

CC Sage Capital Absolute Return Fund (APIR: CHN5843AU)

Class A

December 2025

Fund Performance

Returns ¹	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	-0.19%	-0.23%	-2.58%	-2.38%	-2.58%	2.69%	5.77%	6.60%
Benchmark Return ²	0.33%	0.91%	3.95%	1.86%	3.95%	4.10%	2.70%	2.20%
Active Return (After fees)	-0.52%	-1.14%	-6.53%	-4.24%	-6.53%	-1.41%	3.07%	4.40%

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.

Fund Facts

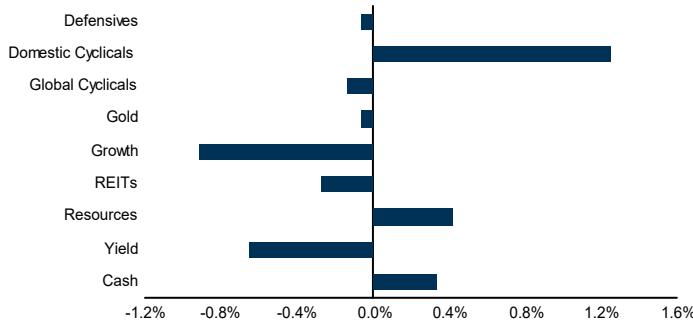
Investment Style	An Australian equity market neutral long short strategy
Net Asset Value	\$409.9 million ³
Inception Date	20 Aug 2019
Benchmark	RBA Cash Rate
Management Fee	1.29% p.a. ⁴
Administration Fee	0.10% p.a. ⁴
Performance Fee	20.5% p.a. ⁵
High Water Mark	Yes
Distributions	Semi-annually at 31 December and 30 June

Portfolio Metrics

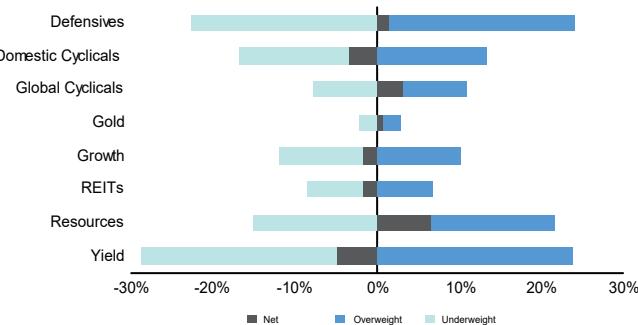
As at end of month

Long exposure	114%
Short exposure	-114%
Gross exposure	228%
Net exposure	1%
Number of long positions	53
Number of short positions	63
Since Inception	
Sharpe Ratio ⁶	1
Volatility ⁶	6.5%
Maximum monthly drawdown	-7.1%

Contributors to Fund Performance*



Allocation Weights*



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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¹ 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. ² 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. 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 Absolute Return Fund returned -0.19% in December versus the RBA Cash Rate return of 0.33%. During the quarter, the Fund returned -0.23% versus the RBA Cash Rate return of 0.91%.

Over the quarter, the Sage Groups that contributed the most to performance were Domestic and Global Cycicals while Resources and Defensives detracted.

The largest positive contributor during the quarter was a long position in Rio Tinto (ASX: RIO +20%) which rose as iron ore prices remained elevated above US\$100 a ton and copper prices shot up north of US\$5.5/lb. Iron ore had been resilient throughout the second half of the calendar year but Rio Tinto shares only started really outperforming during the September quarter when copper rallied up to US\$1. Sage Capital continues to like both Rio Tinto and BHP Group, and believes their copper exposure is undervalued by the market relative to lower quality, pure copper miners. The second largest positive contributor was a long position in Qube Holdings (ASX: QUB +16%), following a takeover bid from Macquarie Asset Management.

Other positive contributors for the quarter included short positions in consumer-exposed stocks such as Wesfarmers (ASX: WES -10%), and Eagers Automotive (ASX: APE -14%), which fell as interest rate cut expectations changed to potential hikes. A short position in Treasury Wine Estates (ASX: TWE -26%) also contributed positively, as the company - under a new CEO - finally acknowledged the multiple operational and strategic challenges that Sage Capital has been monitoring for quite some time. Additionally, a long position in Orica (ASX: ORI +9%) performed well following a positive AGM update in December.

The main detractors to performance during the quarter were short positions in Pilbara Minerals (ASX: PLS +23%), and Liontown (ASX: LTR +67%), as lithium prices continued to rally. Sage Capital was surprised by recent policy announcements from China that could further stimulate demand for lithium intensive applications, such as energy storage systems, despite the impact of the impending return of large lithium supplier CATL. Sage Capital has since reduced much of its short exposure to lithium, preferring to take a more balanced stance until greater clarity emerges.

Within Defensives, negative contributors during the quarter included a long position in ResMed (ASX: RMD -12%), which continued to be weighed down by concerns around the potential expansion of GLP-1 drug usage despite solid operational performance, and a long position in Goodman Group (ASX: GMG -5%), which declined in line with global data centre related equities. Goodman Group subsequently bounced late in December after announcing its inaugural European data centre fund, at which point Sage Capital took the opportunity to add to the position. Sage Capital favours Goodman Group primarily for its capital partnership model, which co-funds the capital-intensive data centre rollout and offers higher returns on equity compared with self-funded developments. Sage Capital expects further partnerships of this nature to be announced throughout 2026, which would likely support strong medium-term earnings growth.

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Market Review

2025 was marked by elevated geopolitical uncertainty, alongside significant market volatility stemming from US President Donald Trump's on-again, off-again tariff policies and the expansion of the US fiscal deficit under the One, Big, Beautiful Bill (OBBB) Act. Despite these headwinds, global equity markets delivered solid returns. The S&P 500 rose 18% over the year, supported by multiple interest rate cuts from the US Federal Reserve.

Australian equities also performed well in 2025, with the S&P/ASX 200 returning 6.80%. Returns were heavily skewed toward the resources sector, which rose approximately 30%. Strength was evident across base metals and energy-transition materials, including lithium (+69%), driven by robust demand from energy storage systems, and copper (+17%), amid ongoing mine supply disruptions. Iron ore prices remained resilient (+5%) despite ongoing weakness in China's property sector, supported by steady manufacturing and export demand. The notable exception was oil, which declined 10% over the year due to abundant global supply.

Over the quarter, the S&P/ASX 200 declined -1.52%. The market reached all-time highs in October before falling sharply following the release of hotter than expected September CPI data. This prompted a reassessment of interest rate expectations, with anticipated rate cuts removed and futures markets beginning to price in the possibility of rate hikes in 2026. Consumer stocks were hit particularly hard as investors revised 2026 outlooks with tighter monetary policy and capital rotated into resources.

Within Sage Groups, Gold and Resources were the strongest performers, both typically benefiting from a weaker US dollar. Growth was the clear laggard, with technology stocks underperforming the S&P/ASX 200 by approximately 20% over the quarter. This reflected increasing investor scrutiny of the scale and sustainability of capital expenditure by global mega-cap technology companies on AI infrastructure, alongside broader derating of established software and online platform businesses as markets reassessed competitive moats and pricing power in an increasingly AI-native world.

2025 Performance Year in Review

2025 was a particularly difficult year for active equity managers broadly. At its core, the Sage Capital investment process focuses on company earnings while controlling for valuation swings driven by macroeconomic risk. However, the market we have witnessed has been one where some stock valuations have continued to rerate upwards despite earnings remaining flat or declining.

This was most evident in parts of the Australian banking sector. Stocks such as Westpac and Commonwealth Bank currently trade around three standard deviations above their long-term average price-earnings multiples, despite earning more than they'd forecast to a decade ago in any of the next three years. Sage Capital believes this outcome has largely been driven by structural fund flows, particularly an extended period of industry super funds bringing investment teams in-house. This has involved redemptions from active investment managers and increased allocations to index strategies or internal overlays, resulting in broad-based buying of large index constituents. Similar valuation effects have been observed across other low-growth large-cap stocks, including Wesfarmers.

Traditionally, retail investors have favoured these stocks for their income characteristics. In Sage Capital's view, super funds have driven valuations to levels that encouraged retail selling and the realisation of capital gains. Conversely, several high-quality companies that are well owned by active managers, such as ResMed, experienced valuation compression despite delivering positive earnings. Sage Capital believes these flow-driven dynamics are beginning to moderate. As ownership levels normalise, Sage Capital expects equity market returns to increasingly reflect underlying earnings outcomes rather than capital flows.

Historically, Sage Capital's investment process can experience periods of underperformance, whether due to suboptimal stock selection or when sound stock selection is not rewarded by the market. Elements of both factors were present over the past year. This is not a new experience for the investment team, the investment process has been in its current form since 2006, with its quantitative foundations dating back to the late 1990s at AMP. Over this time, it has navigated multiple market cycles, including the dot-com bubble, the Global Financial Crisis, the European sovereign debt crisis, and more recently COVID, underscoring its robustness.

Sage Capital's investment team faced a particularly challenging drawdown in 2013 before rebounding strongly the following year to become the best performing fund in 2014. Periods in which earnings and valuations diverge, and where thematic trades reduce stock dispersion within subsectors, have historically proven difficult but temporary. Importantly, these periods have also created attractive alpha opportunities as markets normalise. Sage Capital's approach remains unchanged: diversified, style- and sector-controlled, and firmly focused on company fundamentals.

Portfolio Positioning and Market Outlook

Globally, further rate cuts in the US will likely temper the strength of the US dollar and keep a strong interest in alternatives such as gold. A weaker US dollar should also provide a supportive backdrop for commodities. Copper is the preferred commodity exposure, given the accelerating demand from the energy transition and limited growth in mine supply, reflected in the portfolio's long positions in Capstone Copper, and the large-diversified miners which is believed to offer the cheapest exposure in the sector.

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Sage Capital expects Australian household expenditure to remain reasonably buoyant, but maintain a cautious outlook on consumer discretionary stocks, whose valuations had become excessively optimistic and are still in the process of normalising, especially in an environment where interest rates in Australia are likely to remain on hold.

Domestic credit growth has been solid, boosted by investor housing lending and business credit. Despite this, the banking sector has struggled to achieve profit growth above inflation, as cost pressures and competitive intensity have remained high. With a shift in interest rate expectations and APRA tightening up lending standards, the expectation is that domestic credit growth will slow. The spate of super fund buying that pushed the sector to record valuations appears to have peaked and Sage Capital expect the sector to continue to derate given the weak fundamentals. The global insurance cycle has peaked as a lack of disasters has seen reinsurance premiums start to fall, although there is still some pricing power in the domestic market amongst home and motor, and Sage Capital retains a preference for the general insurers.

While 2026 is likely to bring its share of surprises, Sage Capital remains positive on equity markets overall. Historically, the most significant macro downside risks to markets have stemmed from interest rate shocks or major growth disappointments. A significant interest rate shock seems unlikely given strong political pressure for lower interest rates in the US and a contained oil price. Recent political changes in Venezuela may also contribute to additional oil supply over time, further supporting a more benign inflation outlook.

On the growth front, 44% of real US GDP growth in 2025 was driven by AI-related spending. While the growth rate of this spending is expected to slow in 2026, broader corporate adoption of AI tools provide potential for good profit growth, particularly for companies who are not direct beneficiaries of the AI infrastructure build-out but benefit from increased operational efficiencies from AI adoption. The Australian market has more relative exposure to AI adopters than AI enablers. Although adoption remains early in Australia, Sage Capital is actively looking to identify companies with the potential to translate AI implementation into sustainably higher returns on capital.

Sage Capital's disciplined approach to portfolio construction, style-neutral framework and focus on bottom-up earnings analysis, positions the portfolio well to take advantage of valuation dislocations that have been built up in recent years, while retaining the flexibility to implement new opportunities as they arise. Despite ongoing macro uncertainty driven by evolving US policy under the Trump administration and continued tensions with China, Sage Capital expects 2026 to mark a return to a more fundamentally driven market, with stock performance increasingly reflecting company earnings rather than flow-driven valuation effects - an environment in which Sage Capital's process should be better positioned to perform.

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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