



## Fund Update as at 31 May 2021

### 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 <sup>^</sup>	25 February 2019
Benchmark	Bloomberg Barclays Global G7 TRI Value Hedged 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 \$34.6 million

#### Fund Performance

Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	0.02%	0.18%	-0.16%
3 Months	-0.20%	0.03%	-0.23%
FYTD	-2.26%	-2.05%	-0.21%
1 Year	-2.12%	-1.96%	-0.16%
2 Years p.a.	2.12%	2.25%	-0.13%
Inception p.a.	3.36%	3.21%	0.15%

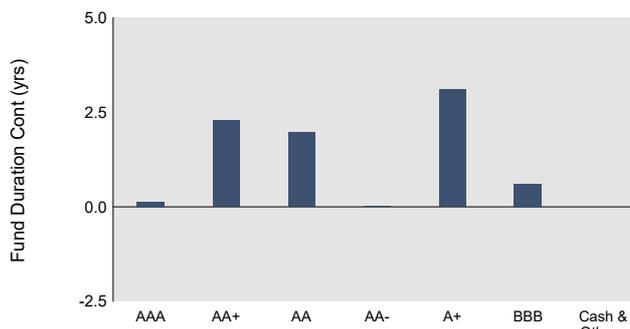
#### Fund Overview

Characteristics	Fund	Benchmark
Modified Duration (yrs)***	8.14	8.69
YTM + Hedging Effect^^	0.60	0.55
Weighted Ave. Credit Rating***	AA	AA-

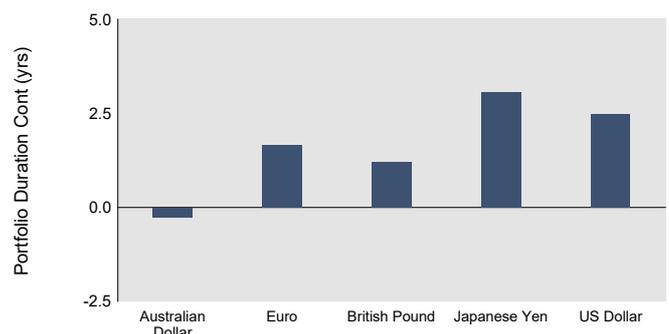
^^ Data refers to CC JCB Global Bond Fund - Hedged Class (APIR: CHN4711AU) and Bloomberg Barclays Global G7 TRI Value Hedged AUD.

Source: JamiesonCooteBonds Pty Ltd.  
See Definition of Terms.

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



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



#### Platform Availability

Asgard	Ausmaq	Aust Money Market
BT Panorama	BT Wrap	HUB24 Super & IDPS
Implemented Portfolio	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.



JAMIESON COOTE BONDS

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#### Market Review & Outlook

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Fixed income markets continued to perform in May, as the Northern Hemisphere moves further towards a normalised summer period, whilst sadly in Victoria life returned to lockdown. Victoria's lockdown in the last week of May and the subsequent extension of the lockdown underscored the downside risks to the economic outlook, with Deputy RBA Governor Debelle espousing while the Bank had factored in continued snap lockdowns, the latest episode looks more extended in nature. With Victoria making up 24% of Australian GDP, the lockdown can have a significant drag on incoming data. In the first lockdown week, consumption was 47% lower week-on-week. In previous lockdowns this was expected to 'snap back' as generous Government support programs would be spent thereafter – that is NOT the case this time around. If JobKeeper was reinstated many businesses would not be eligible under current settings as the lockdown started at midnight on the 27th day of a 31 day month – meaning proving a decline in revenues of 30% month-on-month as proved by BAS statements is near impossible for any trading business that has already received 27 days of May revenue into the books. Whilst it is difficult to estimate the full impact of Victoria's lockdown in a highly fluid situation, we are starkly reminded that the Northern Hemisphere had terrible winter outcomes with the highly seasonal Covid-19 virus and as we start our own winter period, we should expect episodes of significant interruption in the coming months.

Earlier in the month of May, the U.S. economy recorded a huge April CPI inflation number on transient factors and significant base effect. As we noted in our inflation white paper "Over the Inflation Hill" JCB believes much of the push higher in headline inflation will remain transitory, as the downward shock to the economy in 2020 and the subsequent pent-up demand as the economy re-opened has resulted in a much higher than expected April U.S. CPI number (reported in May). The transient nature of this spike can be assessed from the decomposition of this number – with almost 60% of the month-over-month increase in the headline number made up of just five components being used cars, rental cars, lodging, airfares, and take-away food. Once again the devil is in the detail which is why Central Bankers are cognisant that the secular forces should still remain – with the U.S. Fed's Vice Chair commenting shortly after the release of the April CPI number that "an acceleration in U.S. prices will have only transitory effects on underlying inflation," the material rise of base effect inflation should crest in coming months, thereafter we expect more muted total inflation outcomes, notwithstanding some pent up bottle necks which may take a few months to clear keeping numbers slightly elevated before returning towards pre-Covid trends.



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#### Fund Review

For the month ending May, the CC JCB Global Bond Fund – Hedged Class (the Fund) returned 0.02% (after fees), underperforming the Barclays Global G7 Total Return Index Value Hedged AUD.

U.S. Treasury traded within a similar range to April, albeit with large volatility around Non-Farm Payroll day. The Underlying Fund had a short duration position in UST, whose loss was managed during the month. The spread of UST to bund continued to narrow, at a slower pace than in April, as German Bund yield reversed from -10 basis points to -20 basis points. This renewed rally in German Bund was also accompanied by the tightening of Italian/Bund spread.

Looking forward, the summer months this year can be the peak in UST bond supply, as the Treasury is overfunding right now to prepare for the American Jobs Act and American Family Act, with an assumption that a large portion of additional spending will be offset by new taxes. The drop in loan growth at the U.S. banks also indicates that U.S. banks have been buyers of U.S. Treasury.

Overall, JCB believes that there should be one last push for higher yield to acquire duration, before low volatility in the summer.

#### 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 instrument's 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).