CC GLOBAL ACCESS

JAMIESON COOTE BONDS

Quarterly Investment Report as at 30 September 2018
CC Global Access SPC - CC JCB Active International Bonds SP

Performance (US Dollars)

Returns	Month	Quarter	FYTD	1 Year	2 Years p.a.	3 Years p.a.	Since Inception (01-Mar-2018)
Fund Return (Before fees)^	-0.06%	0.34%	0.34%	-	-	-	1.78%
Benchmark Return*	-0.41%	-0.58%	-0.58%	-	-	-	0.71%
Active Return (Before fees)	**0.35%**	**0.93%**	**0.93%**	**-**	**-**	**-**	**1.07%**

^ Performance is for the CC Global Access SPC - CC JCB Active International Bonds SP, and is based on month end unit prices before tax in US Dollars. Gross performance is stated excluding all fees, costs and taxation. This is historical performance data. It should be noted the value of an investment can rise and fall and past performance is not indicative of future performance.
* Benchmark refers to the Barclays Global G7 Total Return Index Value Hedged (USD).

Performance (Australian Dollars)

Returns	Month	Quarter	FYTD	1 Year	2 Years p.a.	3 Years p.a.	Since Inception (01-Mar-2018)
Fund Return (Before fees)^^	-0.11%	2.47%	2.47%	-	-	-	9.61%
Benchmark Return**	-0.46%	1.52%	1.52%	-	-	-	8.46%
Active Return (Before fees)	**0.35%**	**0.95%**	**0.95%**	**-**	**-**	**-**	**1.15%**

^^ Performance is for the CC Global Access SPC - CC JCB Active International Bonds SP, and is based on month end unit prices before tax converted to Australian Dollars. Gross performance is stated excluding all fees, costs and taxation. This is historical performance data. It should be noted the value of an investment can rise and fall and past performance is not indicative of future performance.
** Benchmark refers to the Barclays Global G7 Total Return Index Value Hedged (USD), converted to Australian Dollars.

Performance Review

For the September quarter, the CC JCB Active International Bonds portfolio returned +0.34% (before fees) in USD terms, outperforming the Barclays Global G7 Total Return Index Value Hedged (USD) by +0.93%.

The portfolio also produced a -0.06% return (before fees) in USD terms during the month of September, outperforming its index by +0.35% (benchmark declined 0.41%). The portfolio outperformed by holding an overweight position in European debt against US debt, whilst also holding an underweight exposure to Japanese debt. The portfolio also benefited from intra month duration opportunities and a small underweight to Italian Government debt inside an overweight exposure to European debt.

Market Review

• The US Federal Reserve raises interest rates in September – a restrictive move which will likely jam the brakes on the US economy.
• The party has come to an abrupt halt for Australian property thanks to the Royal Commission and domestic credit availability.
• The tightening of bank lending on investment properties means property settlement failures could trigger dreaded forced selling; the seat belt sign is on.
• The Australian dollar enjoys counter trend bounce, still bearish for now.

THE US FEDERAL RESERVE HIT THE BRAKES FOR FIRST TIME IN 13 YEARS, POLICY IS NOW ECONOMICALLY 'RESTRICTIVE'

The US Federal Reserve (the Fed) lifted interest rates to 2.25% as was widely expected in September and commented that monetary policy is no longer 'accommodative'. Previous rate hikes have merely lifted their foot from the accelerator, but moving from 'accommodative' to 'restrictive' is a significant moment in the development of the economic cycle, as the Fed is now actively trying to jam on the brakes. With interest rates rising and funding liquidity difficulties mounting, pressure is building on debtors. Historically this leads to recession as corporate/personal debt bubbles burst and financial defaults ensue. There is nothing in this set up that makes JCB believe this time will be any different. Looking at US interest rate moves over the past 75 years, a rise in interest rates has had a significant effect on risk assets. Since the Brexit lows, US Treasury bond yields have risen ~120% versus a cycle average of ~44%. Corresponding moves in US S&P equity indices after such moves have been negative (unsurprisingly as financial conditions tighten) with a mean drawdown of -20.2%.

US interest rates are rising and the Fed is intent on jamming on the brakes. JCB believe the asset allocation implications are likely to be vast.

THE PARTY HAS COME TO AN ABRUPT HALT FOR AUSTRALIAN PROPERTY THANKS TO THE ROYAL COMMISSION AND DOMESTIC CREDIT AVAILABILITY

When you 'grow' with debt, times feel good. Loans are made, capital is deployed, asset prices rise, interest is paid and everyone is happy. Until someone later in the cycle is denied a loan, at which point that 'growth' can flip to unsustainable debt loads very quickly. The Hayne Banking Royal Commission will likely be viewed in history as the tipping point for Australian financial asset and property performance. After a long period of easy credit availability globally, coupled with weak domestic loan due diligence and generous loan to valuation ratios, it seems the party has come to an abrupt halt for Australian property, with significant implications for Australian banks who are highly leveraged into property lending as their main source of income and profit growth. Other factors are also at play with APRA tightening its policies and global funding costs rising.

PROPERTY SETTLEMENT FAILURES COULD TRIGGER DREADED FORCED SELLING; THE SEAT BELT SIGN IS ON

Ordinarily, to have a collapsing marketplace you would need 'forced selling', people who must transact regardless of economics. In a recession or high unemployment period these unfortunate folks are easy to identify, but in a silent correction – such as we are currently experiencing in Australian property – identifying the forced seller is much harder.

The tightening of bank lending on investment properties is having a significant ripple effect through the Australian apartment markets. 'Off the plan' buyers are failing to settle in droves on completion of their purchased apartments due to the lack of banking finance. Some estimates of completed apartment projects unable to settle in Brisbane, Sydney and Melbourne are running as high as 40-50%. Failing to settle a legally binding contract is no small problem, placing leveraged developers under financial strain who in turn are potentially forced to flip their newly finished stock into a falling market to satisfy their own loan agreements. The obvious chain of events from here could create a wave of forced sellers into a market that is only just beginning to correct after a period of vast outperformance. The developers have a contractual right to sue the buyer for the difference between the assets realisation (plus legal costs) and contract price. Should the purchaser not hold sufficient liquidity to fund such a cash settlement, they would be forced to sell assets. It shouldn't take much of a correction for banks to revalue an investment property portfolio to the downside and materially tighten loan conditions or required additional capital calls. Buckle up, JCB believes there could be turbulence on the radar ahead.

AUD ENJOYS COUNTER TREND BOUNCE, STILL BEARISH FOR NOW

The Australian dollar (AUD) enjoyed a brief counter trend bounce in September trading above 73 cents (versus the USD), before pulling back again into a negative trend. Ultimately, a mild fall in the AUD will help stabilise the economic fallout from the change of government combined with pockets of housing stress. JCB maintains that 2018 is the 'year of the USD' as the US enjoys the last throes of highly 'pro-growth at any cost' policies. As economic growth declines into 2019 and with Trump's fiscal expansion moderating, the AUD currency will likely break its clean downtrend.

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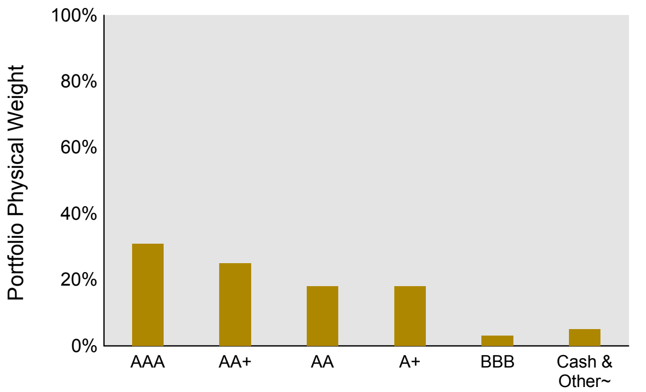
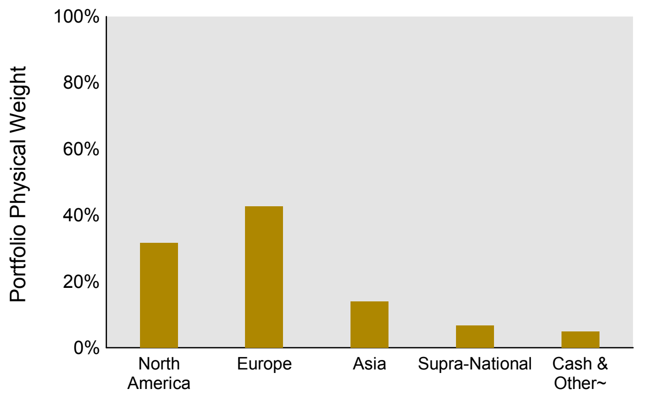
Portfolio Positioning

Credit Rating Allocation (by Physical Weight)



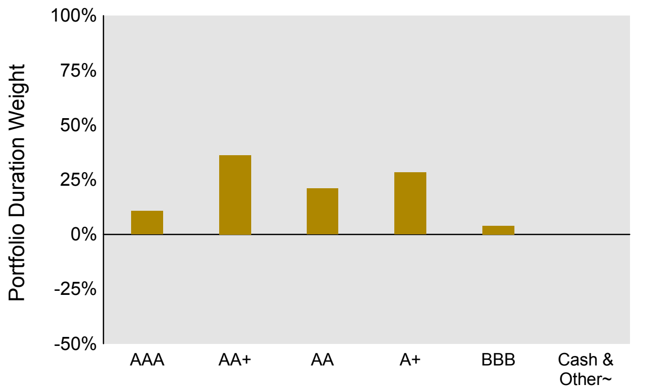
Rating Name	Physical Wgt
AAA	30.8%
AA+	25.1%
AA	18.0%
A+	18.1%
BBB	3.1%
Cash & Other~	4.9%
Total	**100.0%**

Region Allocation (by Physical Weight)



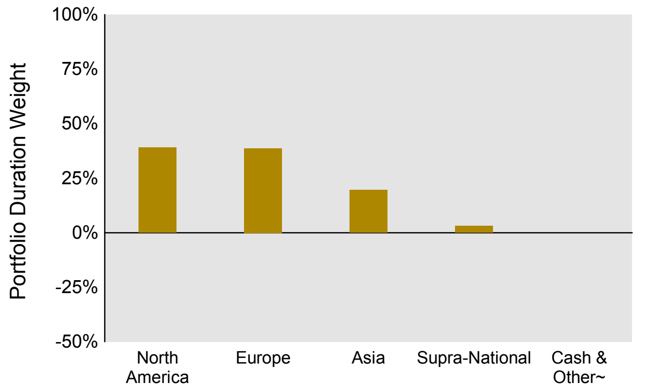
Region Name	Physical Wgt
North America	31.7%
Europe	42.7%
Asia	14.0%
Supra-National	6.6%
Cash & Other~	4.9%
Total	**100.0%**

Credit Rating Allocation (by Duration Weight)



Rating Name	Duration Cont (yrs)#	Duration Wgt
AAA	0.71	10.7%
AA+	2.41	36.2%
AA	1.40	21.0%
A+	1.88	28.2%
BBB	0.26	3.9%
Cash & Other~	0.00	0.0%
Total	**6.66**	**100.0%**

Region Allocation (by Duration Weight)



Rating Name	Duration Cont (yrs)#	Duration Wgt
North America	2.59	38.9%
Europe	2.57	38.6%
Asia	1.30	19.5%
Supra-National	0.20	3.0%
Cash & Other~	0.00	0.0%
Total	**6.66**	**100.0%**

~ Includes cash at bank, outstanding settlements and futures margin accounts.
# Refers to the portion of the overall duration attributable to the segment (i.e. credit rating or region). Contribution to duration is calculated by multiplying an instruments duration by the percentage weight of the instrument in the portfolio. This calculation includes the contribution to duration by holding futures contracts.

Fund Overview

Characteristics***	Fund	Benchmark+
Modified Duration (yrs)	6.66	7.83
Yield to Maturity (%)	2.27	1.45
Weighted Ave. Credit Rating	AA+	AA-
Cash Weighting (%)	4.93	n/a

+ Benchmark refers to the Barclays Global G7 Total Return Index Value Hedged (USD).
*** Refer to Definition of Terms.
Source: JamiesonCooteBonds Pty Ltd.

Risk Management

There have been no breaches of the derivative risk management statement during the period.

Investment Team and Process

There were no changes to the investment team or process during the period.

Contact Details

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Definition of Terms:

Modified Duration - is a systematic risk or volatility measure for bonds. It measures the bond portfolio's sensitivity to changes in interest rates.
Yield to Maturity - is the total return anticipated on the portfolio if the bond holdings were held until their maturity.
Weighted Average Credit Rating - is a measure of credit risk. It refers to the weighted average of all the bond credit ratings in a bond portfolio.
Duration Weight - refers to the portion of the overall duration attributable to the segment (i.e. credit rating or sector). Contribution to duration is calculated by multiplying an instruments duration by the percentage weight of the instrument in the portfolio. This calculation includes the contribution to duration by holding futures contracts.