



## Fund Update as at 30 April 2019

### CC JCB Global Bond Fund - Unhedged Class (APIR: CHN1425AU)

#### Fund Benefits

##### Active Management

JCB is a specialist fixed income manager with significant global investment management experience and expertise.

##### Access

The Fund provides access to investment knowledge, markets, opportunities and risk management systems that individual investors may not be able to obtain on their own.

##### Diversification

When bonds are held as part of a broader portfolio of different asset classes, diversification may assist in managing market volatility. Bond securities in general are considered a defensive asset class.

##### Income

The income generated by bond securities is consistent and regular (usually semi-annual).

#### Fund Facts

Investment Manager	Channel Investment Management Ltd
Underlying Fund Investment Manager	JamiesonCooteBonds Pty Ltd or JCB (Portfolio Manager: Charles Jamieson)
Structure / Underlying Fund	The Fund invests into the CC JCB Active International Bond SP
Inception Date <sup>^</sup>	25 February 2019
Benchmark	Bloomberg Barclays Global G7 TRI Value Hedged USD (converted to AUD)
Management Fee <sup>#</sup>	0.15% p.a.
Administration Fee <sup>#</sup>	0.10% p.a.
Indirect Costs <sup>#</sup>	0.34% p.a.
Buy / Sell Spread	0.05% / 0.05%
Distributions	Semi-annual
Fund Size <sup>*</sup>	AUD \$3.3 million

#### Fund Performance

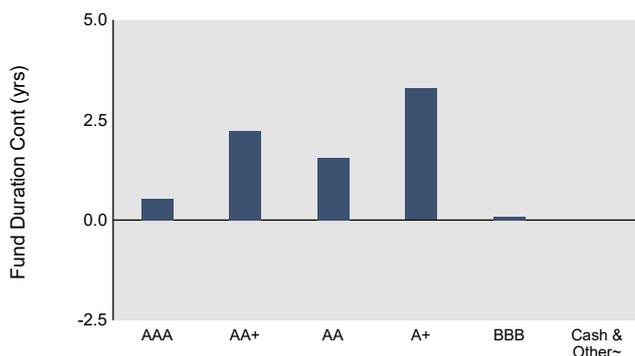
Returns (After fees)	Fund <sup>*</sup>	Benchmark <sup>**</sup>	Excess
1 Month	0.63%	0.69%	-0.05%
3 Months	-	-	-
FYTD	-	-	-
1 Year	-	-	-
2 Years p.a.	-	-	-
Inception	3.23%	3.18%	0.05%

#### Fund Overview

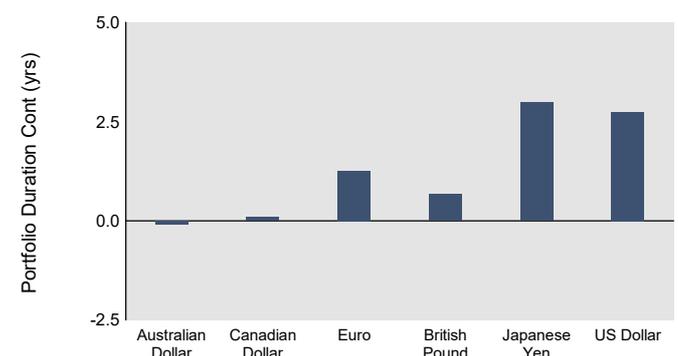
Characteristics <sup>***</sup>	Underlying Fund	Benchmark <sup>**</sup>
Modified Duration (yrs)	7.65	8.18
Yield to Maturity (%)	1.85	1.14
Weighted Ave. Credit Rating	AA+	AA+

Source: JamiesonCooteBonds Pty Ltd.

#### Asset Allocation by Credit Rating (Duration Contribution)<sup>\*\*\*</sup>



#### Asset Allocation by Currency (Duration Contribution)<sup>\*\*\*</sup>



#### Platform Availability

#### Further Information

Phone: 1800 940 599  
 Email: [distribution@channelcapital.com.au](mailto:distribution@channelcapital.com.au)  
 Web: [www.channelcapital.com.au](http://www.channelcapital.com.au)

# All figures disclosed include the net effect of GST and RITC. <sup>^</sup> Inception Date for performance calculation purposes. + Fund size refers to the CC JCB Global Bond Fund ARSN 631 235 553. \* Performance is for the CC JCB Global Bond Fund - Unhedged Class (APIR: CHN1425AU), also referred to as Class B units, and is based on month end unit prices before tax in Australian Dollars. Net performance is calculated after management fees and operating costs, excluding 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 Bloomberg Barclays Global G7 TRI Value Hedged USD (converted to AUD). \*\*\* Data refers to the Underlying Fund, CC JCB Active International Bond Segregated Portfolio (in USD). See Definition of Terms. ~ Cash & Other includes cash at bank, outstanding settlements and futures margin accounts.



---

## Fund Update as at 30 April 2019

### CC JCB Global Bond Fund - Unhedged Class (APIR: CHN1425AU)

---

#### Market Review & Outlook

---

- Weak global inflation data pushes most Central Banks towards rate cuts
  - RBA expected to cut by August
  - China/US “green shoots” are not green enough
  - “Sell in May and go away” – volatility likely to lift into Northern Summer
- 
- Weak global inflation data pushes most Central Banks towards rate cuts

Inflation remains weak the world over, driving Central Bankers towards rate cut expectations in many developed markets. Central Bankers are being forced to acknowledge that a decade of Quantitative Easing and low interest rates have not delivered on their promised inflation path, citing technology as being the major secular force restraining realised global inflation. The recent 2018 dip in oil markets has caused more anxiety as Q1 data rolls in, with many economies recording material sub-target inflation readings. Some of this can be dismissed as transient – a term recently used by US Federal Reserve Chair Powell – however, the size of undershoot looks likely to direct interest rate policy toward rates cuts and policy stimulus, which has been interpreted as good news for most asset classes.

- RBA expected to cut by August

Domestically, Q1 inflation readings have pushed the RBA into a corner where they must now respond. JCB has been consistent in its expectation that the RBA will cut rates, and the expectation remains that this will commence by August of this year. Such a move will likely deliver a 50 basis points or 0.50% reduction in the cash rate to 1.00% by year-end, which will achieve three key stimulus measures. Rate cuts would help those with existing debt obligations, lowering their existing funding burdens. Such funding relief would also likely lift consumer confidence, whilst also pushing the currency lower, thereby making the Australian economy more competitive and allowing for higher growth in currency sensitive areas of the economy such as tourism, education and agriculture.

Whilst all the above measures will help the Australian housing market at the margin, JCB do not expect that such moves alone will re-energise property prices. Clearly this can help address some of the catalyst of the falls, however the price of money is not the major issue domestically, but rather the availability of credit which rate cuts do not address.

- China/US “green shoots” are not green enough

Incoming data for the Chinese economy in March popped higher (delivered to markets in early in April) after vast stimulus by Chinese authorities spurred the economy forward. This generated a “green shoots” narrative for global markets which was also supported by better than expected US economic data. Given the shocking state of global trade and weak manufacturing data, such leadership was uniformly welcomed at first pass. JCB would caution against such optimism.

The Chinese politburo has already confirmed it does not plan on continuing such stimulus programs, meaning the temporary bounce will likely decay and cool again around mid-year. This big lift in China data was also helped by significant Chinese Lunar New Year seasonality, which usually suggests a giveback in the coming months.

Looking at US data, again whilst headline numbers seemed solid, the devil is very much in the detail. Consumption and expenditure which makes up ~70% of US economy fell to some of the weakest levels since 2014. Data remains patchy at best, with many leading data points like housing and auto sales continuing to show weakness, whilst lagging indicators are holding on.



## Fund Update as at 30 April 2019

### CC JCB Global Bond Fund - Unhedged Class (APIR: CHN1425AU)

- “Sell in May and go away” – Volatility likely to lift into Northern Summer

Looking ahead, JCB believe there are a number of issues for markets to deal with through the dreaded Northern Hemisphere summer months. Volatility has returned to ultra-low levels ahead of several possible trigger points. Investors made similar mistakes in early 2018 and paid dearly for such dismissal of risks. Could it be European elections, European auto tariffs, the geopolitics of Iran or Gaza, or failed expectations of a positive US/China trade deal that could ignite the market from their seeming complacency? JCB feels the market is tinder dry, compensation for risk has been diminished by strong performance. Should a global spark arrive into mid-year markets things could heat up quite a bit.

### Fund Review

For the month ending April, the CC JCB Global Bond Fund – Unhedged Class returned 0.63% (after fees), underperforming the Barclays Global G7 Total Return Index Value Hedged USD (converted to AUD) by 0.05%.

The Fund marked slightly lower for the month following the strong performance of global fixed income markets in March. The portfolio started the month with some core positions, a 2/30s steepening position in the expectation that the chances of a Fed rate cut into 2020 are increasing and a long France versus Germany bond position. Those positions were slightly reduced through the month, although JCB will continue to hold them as core positions for the foreseeable future. Into month end, JCB extended out the Treasury curve from the 2-year sector to the 5-year sector and added some short-dated USD German Supra's in the front end for extra yield.

Into the seasonally bullish fixed income month of May, JCB will be looking to add to duration in a tactical manner with any pullbacks. The 2.50-2.60% area in US 10yr yields should be an ideal entry level to increase the duration of the portfolio.

#### 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 Contribution** - 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.

The information contained in this report is provided by the Investment Manager, JamiesonCooteBonds Pty Ltd ACN 165 890 282 AFSL 459018 ('JCB'). Channel Investment Management Limited ('Channel') ACN 163 234 240 AFSL 439007 is the Responsible Entity and issuer of units in the CC JCB Global Bond Fund ARSN 631 235 553 ('the Fund'). Neither Channel or JCB, their officers, or employees make any representations or warranties, express or implied as to the accuracy, reliability or completeness of the information contained in this report and nothing contained in this report is or shall be relied upon as a promise or representation, whether as to the past or the future. Past performance is not a reliable indication of future performance. This information is given in summary form and does not purport to be complete. Information in this report, should not be considered advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling units in the Fund and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice. Readers are cautioned not to place undue reliance on forward looking statements. Neither Channel nor JCB have any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date of this report. For further information and before investing, please read the Product Disclosure Statement available on request.