JAMIESON COOTE BONDS

Fund Update as at 31 August 2020
CC JCB Global Bond Fund - Hedged Class (APIR: CHN4711AU)

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 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 $81.2 million

Fund Performance

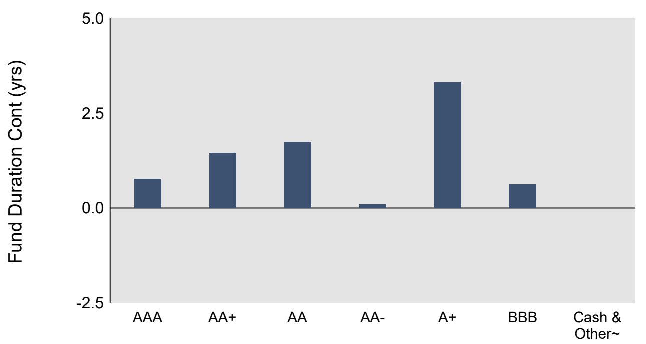
Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	-1.12%	-0.99%	-0.13%
3 Months	-0.15%	-0.11%	-0.04%
FYTD	-0.29%	-0.21%	-0.08%
1 Year	2.30%	1.99%	0.31%
2 Years p.a.	-	-	-
Inception p.a.	6.45%	6.12%	0.33%

Fund Overview

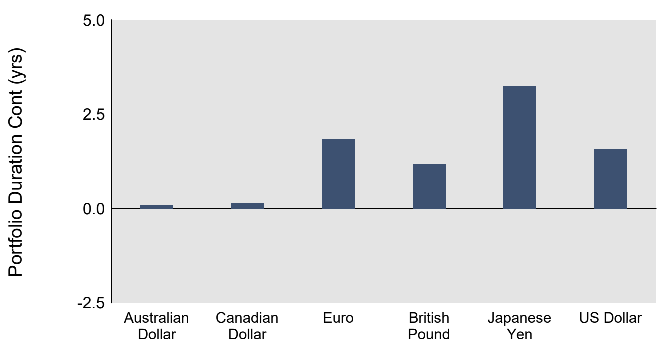
Characteristics	Fund	Benchmark
Modified Duration (yrs)***	8.03	8.32
YTM + Hedging Effect^^	0.56	0.51
Weighted Ave. Credit Rating***	AA	AA

^^ Data refers to CC JCB Global Bond Fund - Hedged Class (APIR: CHN4711AU) and Bloomberg Barclays Global G7 TRI Value Hedged 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
Mason Stevens	Netwealth IDPS	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 - Hedged Class (APIR: CHN4711AU), 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. Individual Investor level taxes are not taken into account when calculating returns.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 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 August 2020
CC JCB Global Bond Fund - Hedged Class (APIR: CHN4711AU)

Market Review & Outlook

The high demand for Australian Government Bonds continues

Markets performed strongly in August with risk assets enjoying continued healthy returns. Inside of this, pockets of the equity market enjoyed insatiable demand around technology, in a narrow but almost exponential rally. Fixed income valuations slipped back on heavy Government bond supply late in the month, maintaining a broad negative correlation to risk market performance. Australia issued a new 10 year bond in a Australian Commonwealth Government Bond (ACGB) 1% of November 2031 maturity which drew a record A$66 billion order book, with only A$21 billion being satisfied at new issue and leaving a staggering A$45 billion of demand unsatisfied. This followed the new Australian 30 year bond issued earlier in July which also had significant demand and had to turn away A$36.8 billion orderbook with only a A$15 billion transaction. With central banks around the world further committing to 'lower for longer' interest rate policies, these supply concessions should continue to be well supported moving forward.

Will more policy action lead to inflation?

Late in the month the US Federal Reserve (the Fed) increased its commitment to a low rate policy having changed the goal posts on its own inflation mandate, now targeting an average inflation rate over time. "Average Inflation Targeting" implies the Fed will keep interest rates on hold for years, and indeed the near-term outcomes are likely to be severe. No doubt a lot of commentary will be penned about how this is ''inflationary'' in the medium term.. Sadly, the Fed's own personal consumption expenditures price index (PCE) targets have been infrequently delivered, in a world which enjoyed much higher structural inflation, let alone the newer secular forces driving disinflation currently (such as debt loads, demographics, zombie corporations, technology, robotics, automation, lack of unionisation, and of course globalisation). One of the best quotes JCB has seen recently is "2020 is the year to be short humans and long AI/Tech". Looking at equity performance, the bigger your work force, generally the weaker your equity price in 2020. Covid-19 has only accelerating parts of this disruption. Given the slack in economies from substantially higher unemployment, it is hard to pinpoint where the inflation pulse will emanate in the short to medium term.

Dallas Fed President Robert Kaplan was also in the media suggesting inflation could rise to 2.25% to 2.375% without a change in policy. Assuming a 6-month average of Core PCE (a measure of the prices paid by people for domestic purchases of goods and services, excluding the prices of food and energy, the Fed prefers PCE over CPI) of 2.25% to 2.375% has occurred only once in the last 26 years, which was 2006/2007.

Fund Update as at 31 August 2020
CC JCB Global Bond Fund - Hedged Class (APIR: CHN4711AU)

What about 2.5% inflation? It has been 28-years since core PCE reached 2.5% (1993). Structural inflation pressures were far greater back in these times. To suggest that changing the goal posts will do anything to change short to mid run inflation seems a very long bow indeed.

Given these numbers, and the anchoring of funding rates, JCB believes it will take years and years for inflation (PCE, headline or Core) to reach some level above 2% and even entertain the Feds newfound flexibilities. With the insolvency phase of the crisis still ahead (assuming we wind down the generous disaster relief funding programs over balance of 2020) we are more likely to have further deflationary forces at work, adding to the secular slow burning forces that continue to drive inflation outcomes lower.

This US election result set to be more meaningful for markets

Looking ahead to September, JCB continues to monitor a possible second wave of Covid-19 cases currently growing quickly in Europe, however, the major focus of markets – exhausted by Covid-19 news headlines – will turn to the US election news flow and debate as we are now within 60 days to the US election. Polls continue to favour Biden, which historically would suggest the Democrats will also take the Senate, giving them sweeping powers in Washington to repeal the Trump administration tax cuts and re-instate a higher regulatory environment cut by the Trump administration. The polls are tightening quickly however, with Trump gaining ground in the last few weeks. JCB believes the US election will be a tightly fought contest, it is worth noting the seemingly strong correlation between Trump's approval ratings and the recent performance of the US dollar.

Fund Review

For the month ending August, the CC JCB Global Bond Fund – Hedged Class (the Fund) returned -1.12% (after fees), underperforming the Barclays Global G7 Total Return Index Value Hedged AUD.

August is usually a seasonally strong month for bonds, supporting carry and roll over the summer. In early to mid -August, Australian rates tightened against U.S. Treasury, thus taking profit in the long position in Australian rates. When global yields sold off in mid-August, the Underlying Fund closed short position in German market and set up overweight in U.S. rates and U.S. curve flattener. The bullish bond positions were quickly neutralized by the end of August and the portfolio set up for more bearish bond market in September, in expectation of much higher net supply from U.S. Treasury. The risk to this view is whether the FOMC would expand their bond purchase to buy more duration in September. On the other hand, while uncertainties in economic recovery are very high, data has been printing better in the U.S. The trial and approval of vaccine are in progress. On the other hand, the U.S. Federal Reserve Board might deem curve steepening from avalanche of supply undesirable and might prefer a flatter yield curve by expanding their asset purchase. It is worth noting that in the U.S. market, breakeven has recovered to 1.80% and real yields are already hovering at historical low levels. It would have been a moot point if the FOMC masked more asset purchase behind their preference for real yields, rather than admitting to conducting Modern Monetary Theory.

The announcement of Average Inflation Targeting (AIT) at Jackson Hole caused yield curve to steepen. JCB interpreted AIT as anchoring the front-end rates for a long time, while allowing fiscal policy to support the economy. Taking into account of the possibility of a Democratic Sweep in November, where the President and the Congress are controlled by the Democratic Party, 3.5 trillion fiscal spending would result in a very large U.S. Treasury supply.

AUD/USD strengthened another 3.3% in August, on the back of overall U.S. dollar weakness. The unhedged class (USD converted to AUD) made losses mostly from AUD strengthening from July to August, while the hedged class (to AUD) made losses from bond sell-off.

JAMIESON COOTE BONDS

Fund Update as at 31 August 2020
CC JCB Global Bond Fund - Hedged Class (APIR: CHN4711AU)

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) in years. 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.