



## Fund Update as at 31 December 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 <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 \$53.5 million

## Fund Performance

Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	-4.40%	-4.34%	-0.05%
3 Months	-7.06%	-6.98%	-0.08%
FYTD	-10.36%	-10.24%	-0.12%
1 Year	-4.09%	-4.11%	0.02%
2 Years p.a.	-	-	-
Inception p.a.	1.79%	1.87%	-0.08%

## Fund Overview

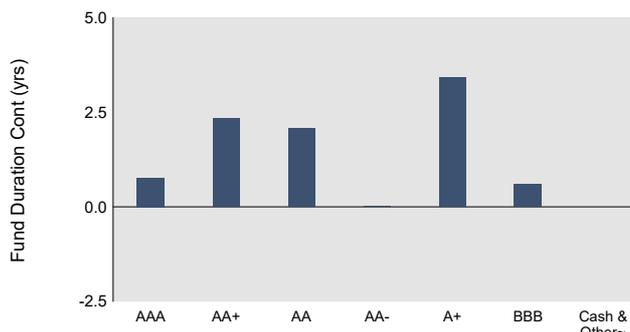
Characteristics	Fund	Benchmark
Modified Duration (yrs)***	9.20	8.97
YTM + Hedging Effect^^	0.60	0.59
Weighted Ave. Credit Rating***	AA-	AA-

^^ Data refers to CC JCB Global Bond Fund - Unhedged Class (APIR: CHN1425AU) and Bloomberg Barclays Global G7 TRI Value Hedged USD (converted to AUD).

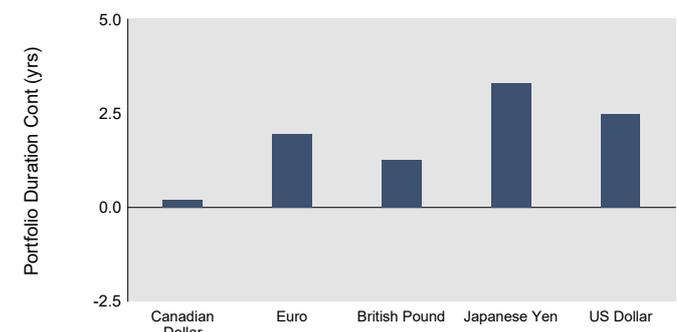
Source: JamiesonCooteBonds Pty Ltd.

See Definition of Terms.

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



## Asset Allocation by Currency (Duration Contribution)\*\*\*



## Platform Availability

Asgard	Ausmaq	Aust Money Market
BT Panorama	BT Wrap	HUB24 Super & IDPS
Macquarie Wrap	Mason Stevens	Netwealth
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 - 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. 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 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.



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#### Market Review & Outlook

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##### December market review

Markets in December drifted to slightly higher yields as the broader risk complex pushed higher in expectation of continued economic recovery into 2021. This capped an extraordinary year for investors who faced extreme unknowns over the year as they faced the pandemic. Thanks to generous fiscal programs and a final exhaustive use of conventional monetary policy plus quantitative easing from Central Bankers, markets have screamed higher with risk assets and low quality assets enjoying substantial support of low rates and excess liquidity. Higher quality Government Bonds did a remarkable job of defending and protecting portfolios once again, whilst also offering significant liquidity optionality in the March and April period which many JCB investors used to great effect – selling bonds at a premium to buy deeply discounted equities.

Interest rates remain the virus that affects all things - which leaves us baffled that many forecasters expect continued risk performance into 2021 coupled with higher bonds yields. In JCB's view, this presents a problem of the plumbing of markets, with a significant threat to risk market performance being any disruption to the lower for longer thesis combined with excess liquidity which has validated the enormous disconnect between fundamentals and many asset valuations. Opinion seems almost universal that nothing can go wrong as the vaccine defeats Covid-19 over the year – but JCB remains cautious on herding and clustering of opinion and positioning as markets just love to hunt the crowded trades and themes.

##### Market outlook

There is no question that 2021 presents significant challenges for forecasting market outcomes. JCB believes the possible outcomes over the year are as wide as we have recently experienced. The Covid-19 virus is mutating ahead of the vaccine roll out program, making the vaccine forever in the rear view mirror as new Covid-19 strains infect with increased pace. Regardless, investors are starting the year seemingly drunk on liquidity and high on optimism. Who can really blame them, as Central Bankers and Governments the world over have suppressed natural volatility and curtailed countless insolvencies. The recency bias of powerful momentum moves in many markets suggests risk can continue to grind further still, but with each passing day the markets are moving towards a priced for perfection outcome.

Nothing seems as permanent as temporary stimulus. Looking at the fiscal deficits and continuous QE programs run since the GFC suggests that these programs and extraordinary measures will continue well after Covid-19 hopefully fades. Any retreat from policy makers will likely be met by a market haemorrhage which will only encourage further continued stimulus. In fact, the game theory almost suggests that such anti risk periods will be required to motivate short term politicians and Central Bankers into continuously providing more. There are some obvious periods to navigate. Inflation is a rate of change function, and as such, inflation base effect will rise into the April/May period as the higher deflationary period of the first global lockdown will fall out of the basket data. The narrative machine will be in overdrive by here, however, JCB continues to believe that the overarching secular forces of disinflation will continue to be the medium to longer term driver of pricing and that such a blip in inflation data will be short term and temporary. Markets have already made significant adjustments in expectation of this short term rise, with inflation expectations rising significantly. JCB will happily add to its positioning in the expectation of significant mid-term value that could possibly present around these outcomes. JCB continues to expect bond markets to trade in a range bound environment, notwithstanding some usual volatility in the pricing cycle but anchored by dormant front end yields, with long end yields suppressed by active QE programs. 10 year US Treasury yields - the benchmark bond rate the world over - remains around 1.00% (in December 2020) despite significant optimism, high inflation expectations and screaming risk markets. This is up from a low of 0.39% in March, and 0.49% in August of 2020.



JAMIESON COOTE BONDS

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#### Fund Review

For the quarter ending December, the CC JCB Global Bond Fund – Unhedged Class returned -7.06 % (after fees), underperforming the Barclays Global G7 Total Return Index Value Hedged USD (converted to AUD).

In December, Gilt outperformed G7 peers as Brexit uncertainty and the new Covid19 strain found in England led to safe haven buying. On the other hand, US Treasury underperformed on the optimism of Pfizer-BioNTech and Moderna vaccine and the US Congress passing the new fiscal stimulus. German bund was caught between the re-emerging of infect cases and vaccine/fiscal headlines, ending the month flat. Supported by the ECB's accommodative monetary policy and favourable net cash requirement outlook in 2021, Italian yield spreads to the German bund tightened almost 9 basis points to 111 basis points. The Underlying Fund benefited from the underweight in US Treasury. Meanwhile, the short duration in the Italian market dragged the performance. The results of Georgia's senate runoffs on 5 January 2021 will decide whether Democrats could control both the US Congress and White House in the next two years. If this happens, it could have a profound impact on the fiscal policy.

The Unhedged class (USD converted to AUD) lost -4.54% from the currency movement (being unhedged), while the bonds added a little (0.17%) to the performance, with the AUD/USD strengthening around 4.75% in December.

#### 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.

**YTM + 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.

Channel Investment Management Limited ACN 163 234 240 AFSL 439007 ('CIML') is the Responsible Entity and issuer of units in the CC JCB Global Bond Fund ARSN 631 235 553 ('the Fund'). The appointed Investment Manager is JamiesonCooteBonds Pty Ltd ACN 165 890 282 AFSL 459018 ('JCB'). The Fund invests into the CC JCB Active International Bond Segregated Portfolio ('Underlying Fund'). Neither CIML 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 CIML 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 at [www.channelcapital.com.au](http://www.channelcapital.com.au).