%) which held up better than sector peers in a falling market.

On the negative side, REITs Sage Group performance was impacted by long positions in Charter Hall Group (ASX: CHC -13%) and Goodman Group (ASX: GMG -8%) which fell after news reports that Blackstone Real Estate Income Trust, a large US REIT that owns build to rent residential property, would have to divest assets to meet redemption requests. Resources Sage Group performance was impacted by short positions in Fortescue Metals Group (ASX: FMG +6%) and BHP Group (ASX: BHP 0%) which were relatively strong driven by a further 14% rise in the iron ore price in the month and a long position in lithium miner Allkem (ASX: AKE -18%) which was weak due to a fall in the lithium price on concerns of near term weaker demand from China for electric vehicle production.

## Market Review

The S&P/ASX 200 Accumulation Index declined -3.21% in December as the RBA raised the cash rate 25 basis points (bps) for the third consecutive month which, along with further increases in US interest rates, helped drive the 10-year bond yield up over 50 bps. The Gold Sage Group was the only group that achieved a positive return in the month as the equities began to catch up to strength in the underlying gold price. The weakest Sage Groups were Growth, Domestic Cyclical and Yield as a combination of higher bond yields pressured valuations for longer duration assets while the focus from central banks to tighten policy rates to combat inflation increased recession risks and the downside for cyclical earnings.

## Portfolio Positioning and Market Outlook

Emerging from a year which saw the sharpest increase in US interest rates in history, the outlook for equities remains uncertain. Valuation multiples fell materially on a global basis through 2022 in response to higher interest rates and while there may be some more of this to come, the market will be driven increasingly by the outlook for earnings. As central banks continue to fight inflation in developed markets the risk of recession and material falls in earnings and markets is increasing. The big swing factor will be how rapidly inflation falls and when central banks feel comfortable in easing policy.

Inflation has already peaked and begun to recede as some of the cyclical forces have reversed. Post-COVID reopening has seen consumption expenditure shift from goods back to services and has allowed supply chains to normalise. This has seen some of the transient inflation in manufactured goods and transport dissipate. In addition, energy and food inflation have moderated as concerns over supply disruption from Russian sanctions have eased as product has found its way onto the global market via China and India. The US running down its Strategic Petroleum Reserve (SPR) has also helped to contain energy prices. However, labour markets remain very tight in Australia as well as most developed market and wages growth is running levels that is consistent with core inflation well above Reserve Bank of Australia's targets. While the market is beginning to price the peak in inflation and the start of an easing cycle in the second half of 2023, Sage Capital sees the risk that central banks keep policy tighter for longer until there is more visible weakness in labour markets. This could provide more material downside to earnings and Australia remains particularly exposed to risks from tighter policy due to the high level of household debt with variable interest rate exposure and the potential for negative wealth effects feeding through from lower house prices.

Policy shifts in China are also complicating the outlook for markets. A rapid move away from its COVID-Zero stance as well as a shift in policy towards the housing market can drive big changes. The most immediate impact from these changes could prove to be inflationary as a surge in infections disrupts supply chains, but more importantly Sage Capital sees that there is likely a surge in mobility and demand for travel as seen in the West. This is likely to boost oil demand at a time when the US has stopped reducing its SPR and may be looking to rebuild it. Any rebound in energy prices is likely to see inflation persist for longer and be negative for markets. The market is also taking a positive view on the policy shift around housing with iron prices and equities materially outperforming very weak fundamentals. Sage Capital expects the market may struggle to maintain this optimism in the absence of big bang stimulus with weakening demand globally for manufactured goods and the long lags for a recovery in housing construction.

Overall, Sage Capital continues to focus on individual company earnings to drive stock selection and maintains 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 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.

#### Definition of Terms:

**Sharpe Ratio** - Annualised average monthly excess Fund return (net of fees) divided by Fund volatility. Excess return is the Fund return minus the risk free rate, which is the RBA Cash Rate.

**Volatility** - Annualised standard deviation of monthly returns (net of fees) since inception.

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