JCB

JAMIESON COOTE BONDS

Fund Update as at 31 October 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 $69.3 million

Fund Performance

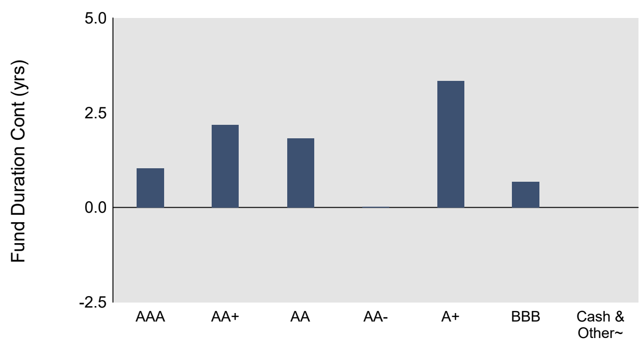
Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	-0.18%	-0.21%	0.03%
3 Months	-0.68%	-0.56%	-0.12%
FYTD	0.16%	0.22%	-0.07%
1 Year	3.68%	3.65%	0.02%
2 Years p.a.	-	-	-
Inception p.a.	6.07%	5.77%	0.30%

Fund Overview

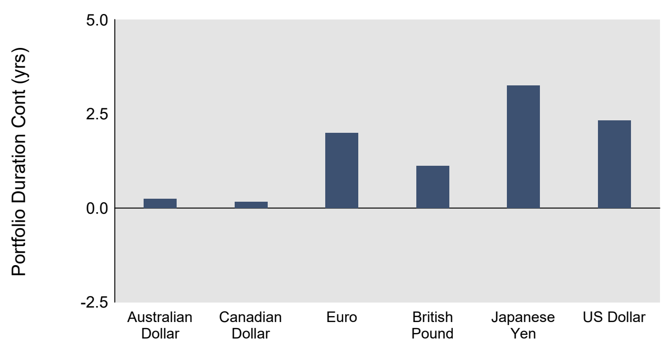
Characteristics	Fund	Benchmark
Modified Duration (yrs)***	9.09	8.91
YTM + Hedging Effect^^	0.44	0.37
Weighted Ave. Credit Rating***	AA	AA

^^ 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

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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 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.

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Market Review & Outlook

October market overview

October markets were dominated by two major themes, domestically the additional RBA stimulus, and US elections on the global stage. Covid-19 remains an ongoing concern in the background, with Northern Hemisphere numbers continuing to spike leading to lockdowns in Europe (but not yet in the US), whilst domestically as the warmth of summer approaches combined with material public sacrifice in Victoria, case numbers continue to abate.

More QE on the horizon

As Australian life ramps up into the summer months, adding Melbourne (roughly 25% of Australian GDP) back to the data - economic numbers will likely be turbo charged on a rate of change basis, whilst remaining lower than that of 2019 economy. The RBA is acutely aware of the damage that has occurred to the economy over 2020 and the difficulty in finding a stable platform into 2021, which will face sluggish growth after the slingshot of post lockdown Melbourne and an insolvency phase as public disaster relief funding programs, such as Job Keeper, are further wound down. The RBA's speeches over October suggest more stimulus to the economy via and additional rate cut to 0.10% and extension of the quantitative easing (QE) program. The timing of QE remains uncertain (November 2020 or February 2021), but the RBA acknowledged the need for additional programs to foster growth and employment, and have finally conceded that they must follow where other Global Central Banks have led with stimulus in the form of additional QE. These programs are designed to lower bond yields, and lower the AUD currency over time to make borrowing for governments, business and consumers cheaper, and make AUD assets less appealing to foreigners, driving the currency lower and helping Australia become more competitive on the global stage.

It is important to remember that countries that have started QE, have never successfully stopped. Once enacted and as traditional monetary policy becomes exhausted, these QE policies have remained in place the world over and there is no reason to suggest Australia will be any different over time. The RBA has made public comment on the unlikely nature of negative rates in Australia, maintaining a long recent history of public comment on expected policy that is later highly embarrassing (such as neutral rates are 3.00%, it won't go below 1.50%, 0.25% is lower bound, it won't do QE, etc).

In 2021 it is very likely that the Bank of England, Bank of Canada and Reserve Bank of New Zealand will have moved monetary policy to negative rates (as currently priced by markets and in keeping with their own commentaries), expect negative rates in Australia to be re-examined by the RBA and another round of backpedaling. By RBA edict bond markets will perform well into the future, at least for now. If we have learned anything from the last 10 years of policy response, it remains, investors should not fight the Central Banks.

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Markets embrace a Biden victory

Turning to the US election, markets had embraced a "blue wave" Biden victory in expecting control of Congress (House and Senate) to also be delivered to the Democrats. JCB believes the contest will be far closer, with the makeup of the Senate a hard-fought race, which may well deliver a lame duck term for Biden until 2022 Senate re-elections. This matters greatly for any stimulus expectations and supply in the US Treasury Bond market as a result of a large fiscal needs to fund an additional stimulus program for the US, again suffering under a heavy Covid-19 case load. Once the election is complete and new Congress starts the process of governing under Biden, a huge stimulus bill will be tabled in the 'progressive' House of Representatives, which will likely remain firmly in control of the Democrats, but any passage through the Senate is not a simple rubber stamping exercise. Some of the Democratic Senate candidates are very centric in their politics, a few actually ran as Republicans in prior elections. So assuming the Democrats gain the Senate – which in itself is a big 'if', the 'progressive' nature of the Senate (versus a 'moderate' middle road Senate outcome) is critical and this can be the basis for a significant reversal in the size of expected stimulus as the package could be watered down significantly. This will impede stimulus delivery, and again make the US Federal reserve the major game for investors. A Biden presidency and 'moderate' Democrat or outright Republican Senate will likely cause continued financial repression. This manifests in large Central Bank balance sheets providing huge liquidity, low interest rates and bond yields, tight credit spreads and low volatility which all translates to high equities prices.

Fund Review

For the month ending October, the CC JCB Global Bond Fund – Hedged Class (the Fund) returned -0.18% (after fees), outperforming the Barclays Global G7 Total Return Index Value Hedged AUD.

In October, the German bund was the best performing bond market in the G7 benchmark, from the favourable supply outlook into year end, market's expectations of ECB's dovishness, and the bond collateral scarcity. The US Treasury widened against German bund by almost 30 basis point, from the fiscal policy expectation as the US Presidential and Congressional election drew near. Italian yield spread to the German bund went in as tight as 120 basis points, before widening back to be on the same level, month on month at 140 basis points. The Underlying Fund's active positions profited from being slightly neutral to long in Europe, while having various active neutral or short duration in the US Treasury. The Italian curve flattening added to the profit, while the Japan/Germany box underperformed. The overweight in the Australian bonds added to the positive performance, as the Australian yields plunged lower than the US Treasury yields, from further RBA easing expectation. JCB will keep light active positions into the US election in expectation of excessive volatility. The Hedged class (to AUD) was slightly negative for the month from an absolute perspective, with the AUD/USD weakening around 2% in October.

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.

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