



## Fund Update as at 31 August 2021

## 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 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 \$27.4 million

## Fund Performance

Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	0.29%	0.30%	-0.01%
3 Months	7.39%	7.52%	-0.13%
FYTD	3.78%	3.82%	-0.04%
1 Year	0.74%	0.99%	-0.25%
2 Years p.a.	-3.12%	-2.88%	-0.24%
Inception p.a.	3.06%	3.18%	-0.12%

## Fund Overview

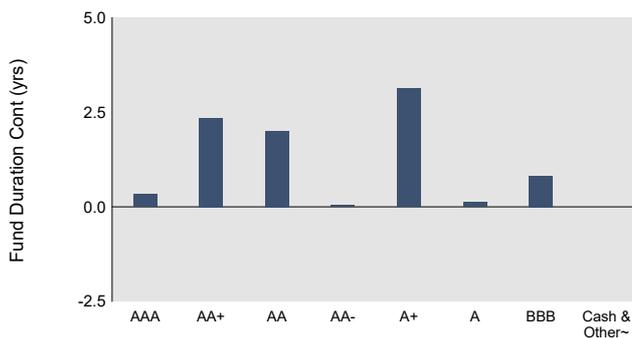
Characteristics	Fund	Benchmark
Modified Duration (yrs)***	8.79	8.81
YTM + Hedging Effect^^	0.71	0.66
Weighted Ave. Credit Rating***	AA	AA-

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

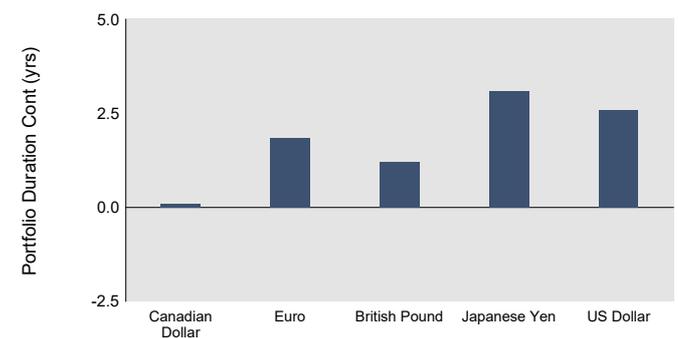
Source: JamiesonCooteBonds Pty Ltd.

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
Implemented Portfolio	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 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 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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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 its 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 Global Bond Fund – Unhedged Class returned 0.29% (after fees), underperforming the Bloomberg Global G7 Total Return Index Value Hedged USD (converted to AUD).

Global bond market reversed from the recent bullish trend as the fear of economy slowdown was likely priced in. UST 10Y yield reached the bottom at 1.12% in early August and closed the month at 1.31%. Germany, France and Italy 10Y yields, which were largely stable in the first half of the month, joined the selloff lately as ECB speakers hint the potential reduction of PEPP purchase in the coming ECB meeting. Despite the continuous spread of the Delta variant, signs of peak of the current wave emerged in developed countries. Inflation also maintained at high level with prolonged supply chain bottleneck.

The Underlying Fund added a steepening trade in Germany bund curve as it became too flat compared to global peers and the flatness cannot be justified by the Germany macro outlook. The Underlying Fund also added a short UST belly trade which would benefit from US Fed tapering. Overall, for the month, the Underlying Fund benefited from the flattening-bias in the UST, which was unwound ahead of Jackson Hole meeting, while dragged by the yield spread widening among European countries.

Looking forward, we focus on the vaccination rate and mobility in the emerging countries, especially Asia, as it would be the key to solve the supply chain bottleneck. We also monitor the economy slowdown and any potential fiscal/monetary support from China. Given the Chinese government's focus on the "common prosperity" and the high-quality growth, the support is likely to be moderate. Nonetheless, it should help to stabilize the economy and boost the market confidence.

Overall, JCB believes that the Delta variant and hurricane Ida would only delay but not reverse the recovery in US labour market and service sector. The Underlying Fund is looking to add short duration. Although JCB don't think ECB would taper ahead of US Fed, the Underlying Fund would hedge its overweight of European countries around the ECB meeting.

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.

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.



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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).

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