JAMIESON COOTE BONDS

Fund Update as at 31 August 2021
CC JCB Active Bond Fund (APIR: CHN0005AU)

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	JamiesonCooteBonds Pty Ltd or JCB
Portfolio Manager	Charles Jamieson
Structure	AAA or AA rated bond securities issued in Australian dollars
Inception Date^	3 August 2016
Benchmark	Bloomberg AusBond Treasury (0+Yr) Index
Management Fee#	0.45% p.a.
Administration Fee #	0.10% p.a.
Buy / Sell Spread	0.05% / 0.05%
Distributions	Semi-annual
Fund Size+	AUD $1172 million

Fund Performance

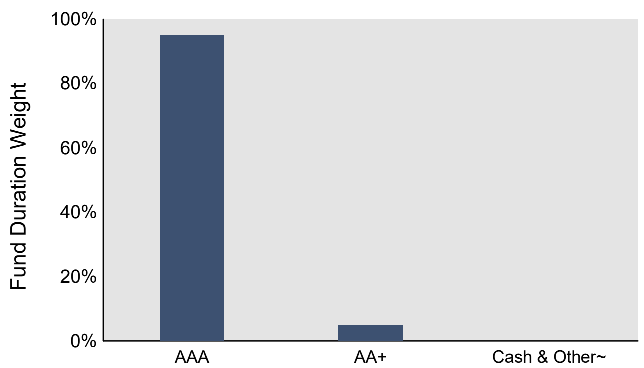
Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	0.18%	0.20%	-0.02%
3 Months	3.05%	3.23%	-0.18%
FYTD	2.06%	2.21%	-0.15%
1 Year	0.44%	0.78%	-0.34%
3 Years p.a.	4.61%	4.69%	-0.08%
Inception p.a.	3.43%	3.26%	0.17%

Fund Overview

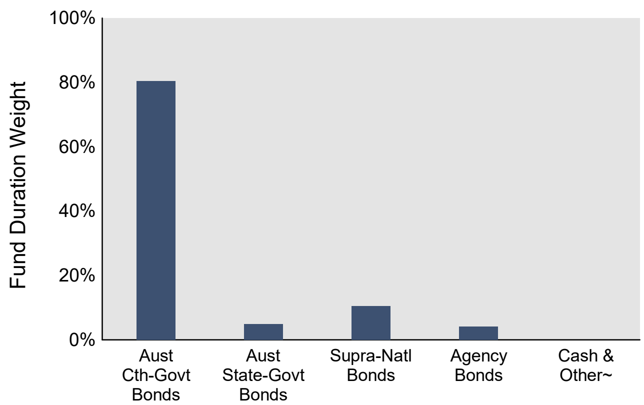
Characteristics***	Fund	Benchmark**
Modified Duration (yrs)	6.14	6.68
Yield to Maturity (%)	0.95	0.77
Weighted Ave. Credit Rating	AAA	AAA
Cash Weighting (%)	0.63	n/a

Source: JamiesonCooteBonds Pty Ltd.

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



Asset Allocation by Sector (Duration Weight)***



Platform Availabilty

AMP MyNorth	Asgard	Ausmaq
Aust Money Market	BT Panorama	BT Wrap
Colonial First Wrap	HUB24	Implemented Portfolios
Linear	Macquarie Wrap	Mason Stevens
MLC Navigator	MLC Wrap	Netwealth
PowerWrap	Praemium	U-Exchange
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 Active Bond Fund ARSN 610 435 302. * Performance is for the CC JCB Active Bond Fund (APIR: CHN0005AU), 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 AusBond Treasury 0+ Yr Index. *** Refer to Definition of Terms. ~ Cash & Other includes cash at bank, outstanding settlements and futures margin accounts.

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Market Review & Outlook

Bond markets remained range bound over the month of August, pausing after the strong performance since March. Global markets remained focused on three key areas; the slowdown in growth momentum and how this can impact the US Federal Reserve's tapering program (reducing the amount of bonds bought under Quantitative Easing (QE)), the Delta Covid-19 variant and its impact on global mobility, and geo-political events (including the future of American power post Afghanistan withdrawal and China's continued regulation of certain industries).

Whilst the above support the rates complex, there are some counter balancing themes developing. The return of Debt Capital Markets flows after the northern hemisphere summer break often sees bond supply lift considerably, which can bring some seasonal drift to yields. In addition, forward internet search activity looks to have turned higher, which may see the floor in the consistent loss of momentum in global economies as viewed by surprise indices (which measures the degree to which economic data is either beating or missing expectations) and which have been trending lower for many months. Domestically, a turn in the government narrative from 'pandemic' to 'endemic' also changes the markets' expectation of the length of the lockdown and delivers a pathway back to quasi-normalised economic activity into the Christmas period. These competing forces are likely to produce more market volatility, but we expect markets to remain largely range bound in this process as the RBA continues to keep short-end rates anchored in the foreseeable future.

As markets remain firmly forward looking, JCB believes some of the 2022 themes are worth consideration. Looking ahead into 2022, the impending fiscal cliff faced by many economies continues to look daunting. The US faces historical reductions in deficit spending from 13.4% of GDP estimated for 2021, towards estimated 4-5%. This pace of deficit reduction has never occurred, not even after WW2. With the severe magnitude of the fiscal cliff, Washington will be scrambling ahead of mid-term elections to provide a smoothed pathway for economic growth, as a material slowdown would potentially shift voter preferences in an administration currently on the ropes over its handling of the Afghanistan withdrawal.

The declining estimates of economic activity must therefore be cause for concern. In 2020-2021, after US$13 trillion of stimulus and investment, US Q3 GDP estimates have reduced to 3-4% from 8-11%, and August US jobs creation collapsed lower at 243k vs. 798k in July with fiscal spending on track to come down sharply in 2022. Should the US Federal Reserve also be tapering it's QE purchases at this time in an effort to reduce emergency policy accommodation, this could generate a powerful combination for markets which have enjoyed positive economic outcomes in post lockdown combined with the most generous liquidity conditions of modern times.

JCB believes markets remain finely balanced with the global economy still struggling under economic restrictions and dealing with ongoing global supply chain issues. Policy makers are universally talking about removing emergency stimulus programs designed to hold back the economic hell of March/April 2020, which now looks generous as economies and health outcomes in the northern hemisphere have stabilised. Leaving policy overly accommodative can be the source of significant future instability. However policy makers are caught in a negative feedback loop, where an overreach into a slowing economy could generate substantial volatility which they have successfully suppressed since that time of crisis. Central Bankers improved transparency this year with their guidance on the potential removal of accommodation should limit any "sticker shock" within bond markets, as they say - forewarned is forearmed.

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Fund Review

For the month ending August, the CC JCB Active Bond Fund - Class A units (the Fund) returned 0.18% (after fees), underperforming the Bloomberg AusBond Treasury (0+Yr) Index.

The Fund recorded a positive month as the Australian bond market followed through from its performance in July. The 10-year yield remained supported by the persistent economic restrictions as the Delta virus remained omnipresent.

The RBA meeting early in the month was uneventful, as it signalled its intention to stick with the September plan of tapering bond purchases to 4 billion a week and passing the baton to governments, although the RBA minutes released later in the month showed that the Board had considered delaying the tapering. The continued climb in COVID-19 cases in the two most populous states and requisite lockdowns continued to weigh on sentiment through the month however leading into the end of the month the market appeared to start looking forward and pricing in an escape as vaccination rates picked up their velocity as the governments appeared to alter their virus strategy. This was evident in the sharp rally of the AUD and the subtle underperformance of Australian 10yr rates against US 10yr rates into month end which had performed well through the month as markets started to price in some loosening in the vigilant lockdown settings. The portfolio remained defensive into month end as it was positioned for the seasonally bearish period in global rates for the first two weeks of September and the impending RBA "dovish taper "meeting in the first week of the month.

The continued uncertainties surrounding the virus will limit any meaningful downside moves in bonds as the altered consumer spending behaviours and fallout for small businesses from the extended lockdowns will continue to play out as we learn to live with the virus. JCB believes the RBA will follow the pathway of global Central Banks in providing subtle guidance with regards to the attempted removal of the ultra-accommodative policy settings and this will remain flexible as they assess the economic landscape into 2022.

Since inception, JCB has been committed to the pragmatic and methodical consideration of ESG as part of its investment management process. As part of this approach to ESG, JCB seeks to proactively invest in ESG positive securities where possible. To this end, at the end of August 2021, it held A$443m in several social and green bond securities in our commingled funds (up from A$97m in August 2020). Notably JCB participated in the National Housing Finance and Investment Corporation (NHFIC) Jun 2032s, as well as the Asian Development Bank (ASIA) gender bond Nov 2025s.

JCB remains focused on driving continuous improvement in its approach to ESG and has recently appointed Talieh Williams as Strategic Advisor – ESG to further enhance its approach and capabilities in this regard.

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 - is the total return anticipated on the portfolio if the bond holdings were held until their maturity.
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 Weight - refers to the portion of the overall duration attributable to the segment (i.e. credit rating or sector), as a percentage of overall portfolio duration. 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

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