JCB

JAMIESON COOTE BONDS

Fund Update as at 31 May 2020
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 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	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 (in USD)
Inception Date^	25 February 2019
Benchmark	Bloomberg Barclays Global G7 TRI Value Hedged USD (converted to AUD)
Management Fee#	0.15% p.a.
Administration Fee#	0.10% p.a.
Indirect Costs#	0.34% p.a.
Buy / Sell Spread	0.05% / 0.05%
Distributions	Semi-annual
Fund Size+	AUD $91.7 million

Fund Performance

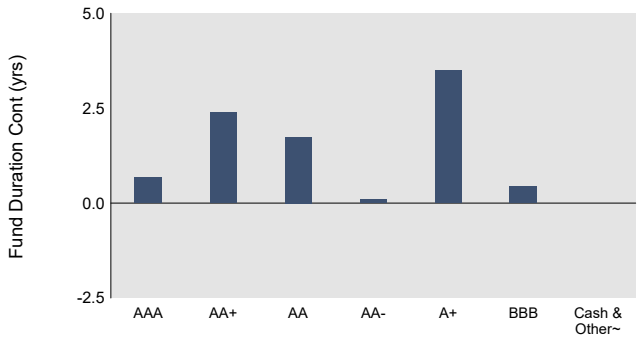
Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	-1.55%	-1.58%	0.04%
3 Months	-1.88%	-2.00%	0.11%
FYTD	11.89%	12.21%	-0.33%
1 Year	11.87%	12.12%	-0.25%
2 Years p.a.	-	-	-
Inception p.a.	15.14%	15.13%	0.01%

Fund Overview

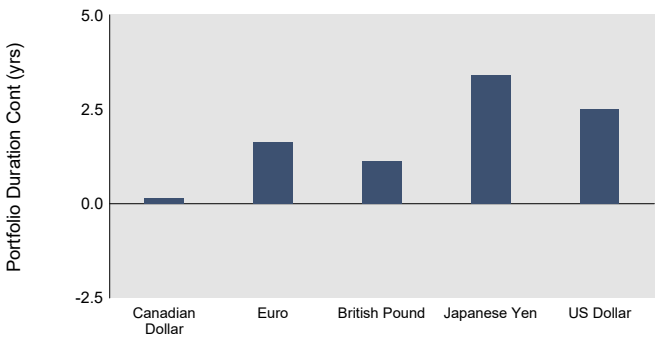
Characteristics	Fund	Benchmark
Modified Duration (yrs)***	8.81	8.85
YTM + Hedging Effect^^	0.67	0.65
Weighted Ave. Credit Rating***	AA	AA

^^ Data refers to CC JCB Global Bond Fund - Unhedged Class (APIR: CHN1425AU) and Bloomberg Barclays Global G7 TRI Value Hedged USD (converted to AUD).
Source: JamiesonCooteBonds Pty Ltd.
See Definition of Terms.

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



Asset Allocation by Currency (Duration Contribution)***



Platform Availabilty

Asgard	Ausmaq	Aust Money Market
BT Panorama	BT Wrap	HUB24 Super & IDPS
Macquarie Wrap	Mason Stevens	Netwealth
Powerwrap	Praemium	uXchange
Xplore Wealth		

Further Information

Phone: 1800 940 599
Email: distribution@channelcapital.com.au
Web: www.channelcapital.com.au

All figures disclosed include the net effect of GST and RITC. ^ 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 Underlying Fund, CC JCB Active International Bond Segregated Portfolio (in USD); and where applicable, Underlying Benchmark, Bloomberg Barclays Global G7 TRI Value Hedged USD. ~ Cash & Other includes cash at bank, outstanding settlements and futures margin accounts.

JCB

JAMIESON COOTE BONDS

Fund Update as at 31 May 2020
CC JCB Global Bond Fund - Unhedged Class (APIR: CHN1425AU)

Market Review & Outlook

History tells bond markets not to buy into this financial optimism

May is a salient reminder that financial markets are made up of fundamentals, technicals and increasingly, liquidity. The amazing performance of risk assets during May is wildly out of line with the fundamentals, as economic growth will remain very poor with high levels of both domestic and global unemployment. Markets had been positioned on the cautious side coming out of the brutal volatility of March, acknowledging this material fundamental decay, but the huge liquidity injections from Central Bankers and Governments has triggered a momentum based rally in risk assets with little pullback leaving the fundamental economy a long way from current market pricing.

Risk markets have conquered all in their stride, dismissing tensions in the US-China relationship and further economic weakness in data and unemployment numbers. Bond markets are not buying into this financial optimism, having long memories of prior bear market rallies. After the initial sell-off in equity markets in early 2008, the market rallied most of the way back over a three month period before falling away again later that year.

Tough times ahead for the economy

The GFC period is worth considering, because the 2008 economy of the US was 96% of the 2007 economy, but that 4% swing triggered the deepest recession since the 1930's depression. 2020 will very likely be far worse for many economies than -4% of 2019, but the credit cycle takes significant time to complete.

The widely followed GDP now tracker from the Federal Reserve Bank of Atlanta suggests Q2 GDP is -53.8%! Clearly as the economy re-opens the growth rates from such low numbers will be powerfully positive, but we are unlikely to get anywhere near 2019 growth levels for quite some time yet. The generous Government programs designed to bridge the cashflow gaps (domestically Job Keeper and Job Seeker) will delay the economic pain of much higher unemployment, combined with moratorium on mortgage payments etc. The Government has already committed to wind down these programs, suggesting later in the year the reality of the fundamentals may be more evident. Amazingly in this crisis, officials have moved the bar on many financial and social issues faster than anyone could imagine the bar could ever hope to be raised or lowered. The Universal Basic Income and Modern Monetary Theory crowds have pushed for these types of social programs previously, with little acknowledgement from capitalist systems. Both of these are essentially now in full operation, once this ground is won or lost (depending on your politics), can it be easily retaken? History suggests that these programs are hard to put back in the box, just look at QE from the GFC which has been with us every day since, despite 10 years of economic recovery.

JCB

JAMIESON COOTE BONDS

Fund Update as at 31 May 2020
CC JCB Global Bond Fund - Unhedged Class (APIR: CHN1425AU)

When faced with COVID-19 economic closures and economic destruction on such a grand scale, many unelected Central Bank officials have committed trillions of dollars for the benefit of markets with little social discussion about how that might occur and who should ultimately benefit. For now, it seems Wall Street has been the major beneficiary, whilst Main Street has been left behind again. The US Federal Reserve and global Governments' response has reflated asset markets for the benefit of the few, but for the people, it is essentially a ''let them eat QE'' moment at a time when one in four Americans are reported to be skipping meals or relying on food donations during the COVID-19 closures. The potential flashpoints are so obvious. These are dangerous developments which can have far reaching economic and political consequences, driving the social divide further apart and fuelling extreme politics. The race riots and violence we are seeing around the world were triggered by race crimes, but a number of these issues are flaring here, in part fuelled by 42 million Americans who have become unemployed and let down by the system as a result of COVID-19. With the US election approaching in November, expect both sides of politics to manipulate this to their political advantage.

Fund Review

For the month ending May, the CC JCB Global Bond Fund – Unhedged Class returned -1.55% (after fees), outperforming the Barclays Global G7 Total Return Index Value Hedged USD (converted to AUD).

Bond markets traded in a tight range in May, hence the size of active risks in the Underlying Fund was increased accordingly. In the U.S., yield curve steepened due to anchoring of central bank expectation in the front end and persistent supply of bonds in the long end. Meanwhile, Europe pulled a surprise solidarity with the prospect of a Recovery Fund, hence European spreads tightened. The Underlying Fund's positions were balanced between a tight range and some possibility of breakouts of yield range. The Underlying Fund also held a temporary profitable position in Australia.

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 + Hedging Effect - is the total return anticipated on the portfolio if the bond holdings were held until their maturity, including the cost or benefit associated with the currency hedge.
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.