JAMIESON COOTE BONDS

Fund Update as at 31 January 2020
CC JCB Active Bond Fund (APIR: CHN0005AU)

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

Fund Facts

Investment Manager	JamiesonCooteBonds Pty Ltd or JCB
Portfolio Manager	Charles Jamieson
Structure	AAA or AA rated bond securities issued in Australian dollars
Inception Date^	3 August 2016
Benchmark	Bloomberg AusBond Treasury (0+Yr) Index
Management Fee#	0.45% p.a.
Administration Fee#	0.10% p.a.
Buy / Sell Spread	0.05% / 0.05%
Distributions	Semi-annual
Fund Size+	AUD $959 million

Fund Performance

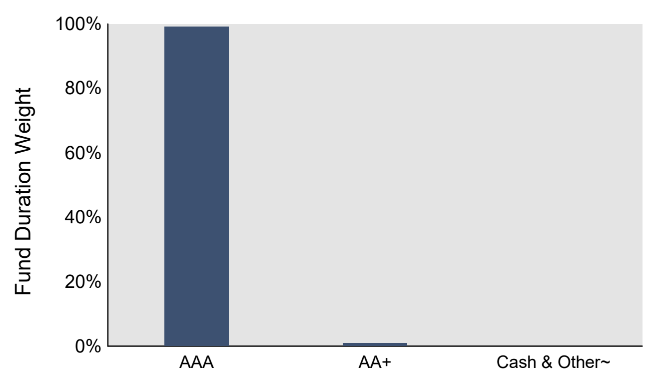
Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	2.90%	2.78%	0.11%
3 Months	1.64%	1.53%	0.11%
FYTD	3.20%	3.12%	0.08%
1 Year	10.33%	10.07%	0.26%
3 Years p.a.	6.11%	6.22%	-0.12%
Inception p.a.	4.59%	4.38%	0.21%

Fund Overview

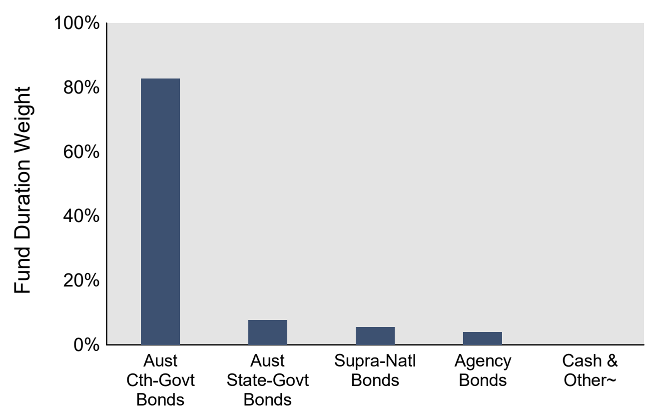
Characteristics***	Fund	Benchmark**
Modified Duration (yrs)	5.90	6.65
Yield to Maturity (%)	1.01	0.88
Weighted Ave. Credit Rating	AAA	AAA
Cash Weighting (%)	0.34	n/a

Source: JamiesonCooteBonds Pty Ltd.

Asset Allocation by Credit Rating (Duration Weight)***



Asset Allocation by Sector (Duration Weight)***



Platform Availabilty

AMP MyNorth	Asgard	Ausmaq
Aust Money Market	BT Panorama	BT Wrap
Colonial First Wrap	HUB24	Linear
Macquarie Wrap	Mason Stevens	MLC Navigator
MLC Wrap	Netwealth	PowerWrap
Praemium	U-Exchange	

Further Information

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All figures disclosed include the net effect of GST and RITC. ^ Inception Date for performance calculation purposes. + Fund size refers to the CC JCB Active Bond Fund ARSN 610 435 302. * Performance is for the CC JCB Active Bond Fund (APIR: CHN0005AU), also referred to as Class A 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 AusBond Treasury 0+ Yr Index. *** Refer to Definition of Terms. ~ Cash & Other includes cash at bank, outstanding settlements and futures margin accounts.

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Market Review & Outlook

Strong performance for bonds in a month of fire, drone missiles and coronavirus that see investors running towards safety.

2020 was supposed to be a year of gentle optimism around the global economy, slowly healing after 2019's trade wars and Brexit uncertainty. Instead markets have been rocked by bushfires, the assassination of Iranian General Soleimani and the coronavirus in China. All of these events have far reaching consequences.

Firstly the bushfires will accelerate long overdue environmental change in Australia, but this will come at an economic cost, as the Government must choose emissions reduction over mining jobs and tax revenues.

Secondly, the bold assassination of Soleimani flares geopolitical tensions with Iran, a credible nuclear military power. Unlike Iraq or Afghanistan, Iran has significant military hardware capabilities which could successfully attack Israel. This also threatens the nuclear deal delivered by President Obama.

Most importantly, coronavirus has already dented the global economy. JCB believes this is very likely to continue to be problematic for quite some time yet. Coronavirus is both a demand and supply shock. That is very rare in economies.

Economic impact of the coronavirus

The economic impact is hard to quantify at this point, other than to expect global growth to materially falter as the workshops of the world are closed and supply chains are badly disrupted, having knock on effects all through the manufacturing industry in Asia. There may be some corporate stress as cashflows dry up, particularly at a time when the global economy had already experienced a difficult year in 2019. Global inventory levels had recently lifted, reaching business cycle averages after a solid drawdown into the August 2019 period, suggesting this mini green shoots period for Asian manufacturing could already have been slowing naturally going into coronavirus. Recent regional Purchasing Managers' Index (PMI's) suggest some slight drawdowns to validate this.

The scale of disruption in China is already significant. Hyundai, fifth in global car sales, has been forced to close all its factories for lack of key components. Volkswagen, Toyota, General Motors, and Tesla have all downed tools at their Chinese plants, as has Apple's iPhone supplier Foxconn.

The Australian economy was weak into the back end of 2019. Bushfires and coronavirus add further complexity to a challenged outlook but there are elements that have improved. The Government consideration of loosening the fiscal strings can provide badly needed fiscal support to the economy in a counter cyclical manner. Also the cheapening of the $AUD also offers some element of support. This current state of events is making GDP forecasts very challenging.

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Fund Review

For the month ending January, the CC JCB Active Bond Fund - Class A units (the Fund) returned 2.90% (after fees), outperforming the Bloomberg AusBond Treasury (0+Yr) Index by 0.11%.

JCB added material risk to the start of the year – taking advantage of the overdone cheapening into year-end as the reflation crowd and bond naysayers got ahead of themselves again pushing bonds into very attractive buying levels. The market was also caught wrongfooted by the Iranian/US missile stoush and the coronavirus which gave the bond market a solid under footing. The Fund replenished its intermediate Supra holdings which had been reduced into year end and lightened its exposure on a mid-curve NSWTC position which continued to outperform. The Fund also expressed a curve flattening position in 3/10s that returned decent alpha following a stronger than expected employment number.

January again highlighted the need for holding duration in a world of geo-political turmoil and dovish central banks – going forward JCB will be on alert for a global growth slowdown as China accounts for 17% of the world economy, compared to 4.5% during the SARS epidemic and is the heartbeat of international supply chains. This should provide comfort that any corrective move lower in bonds is likely to be fleeting.

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.