

CC Sage Capital Absolute Return Fund

ARSN 634 149 287

Annual Report for the year ended 30 June 2023

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These financial statements cover the CC Sage Capital Absolute Return Fund as an individual entity.

The Responsible Entity of the CC Sage Capital Absolute Return Fund is Channel Investment Management Limited (ABN 22 163 234 240, AFSL 439007). The Responsible Entity's registered office is Level 19, Waterfront Place, 1 Eagle Street, Brisbane, QLD 4000.

Directors' report

The Directors of Channel Investment Management Limited (ABN 22 163 234 240, AFSL 439007), the Responsible Entity of CC Sage Capital Absolute Return Fund (the "Fund"), present their report together with the financial report of the Fund for the year ended 30 June 2023.

Principal activities

The Fund is a registered managed investment fund domiciled in Australia.

The Fund was constituted on 14 June 2019, registered as a managed investment scheme on 25 June 2019 and commenced operations on 20 August 2019.

The Responsible Entity of the Fund is Channel Investment Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 19, Waterfront Place, 1 Eagle Street, Brisbane, QLD 4000. The financial statements are presented in the Australian currency.

The Responsible Entity is incorporated and domiciled in Australia.

Sage Capital Pty Ltd is the Investment Manager of the Fund.

The Custodian of the Fund is Morgan Stanley & Co. International PLC.

The Fund aims to achieve positive returns in excess of the RBA Cash Rate, after fees and expenses, over the long term by taking both long positions and short positions in selected Australian shares.

The Fund takes both long positions and short positions in selected Australian shares that are listed on the Australian Securities Exchange ('ASX') or expected to be listed within 90 days. The Fund is an absolute return strategy with the typical asset classes held by the Fund comprising Australian listed shares, cash and cash equivalent instruments and exchange traded derivatives.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

Directors

The following persons held office as Directors of Channel Investment Management Limited during or since the end of the year and up to the date of this report:

Mr G Holding
Ms K Youhanna
Mr S Jordan
Mr J Yeo
Mr M Tibbett

The Responsible Entity has a Compliance Committee consisting of two independent persons and one non-independent person. This committee's role is to oversee the compliance requirements of the Fund operated by the Responsible Entity.

Review and results of operations

There have been no significant changes to the operations of the Fund since the beginning of financial year. The Fund continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

Class A's performance was 2.56% (net of fees) for the year ended 30 June 2023 (19.29% for the year ended 30 June 2022). Class B's performance was 4.11% (net of fees) for the year ended 30 June 2023 (26.21% for the year ended 30 June 2022). Class C's performance was 3.34% (net of fees) for the year ended 30 June 2023 (12.99% for the period 20 October 2021 to 30 June 2022). The Fund's benchmark, the RBA Cash Rate returned 2.93% for Class A, Class B and Class C for the same period.

The performance of the Fund, as represented by the results of its operations, was as follows:

	Year ended 30 June 2023	Year ended 30 June 2022
Net operating profit before financing costs attributable to unitholders (\$'000)	19,817	29,209

There were no distributions declared for the year ended 30 June 2023 and 30 June 2022.

Directors' report (continued)

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years;
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers and auditors

Insurance cover provided to either the officers of Channel Investment Management Limited or the auditors of the Fund is actually paid by Channel Capital Pty Ltd, parent entity of Channel Investment Management Limited and not out of the assets of the Fund. So long as the officers of Channel Investment Management Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 13 of the financial statements.

No fees were paid out of Fund property to the Directors of the Responsible Entity during the year.

The number of interests in the Fund held by the responsible entity or its associates as at the end of the financial year are disclosed in Note 13 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 12 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

The Fund is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the Directors of Channel Investment Management Limited, the Responsible Entity.



Mr G Holding
Director
Channel Investment Management Limited

Brisbane
15 September 2023



Auditor's Independence Declaration

As lead auditor for the audit of CC Sage Capital Absolute Return Fund for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Paul Collins', written over a light blue horizontal line.

Paul Collins
Partner
PricewaterhouseCoopers

Brisbane
15 September 2023

Statement of comprehensive income

		Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
	Notes		
Investment income			
Dividend and distribution income		19,027	6,434
Interest income		16,139	239
Net gains/(losses) on financial instruments at fair value through profit or loss	5	24,392	42,354
Other operating income		19	4
Total net investment income		59,577	49,031
Expenses			
Dividend expense on short sold securities		25,171	7,198
Interest expense		-	24
Management fees	13	6,351	2,139
Recoverable fees	13	32	23
Administration fees	13	496	162
Performance fees	13	50	7,011
Broker fees		2,852	1,599
Stock Loan fees		4,783	1,625
Other fees		25	41
Total operating expenses		39,760	19,822
Operating profit/(loss) for the year		19,817	29,209
Finance costs attributable to unitholders			
Distributions to unitholders	7	-	-
(Increase)/decrease in net assets attributable to unitholders	12	(19,817)	(29,209)
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Assets			
Cash and cash equivalents	8	719,578	351,035
Receivables	10	7,459	1,923
Due from brokers - receivable for securities sold		5,306	8,256
Financial assets at fair value through profit or loss	9	830,296	367,646
Total assets		1,562,639	728,860
Liabilities			
Bank overdrafts	8	-	86
Payables	11	4,399	7,077
Due to brokers - payable for securities purchased		7,350	5,898
Financial liabilities at fair value through profit or loss	9	832,834	364,841
Total liabilities (excluding net assets attributable to unitholders)		844,583	377,902
Net assets attributable to unitholders - liability	12	718,056	350,958

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Total equity at the beginning of the financial year	-	-
Comprehensive income/(loss) for the year		
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income/(loss) for the year	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial year	-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the year.

Changes in net assets attributable to unitholders are disclosed in Note 12.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

		Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Notes			
Cash flows from operating activities			
		1,005,833	577,787
		(977,449)	(592,291)
		(1,449,757)	(953,352)
		1,455,510	1,004,853
		16,229	5,533
		13,954	71
		19	4
		(23,268)	(6,312)
		-	(24)
		(5,952)	(1,870)
		-	(1)
		(496)	(162)
		(5,301)	(1,997)
		(2,852)	(1,599)
		(4,783)	(1,625)
		17	130
	14 (a)	21,704	29,145
Cash flows from financing activities			
	12	439,872	298,658
	12	(92,947)	(35,185)
		-	(7)
		346,925	263,466
Net cash inflow/(outflow) from financing activities			
		368,629	292,611
		350,949	58,338
Net increase/(decrease) in cash and cash equivalents			
		350,949	58,338
	8	719,578	350,949
Cash and cash equivalents at the end of the year			
	14 (b)	-	4
Non-cash financing activities			

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

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1 General information

These financial statements cover CC Sage Capital Absolute Return Fund (the "Fund") as an individual entity. The Fund was constituted on 14 June 2019, registered as a managed investment scheme on 25 June 2019 and commenced operations on 20 August 2019.

The Fund is a registered managed investment fund domiciled in Australia.

The Responsible Entity of the Fund is Channel Investment Management Limited (ABN 22 163 234 240) (AFSL 439007) (the "Responsible Entity"). The Responsible Entity's registered office is Level 19, Waterfront Place, 1 Eagle Street, Brisbane, QLD 4000. The financial statements are presented in the Australian currency.

The Responsible Entity is incorporated and domiciled in Australia.

Sage Capital Pty Ltd is the Investment Manager of the Fund.

The Custodian of the Fund is Morgan Stanley & Co. International PLC.

The Fund aims to achieve positive returns in excess of the Fund Benchmark, after fees and expenses, over the long term by taking both long positions and short positions in selected Australian shares.

The Fund takes both long positions and short positions in selected Australian shares that are listed on the Australian Securities Exchange ('ASX') or expected to be listed within 90 days. The Fund is an absolute return strategy with the typical asset classes held by the Fund comprising Australian listed shares, cash and cash equivalent instruments and exchange traded derivatives.

The financial statements were authorised for issue by the Directors of the Responsible Entity on 15 September 2023. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled in relation to these balances cannot be reliably determined.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) New standards and interpretations effective after 1 July 2023 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material impact on the financial statements of the Fund.

(iii) New amended standards adopted by the Fund

There are no new standards or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

(b) Financial instruments

(i) Classification

The Fund's investments are classified at fair value through profit or loss. They comprise of:

- Financial Assets

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Classification (continued)

- Financial Assets (continued)

For equity securities and unit trusts, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

- Financial Liabilities

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. These are investments in short term securities, listed equities and unit trusts.

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (bank overdrafts, management fees payable, recoverable fees payable, performance fees payable, dividends payable, other payable and due to brokers).

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

(iii) Measurement

At initial recognition, the Fund measures its financial assets and liabilities at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise. Dividend expense on short sales of securities, which have been classified at fair value through profit or loss, are presented as a separate line item in the statement of comprehensive income.

For further details on how the fair value of financial instruments is determined please see Note 4 to the financial statements.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders in accordance with the Fund's constitution.

The units can be put back to the Fund at any time for cash based on the redemption price which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy all of the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders (continued)

As this is a multi-class fund, units are classified as financial liabilities as they do not meet the requirements of equity in accordance with AASB 132 *Financial Instruments: Presentation*.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown in the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(e) Investment income

(i) Interest income

Interest income is recognised in profit and loss for financial instruments at fair value through profit or loss using the effective interest rate method. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

(ii) Dividend and distribution income

Dividend income is recognised on the ex dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of comprehensive income.

Trust distributions are recognised on an entitlement basis.

(f) Expenses

Any expenses which are paid by the unitholder from Fund assets are included in the Fund's financial statements and recognised in the Statement of Comprehensive Income on an accruals basis. Any expenses that are paid directly to the Responsible Entity and/or investment manager by the unitholder as per the terms of individual agreements are not recognized in the Fund's financial statements.

(g) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders. The benefits of any imputation credits and foreign tax paid are passed on to unitholders.

(h) Distributions

The Fund may distribute its distributable income, in accordance with the Fund's Constitution, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(i) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. As the Fund's units are classified as liabilities, movements in net assets attributable to unit holders are recognised in the Statement of Comprehensive Income as finance costs.

(j) Functional and presentation currency

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

(k) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and consequently measured at amortised cost.

2 Summary of significant accounting policies (continued)

(k) Due from/to brokers (continued)

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(l) Receivables

Receivables may include due amounts for dividends, interest and trust distributions. Trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in Note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credits (RITC).

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amount of the impairment loss is recognised in Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in Statement of Comprehensive Income.

(m) Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting period.

As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the statement of financial position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

(n) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

(o) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(p) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

2 Summary of significant accounting policies (continued)

(q) Rounding of amounts

The Fund is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3 Financial risk management

(a) Objectives, strategies, policies and processes

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates interest rate risk and price risk), credit risk and liquidity risk.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by an Investment Manager under policies approved by the Board of Directors of the Responsible Entity (the Board).

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ratings analysis for credit risk.

As part of its risk management strategy, the Fund uses derivatives and other investments, including stock indexes futures, to manage exposures resulting from changes in stock prices, and exposures arising from forecast transactions. These methods are explained below.

(b) Market risk

(i) Interest rate risk

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The Fund's main interest rate risk arises from its cash and cash equivalents.

The interest rate risk is managed by maintaining as close to a fully invested position as possible.

The table below summarises the Fund's exposure to interest rate risk at the end of the reporting period.

	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non-interest Bearing \$'000	Total \$'000
30 June 2023					
Financial Assets					
Cash and cash equivalents	2.60%	719,578	-	-	719,578
Receivables		-	-	7,459	7,459
Due from brokers - receivable for securities sold		-	-	5,306	5,306
Financial assets at fair value through profit or loss		-	-	830,296	830,296
Total Financial Assets		719,578	-	843,061	1,562,639
Financial Liabilities					
Payables		-	-	4,399	4,399
Due to brokers - payable for securities purchased		-	-	7,350	7,350
Financial liabilities at fair value through profit or loss		-	-	832,834	832,834
Total Financial Liabilities		-	-	844,583	844,583
30 June 2022					
Financial Assets					
Cash and cash equivalents	0.00%	351,035	-	-	351,035
Receivables		-	-	1,923	1,923
Due from brokers - receivable for securities sold		-	-	8,256	8,256
Financial assets at fair value through profit or loss		-	-	367,646	367,646
Total Financial Assets		351,035	-	377,825	728,860
Financial Liabilities					
Bank overdrafts		86	-	-	86
Payables		-	-	7,077	7,077
Due to brokers - payable for securities purchased		-	-	5,898	5,898
Financial liabilities at fair value through profit or loss		-	-	364,841	364,841
Total Financial Liabilities		86	-	377,816	377,902

3 Financial risk management (continued)

(b) Market risk (continued)

(i) Interest rate risk (continued)

The table at Note 3(c) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in fair value of changes in future cash flows. The analysis is based on the assumption that the interest rates changed by +/- 100 basis points from the year end rates with all other variables held constant.

(ii) Price risk

The Fund is exposed to price risk on equity securities listed or quoted on recognised securities exchanges. Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

Net assets attributable to unitholders include investments in equity securities, unit trusts and related derivatives. At 30 June 2023 and 30 June 2022, the overall market exposures were as follows:

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Financial assets at fair value through profit or loss	830,296	367,646
Financial liabilities at fair value through profit or loss	(832,834)	(364,841)
Total	(2,538)	2,805

The table at Note 3(c) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Fund invests moves by +/-10%.

(iii) Foreign exchange risk

The Fund is not exposed to foreign exchange risk as all financial instruments are in Australian dollars.

(c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on operating profit/net assets attributable to unit holders			
	Price risk		Interest rate risk	
	-10% \$'000	+10% \$'000	-100bps \$'000	+100bps \$'000
As at 30 June 2023	(254)	254	(187)	187
As at 30 June 2022	(281)	281	-	-

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund holds no collateral as security or any other credit enhancement. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past their due date.

(i) Settlement of securities transactions

All transactions in fixed income securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once the securities purchased have been received by the broker. The trade will fail if either party fails to meet its obligations.

(ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA (as determined by Standard and Poor's/Moody's) or higher.

(iii) Other

The Fund is not materially exposed to credit risk on other financial assets.

3 Financial risk management (continued)

(d) Credit risk (continued)

(iv) Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

(e) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

In accordance with the Fund's policy, the Responsible Entity monitors the Fund's liquidity position on a daily basis. The Fund's policy is reviewed annually. In order to manage the Fund's overall liquidity, the responsible entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Fund did not reject or withhold any redemptions during 2023.

The Fund's Constitution provides for daily application and redemption of units and it is therefore exposed to liquidity risk of meeting unitholder redemptions at any time. Units are redeemed on demand at the unitholder's option. At 30 June 2023, net assets attributable to unitholders was \$718,056,000 (2022: \$350,958,000).

(i) Maturities of non-derivative financial liabilities

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month \$'000	1 to 6 months \$'000	7 to 12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2023					
Payables	4,399	-	-	-	4,399
Due to brokers - payable for securities purchased	7,350	-	-	-	7,350
Financial liabilities at fair value through profit and loss	832,834	-	-	-	832,834
Net assets attributable to unitholders - liability	718,056	-	-	-	718,056
Contractual cashflows (excluding derivatives)	1,562,639	-	-	-	1,562,639
	Less than 1 month \$'000	1 to 6 months \$'000	7 to 12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2022					
Bank overdrafts	86	-	-	-	86
Payables	7,077	-	-	-	7,077
Due to brokers - payable for securities purchased	5,898	-	-	-	5,898
Financial liabilities at fair value through profit and loss	364,841	-	-	-	364,841
Net assets attributable to unitholders - liability	350,958	-	-	-	350,958
Contractual cashflows (excluding derivatives)	728,860	-	-	-	728,860

4 Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

Fair value hierarchy

Classification of financial assets and financial liabilities

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

4 Fair value measurement (continued)

(a) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as listed equities and unit trusts) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in Note 2 of the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current bid price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(b) Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The foreign currency contracts are valued at the forward rate.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

4 Fair value measurement (continued)

(c) Recognised fair value measurements

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value according to the fair value hierarchy:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2023				
Financial assets				
Listed equities	751,838	-	-	751,838
Listed unit trusts	61,016	-	-	61,016
Listed property unit trusts	17,442	-	-	17,442
Total financial assets	830,296	-	-	830,296
Financial liabilities				
Listed equities	712,551	-	2,381	714,932
Listed unit trusts	89,860	-	-	89,860
Listed property unit trusts	28,042	-	-	28,042
Total financial liabilities	830,453	-	2,381	832,834
As at 30 June 2022				
Financial assets				
Listed equities	342,833	-	-	342,833
Listed unit trusts	823	-	-	823
Listed property unit trusts	23,990	-	-	23,990
Total financial assets	367,646	-	-	367,646
Financial liabilities				
Listed equities	311,940	-	2,381	314,321
Listed unit trusts	42,584	-	-	42,584
Listed property unit trusts	7,936	-	-	7,936
Total financial liabilities	362,460	-	2,381	364,841

(d) Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy for the year ended 30 June 2023.

The following table presents the transfers between levels for the year ended 30 June 2022.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
As at 30 June 2022			
Transfers between level 1 and level 3			
Listed equity securities - liability	(2,381)	-	2,381

As at 30 June 2022, management have transferred the Fund's investments in amount of \$2,381,000 from level 1 to level 3 on the fair value hierarchy on the basis that an ASX entity was suspended from official quotation in the ASX on 11 May 2022. There were no other transfers between levels in the fair value hierarchy for the year ended 30 June 2023.

(e) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the movement in level 3 instruments for the year ended 30 June 2023 and 30 June 2022 by the class of financial instrument.

	Year ended 30 June 2023		Year ended 30 June 2022	
	Listed equity securities - liability \$'000	Total \$'000	Listed equity securities - liability \$'000	Total \$'000
Opening balance	2,381	2,381	-	-
Transfers into/(out) from level 3	-	-	2,381	2,381
Purchases	-	-	-	-
Sales	-	-	-	-
Gains/(losses) recognised in the statement of comprehensive income	-	-	-	-
Closing balance	2,381	2,381	2,381	2,381

5 Net gains/(losses) on financial instruments at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and liabilities at fair value through profit or loss:

	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Financial assets		
Net realised gain/(loss) on financial assets at fair value through profit or loss	18,492	3,060
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	54,326	(24,409)
Net gains/(losses) on financial assets at fair value through profit or loss	72,818	(21,349)
Financial liabilities		
Net realised gain/(loss) on financial liabilities at fair value through profit or loss	(7,180)	18,535
Net unrealised gain/(loss) on financial liabilities at fair value through profit or loss	(41,246)	45,168
Net gains/(losses) on financial liabilities as at fair value through profit or loss	(48,426)	63,703
Total net gains/(losses) on financial instruments at fair value through profit or loss	24,392	42,354

6 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	Year ended 30 June 2023 \$	Year ended 30 June 2022 \$
PricewaterhouseCoopers Australia firm		
Audit and other assurance services		
Audit and review of financial statements	24,100	20,800
Audit of compliance plan	6,000	8,000
Total remuneration for audit and other assurance services	30,100	28,800
Taxation services		
Taxation services	4,500	4,200
Total remuneration for taxation services	4,500	4,200
Total remuneration of PricewaterhouseCoopers Australia firm	34,600	33,000

The fees for audit, other assurance services and non-audit services are paid by the Responsible Entity out of the administration fees that they earn.

7 Distribution to unitholders

Distributions are payable at the end of each financial period. Such distributions are determined by reference to the net taxable income of the Fund.

There were no distributions declared for the year ended 30 June 2023 and 30 June 2022.

8 Cash and cash equivalents

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Cash at bank	719,578	351,035
Total cash and cash equivalents	719,578	351,035

a. Reconciliation to statement of cash flows

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the period as follows:

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Balance per above	719,578	351,035
Bank overdrafts	-	(86)
Total cash and cash equivalents	719,578	350,949

9 Financial instruments at fair value through profit or loss

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Financial assets		
Listed equities	751,838	342,833
Listed unit trusts	61,016	823
Listed property unit trusts	17,442	23,990
Total financial assets at fair value through profit or loss	830,296	367,646
Financial liabilities		
Listed equities	714,932	314,321
Listed unit trusts	89,860	42,584
Listed property unit trusts	28,042	7,936
Total financial liabilities at fair value through profit or loss	832,834	364,841
Total net financial instruments at fair value through profit or loss	(2,538)	2,805

10 Receivables

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Interest receivable	2,358	173
Dividends and distributions receivable	3,794	996
GST receivable	222	116
Applications receivable	1,085	638
Total receivables	7,459	1,923

11 Payables

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Management fees payable	721	322
Recoverable fees payable	59	27
Performance fees payable	37	5,288
Dividends payable	2,966	1,063
Redemptions payable	180	89
Other payable	436	288
Total payables	4,399	7,077

12 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	Year ended 30 June 2023		Year ended 30 June 2022	
	Units Number	Dollars \$'000	Units Number	Dollars \$'000
Class A				
Opening balance	217,412,929	306,921	43,769,853	51,792
Applications	300,759,753	424,208	199,710,886	265,563
Redemptions	(62,056,340)	(87,822)	(26,069,520)	(35,105)
Reinvestment of distributions	-	-	1,710	2
Increase/(decrease) in net assets attributable to unitholders	-	17,787	-	24,669
Closing balance	456,116,342	661,094	217,412,929	306,921
Class B				
Opening balance	5,816,004	8,961	4,858,952	5,931
Applications	1,127,536	1,820	955,425	1,386
Redemptions	(2,606,727)	(4,100)	-	-
Reinvestment of distributions	-	-	1,627	2
Increase/(decrease) in net assets attributable to unitholders	-	283	-	1,642
Closing balance	4,336,813	6,964	5,816,004	8,961
Class C				
Opening balance	31,048,960	35,076	-	-
Applications	12,717,998	14,291	31,203,982	32,347
Redemptions	(981,084)	(1,116)	(155,022)	(169)
Reinvestment of distributions	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	-	1,747	-	2,898
Closing balance	42,785,874	49,998	31,048,960	35,076
Total				
Net assets attributable to unitholders				
Opening balance	254,277,893	350,958	48,628,805	57,723
Applications	314,605,287	440,319	231,870,293	299,296
Redemptions	(65,644,151)	(93,038)	(26,224,542)	(35,274)
Reinvestment of distributions	-	-	3,337	4
Increase/(decrease) in net assets attributable to unitholders	-	19,817	-	29,209
Closing balance - net assets attributable to unitholders	503,239,029	718,056	254,277,893	350,958

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

There are three separate classes of units. Each unit within the same class has the same rights as all other units within that class.

Units are redeemed on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

Capital risk management

The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

The Fund monitors the level of daily applications and redemptions relative to the liquid assets in the Fund. The Fund's strategy is to hold a certain portion of the net assets attributable to unitholders in liquid investments. Liquid assets include cash and cash equivalents. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units, if the exercise of such discretion is in the best interests of unitholders.

13 Related party transactions

The Responsible Entity of CC Sage Capital Absolute Return Fund is Channel Investment Management Limited.

Channel Investment Management Limited has appointed Sage Capital Pty Ltd as the Investment Manager of the Fund, Morgan Stanley & Co. International PLC to act as Custodian for the Fund, and Apex Fund Services Pty Ltd to act as Administrator for the Fund.

13 Related party transactions (continued)

The following fees are charged by the Responsible Entity:

(i) Management fee

The Fund's Constitution permits the Responsible Entity to charge a management fee of up to 1.29% per annum (including GST less RITC) of the net asset value of the Class A Units. From this, the Responsible Entity pays Sage Capital Pty Ltd a fee for acting as the Investment Manager.

The management fees with respect to the Class B units are individually negotiated with and charged direct to each investor and are not reflected in the net asset value of the Fund.

The management fees with respect to the Class C units is 0.50% per annum (including GST less RITC) of the net assets of the Class C units. From this the Responsible Entity pays Sage Capital Pty Ltd a fee for acting as the Investment Manager.

The management fee is calculated and accrued daily and is paid monthly in arrears.

(ii) Administration fee

Administration fee is charged by the Responsible Entity for administering the Fund. The maximum administration fee is 0.10% per annum (including GST less RITC) of the net asset value of the Fund and is calculated and accrued daily and paid monthly in arrears.

The administration fees for Channel Investment Management Limited are payable by the Fund.

This fee covers the costs and expenses of providing administration services to the Fund. These costs and expenses include registry, administration, custodial, compliance, tax compliance and audit, excluding extraordinary expenses.

(iii) Performance fee

The Responsible Entity is also paid a performance fee which is calculated as 20.5% (inclusive of GST less RITC) of the Fund's outperformance over the Fund benchmark (RBA Cash Rate), net of the management fee.

The performance fee is calculated and accrued each valuation date (only positive performance fees are accrued) and is payable at the end of each six-monthly period. If the performance fee calculated is negative (that is, there is underperformance), this negative amount is carried over into the next period and the performance fee payable for the next period is reduced by that negative amount. Any amount of underperformance must be overcome before there can be a liability to pay a further performance fee.

The performance fees with respect to the Class B units are individually negotiated with and charged direct to each investor and are not reflected in the net asset value of the Fund.

The transactions during the year and amounts payable at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	Year ended 30 June 2023 \$	Year ended 30 June 2022 \$
Management fees for the year paid by the Fund to the Responsible Entity	6,351,183	2,138,884
Administration and recoverable fees for the year paid by the Fund to Responsible Entity	527,563	185,106
Performance fees for the year paid by the Fund to the Responsible Entity	50,287	7,011,398
Aggregate amounts payable to the Responsible Entity at the end of the reporting period	816,762	5,637,450

(a) Key management personnel

(i) Responsible Entity

The key management personnel of Channel Investment Management Limited at any time during the financial year are as follows:

Name

Mr G Holding
Ms K Youhanna
Mr S Jordan
Mr J Yeo
Mr M Tibbett

(ii) Investment Manager

The key management personnel of Sage Capital Pty Ltd at any time during the financial year are as follows:

Name

Mr S Fenton
Mr G Holding

13 Related party transactions (continued)

(b) Related party unit holdings

Parties related to the Fund held units in the Fund as follows:

Unitholder	Number of units held opening	Number of units held closing	Fair value of investment (\$)	Interest held (%)	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund (\$)
As at 30 June 2023							
The Fenton Family Trust	540,429	545,670	790,239	0.12%	5,241	-	-
Holding Superannuation Fund	207,781	9,803	14,197	0.00%	-	(197,978)	-
As at 30 June 2022							
The Fenton Family Trust	1,500,000	540,429	763,086	0.25%	275	(959,846)	-
Holding Superannuation Fund	90,967	207,781	293,387	0.10%	116,814	-	-

(c) Key management personnel compensation

Key management personnel of Channel Investment Management Limited are paid by Channel Capital Pty Ltd, the parent entity of Channel Investment Management Limited, whilst the key management personnel of Sage Capital Pty Ltd are paid by Sage Capital Pty Ltd. Payments made from the Fund to Channel Investment Management Limited do not include any amounts directly attributable to key management personnel remuneration.

(d) Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

(e) Other transactions within the Fund

From time to time Directors of Channel Investment Management Limited or their Director related entities, may invest in or withdraw from the Fund. These investments or withdrawals are on the same terms and conditions as those entered into by other Fund investors and are trivial in nature.

Apart from those details disclosed in this note, no key management personnel of the Responsible Entity have entered into a material contract with the Fund during the year and there were no material contracts involving Directors' interests existing at year end.

14 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
(Increase)/decrease in net assets attributable to unitholders	19,817	29,209
Proceeds from sale of financial instruments at fair value through profit or loss	1,005,833	577,787
Payments for settlement of financial liabilities at fair value through profit or loss	(977,449)	(592,291)
Payments for purchase of financial instruments at fair value through profit or loss	(1,449,757)	(953,352)
Proceeds from re-purchase of financial liabilities at fair value through profit or loss	1,455,510	1,004,853
Net (gains)/losses on financial instruments at fair value through profit or loss	(24,392)	(42,354)
(Increase)/decrease in receivables	(5,089)	(1,167)
Increase/(decrease) in payables	(2,769)	6,460
Net cash inflow/(outflow) from operating activities	21,704	29,145
(b) Non-cash financing activities		
The following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan	-	4
Total non-cash financing activities	-	4

As described in Note 2(i), income not distributed is included in net assets attributable to unitholders. The change in this amount for the year, as reported above, represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

15 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2023 or on the results and cash flows of the Fund for the year ended on that date.

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2023 and 30 June 2022.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 to 24 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its performance for the year ended on that date.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.



Mr G Holding
Director
Channel Investment Management Limited

Brisbane
15 September 2023



Independent auditor's report

To the unitholders of CC Sage Capital Absolute Return Fund

Our opinion

In our opinion:

The accompanying financial report of CC Sage Capital Absolute Return Fund (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2023 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2023
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Registered Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.



Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Registered Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A stylized, handwritten signature in grey ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A stylized, handwritten signature in grey ink that appears to read 'Paul Collins'.

Paul Collins
Partner

Brisbane
15 September 2023