

### Fund Performance

Returns <sup>1</sup>	1 month	3 months	CYTD	FYTD	1 year	3 years p.a.	5 years p.a.	Since inception p.a. (20-Aug-2019)
Fund Net Return	-2.77%	-1.20%	-6.27%	-8.50%	-8.67%	-1.03%	3.11%	5.18%
Benchmark Return <sup>2</sup>	0.34%	1.03%	1.63%	3.52%	3.85%	4.17%	3.03%	2.31%
Active Return (After fees)	-3.11%	-2.23%	-7.90%	-12.02%	-12.52%	-5.20%	0.08%	2.87%

### About Sage Capital

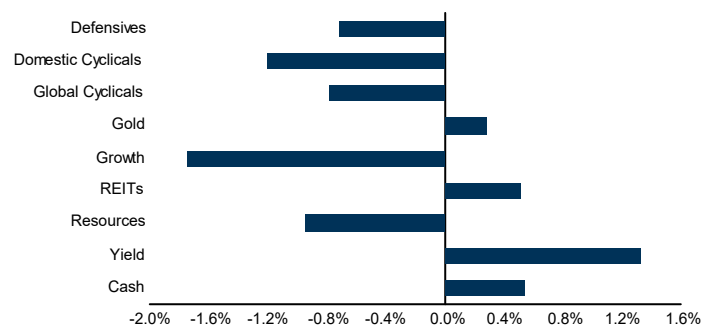
As an Australian equities long short manager, Sage Capital views the market through eight unique Sage Groups enabling the team to focus on individual stock drivers and hedge systematic market risks. This style and cycle neutral investment process is designed to deliver consistent returns regardless of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

The Sage Capital investment team owns 100% of the firm and invests alongside its clients.

### About the Fund

The CC Sage Capital Absolute Return Fund aims to provide an uncorrelated source of returns whilst eliminating equity market exposure, where long and short positions offset each other.

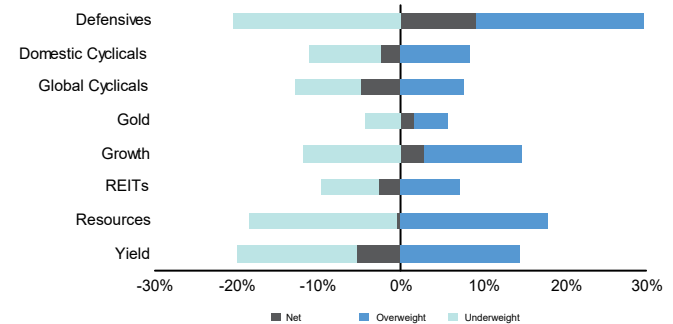
### Contributors to Fund Performance\*



### Fund Facts

<b>Investment Style</b>	An Australian equity market neutral long short strategy
<b>Net Asset Value</b>	\$185.8 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	107%
Short exposure	-109%
Gross exposure	216%
Net exposure	-2%
Number of long positions	56
Number of short positions	65

#### Since Inception

Sharpe Ratio <sup>6</sup>	0.7
Volatility <sup>6</sup>	6.7%
Maximum monthly drawdown	-11.7%

### Platform Availability

AMP MyNorth	ANZ Grow Wrap	Ausmaq
BT Panorama	Colonial First Wrap	HUB24
IOOF	Macquarie Wrap	Mason Stevens
MLC Wrap/Navigator	Netwealth	Powerwrap
Praemium	Xplore Wealth	

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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. The comparison to the RBA Cash Rate is displayed as a reference to the target return for the Fund and is not intended to compare an investment in the Fund to a cash holding. Securities held by the Fund may be exposed to a higher degree of risk than an investment in cash as the value of securities can rise and fall. <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 -2.77% in May versus the RBA Cash Rate of +0.34%, an active return of -3.11%, reversing the strong gains generated in April.

Portfolio underperformance was driven by a low success rate rather than any single large exposure. Across the month, there continued to be large short-term swings driven by thematic such as the impacts of AI, and macroeconomic uncertainty around the potential reopening of the Strait of Hormuz, but the most significant impact came from heavy trading volumes associated with a very large and well-publicised transition portfolio at the end of the month.

### **Growth group: the largest detractor to performance in May.**

While the software sector in the US was undergoing a major relief rally on the expectation that AI would be less disruptive, the Australian market went the other way, with weakness across several of Sage Capital's Growth holdings. Long positions in Telix Pharmaceuticals (ASX: TLX -13%), Xero (ASX: XRO -6%) and Zip Co (ASX: ZIP -5%) all reversed prior gains. The disconnect with the US software sector highlights that flow dynamics from transitions (driven by large buying/selling activity) were likely more a driver than views on earnings.

### **Resources group acted as a drag, with volatility driven by the closure of the Strait of Hormuz.**

The mining sector rallied strongly as a whole, underpinned by market optimism around the Strait of Hormuz reopening. Within Resources, Sage Capital's short positions in the large bulk commodity companies were the main portfolio detractors. These stocks maintain a broader iron ore exposure, which remained flat to down over the month, suggesting that once again liquidity flow dynamics were at play. This was partially offset by Sage Capital's base-metals long positions performed well as supply disruption and data-centre-driven power demand pushed prices higher, with long positions in Capstone Copper (ASX: CSC +30%), Sandfire Resources (ASX: SFR +20%), Alcoa (ASX: AAI +21%) and Rio Tinto (ASX: RIO +11%) all rising strongly.

### **Defensives group was weighed down by stock-specific de-ratings.**

The Defensives group performance was weighed down by sharp declines in several small long positions, following disappointing updates: ASX Ltd (ASX: ASX -24%) was hit by increased cost guidance, The a2 Milk Company (ASX: A2M, -24%) suffered from a US product recall, and Tabcorp (ASX: TAH -32%) faced an AUSTRAC investigation. Conversely, the data centre long positions, Goodman Group (ASX: GMG +7%) and NextDC (ASX: NXT +7%), provided an offset and held up well.

### **Modest drags from Global Cyclical and Domestic Cyclical.**

Within Global Cyclical, a long position in Brambles (ASX: BXB -27%) was the principal detractor, which increased capex on labour constraints for repairs. This was partly offset by strong gains in Orica (ASX: ORI +10%) and Dyno Nobel (ASX: DNL +15%) on mining demand. Within Domestic Cyclical, an underweight position to discretionary retail dragged, while a long position in Qantas (ASX: QAN +12%) was a partial offset.

### **Yield, Gold and REITs groups delivered a meaningful contribution to portfolio performance.**

A material underweight position in the banks added value as the sector pulled back following tax change announcements from the Federal Budget. A long position in Computershare (ASX: CPU +15%) which rose on higher US yields and receding fears of the threat from tokenisation added value. Within the Gold group, short positions in Northern Star (ASX: NST -10%) and Regis Resources (ASX: RRL -12%) added value as the sector softened, and within REITs a short position in Dexis (ASX: DXS -10%) contributed after an adverse court outcome forced them to divest further assets.

## Market Review

Australian equities were little changed at the index level in May, with the S&P/ASX 200 Accumulation Index broadly flat, but the calm masked sharp and at-times disorderly moves beneath the surface. The large-cap mining companies rallied hard, led by firmer base metal prices while energy prices and the associated equities drifted off amid hopes (and promises) of a deal to reopen the Strait of Hormuz.

A cluster of high-multiple growth and quality names sold off heavily by contrast, with most of the damage falling in the final fortnight. The scale and concentration of that selling, set against US software stocks rallying into month-end, pointed to flow and positioning rather than a fundamental or interest rate-driven repricing.

Domestically, the dynamics Sage Capital flagged last month came to a head. The Federal Budget confirmed a mildly restrictive policy stance as well as significant changes to tax policy for negative gearing and capital gains. Combined with a still hawkish RBA, the downward pressure on house prices and credit growth is expected to increase. The major banks weakened on expected profit downgrades, which benefited the underweight positions, while AI-infrastructure demand remained a structural tailwind.

## Portfolio Positioning and Market Outlook

Three forces continue to shape the portfolio: a restrictive domestic policy mix, a structural AI-investment cycle, and a persistent global energy-supply shock.

With signs that house prices are already softening and a more restrictive policy stance, Sage Capital remains cautious on the domestic economy. This stance reflects an increased underweight to banks where stretched valuations and earnings appear to be slowing under softer credit growth, as well as increased deposit competition and a normalisation in the benign credit cycle - suggesting downside risk. Sage Capital is cautious on consumer goods with big ticket items such as furniture, white goods and autos all likely to come under pressure from falling house prices and negative wealth effects.

Investment in data centres driven by AI is, if anything, accelerating. This is helping to lift the US economy as it's a key driver of manufacturing and industrial demand. The semiconductor sector is also booming with demand far outstripping supply. Sage Capital's exposure to AI infrastructure build is through companies such as Goodman Group and NextDC, which have been lagging behind their US peers, but have begun to narrow the gap, and also through increased power demand and energy-security exposure to copper and rare earths (companies such as Capstone, Sandfire and Lynas). A good hedge to this has historically been iron ore, and in the current environment, Chinese steel production has peaked and iron ore port inventories are at record highs.

The greatest uncertainty from a portfolio construction standpoint remains if, and when, the Strait of Hormuz will reopen. The market has been calmed by the apparent progress and willingness of both sides to negotiate. However, despite a resolution being promised on multiple occasions, there remain considerable sticking points around uranium enrichment and whether Iran will retain a tolling arrangement for transit through the Strait. While the situation has seemingly calmed, there is a ticking clock until global energy stockpiles hit critical levels and broader supply chain disruption sets in. Given the binary nature of the outcome, Sage Capital retains some hedges against downside. This includes a long position in Ampol (ASX: ALD), which has benefit from elevated refining margins from the closure, disruption to Russian refinery capacity, and a more favourable domestic government policy environment. In addition, the portfolio is overweight on defensive staples and utilities.

Markets have been distorted by a combination of macroeconomic shocks and strong liquidity flows. However, Sage Capital remains confident that its broad positioning and style neutrality position the portfolio well to navigate this volatility and deliver strong returns as fundamentals reassert themselves into prices.

## 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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