JAMIESON COOTE BONDS

Fund Update as at 31 July 2019
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
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.

Income
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 $16 million

Fund Performance

Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	-0.57%	0.58%	-1.15%
3 Months	2.26%	3.29%	-1.03%
FYTD	-0.57%	0.58%	-1.15%
1 Year	-	-	-
2 Years p.a.	-	-	-
Inception	3.92%	4.45%	-0.53%

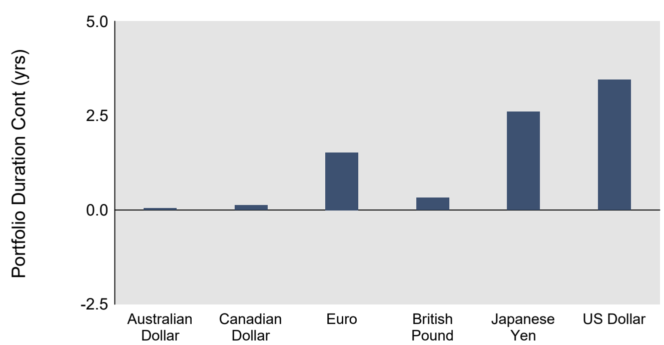
Fund Overview

Characteristics	Fund	Benchmark
Modified Duration (yrs)***	8.05	8.49
YTM + Hedging Effect^^	1.26	1.38
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

Ausmaq	Aust Money Market	HUB24 IDPS
Mason Stevens	Netwealth IDPS	Powerwrap
Praemium	Xplore Wealth IDPS	

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, excluding taxation. 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

• Interest rate cuts everywhere
• The trade war intensifies
• Credit quality illiquidity – learning the hard way

• Interest rate cuts everywhere

The US Federal Reserve cut interest rates in July and more cuts could possibly be required. Globally, South Korea, Indonesia, Vietnam, Brazil and Russia all cut interest rates in July, with further cuts likely. The global themes remain incredibly powerful. Europe and Japan need to do more to support their weak economies. More cuts or stimulus will likely be required.

To maintain the status quo of weak growth, weak inflation, but high asset prices, JCB believe Central Banks will need to keep providing accommodation or risk the house of debt laden cards imploding. Accommodation will almost certainly be provided, as seemingly no central bankers or politicians have the stomach for the darker alternative - kicking the can down the road to build a bigger problem for another day is, the problem for another day. At JCB, we look at our kids every morning and sigh at the economic world they will face as adults. But alas, we manage assets for today and tomorrow, and today interest rates look likely to continue to fall into the future, challenging long held assumptions about the natural state of financial markets, and the right of savers to earn interest on conservative cash allocations.

• The trade war intensifies

The health of global trade has been declining for some time, since the brief global synchronised growth of 2017. Added to this is US monetary policy that is globally restrictive, coupled with a trade war which is killing business confidence. JCB has written previously that its central scenario for the trade war remains a long and protracted fight, with both sides digging in for a war they cannot lose, which is centred around technology. After the failed US/China trade talks in July, Trump has even tweeted as much suggesting that “China will sign deal ‘almost immediately’ after 2020 win” and (Trump) “suggests China signing trade deal tied to election chance.” This will likely dampen economic velocity, already reeling from steep declines in manufacturing activity the world over. Only India, Brazil and the US have manufacturing sectors that are in expansionary territory, albeit all three of these are slowing rapidly. The majority of the globes’ manufacturing is currently in decline and that decline looks set to remain as trade war continues to weigh on sentiment.

• Credit quality illiquidity – learning the hard way

Despite significant attempts to pump the Australian economy since the election, damage from the pre-election slowdown is continuing to surface. The collapse of Ralan and Stellar property groups is a stark reminder for lenders to consider credit and liquidity risks. Adding to this is the freezing of some illiquid global credit funds and some cause for concern is warranted. There is no doubt the yields on offer are tempting in a low rate world, but as a few unfortunate folks are now experiencing, when these structures fall over it happens quickly. Watch the asymmetry of the cycle. Return of capital is always more important than return on capital. Caveat emptor – let the buyer beware.

JCB

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Fund Review

For the month ending July, the CC JCB Global Bond Fund – Hedged Class (the Fund) returned -0.57% (after fees), underperforming the Barclays Global G7 Total Return Index Value Hedged AUD by 1.15%.

US 10 year yields oscillated around 2.00% through the month to close at 2.01%. US economic data defied the global backdrop in the first half of the month with employment, retail sales and CPI all beating expectations. Fed Chair Powell also maintained a dovish tone in his testimony to Congress which was also supported through the month with senior Fed officials throwing their weight behind rate cuts. The Fed did not disappoint market pricing as they cut rates at the end of the month by 25bps and halted the balance sheet run-off. The delivery of the rate cut by Powell was marred by some less dovish comments in the press conference which flattened the yield curve, propelled the USD higher and sent equities lower.

Through the month a bullish undertone remained in global fixed income markets as global manufacturing and trade continued to suffer under the weight of tariffs and uncertainty which was also highlighted in company earnings guidance and various messaging by central banks. The European Central Bank validated the markets concerns as they signalled a rate cut and QE will potentially be coming at their next meeting in September.

Domestically the RBA also added to the bullish sentiment for fixed income as they cut the cash rate to 1.0% (which was in-line with consensus) and RBA Lowe hinted that further easing is still an option. This resulted in the terminal cash rate grinding lower through the month to close at 0.50% as jobs data, slowing Asian economy and muted inflation justified the market pricing further RBA easing.

The Underlying Fund added Japanese and Spanish bond exposure through the month as well as a green USD European Investment Bond. The portfolio remained overweight US Treasuries as JCB expect the Fed to embark on my easing as the global growth slowdown persists.

Looking ahead, JCB is cognisant of the seasonally bullish period for duration in August as the Northern Hemisphere is in peak holiday mode and the fixed income complex enters negative net supply. Given a raft of expected central bank rate cuts across the globe in coming months JCB feel the pullbacks in domestic fixed income will be shallow.

It should be noted that the reported performance of the currency hedge is subject to a 4 hour timing mis-match on the mark-to-market of the Undering Fund's assets (marked at 1am Sydney/4pm London time) versus the corresponding foreign exchange futures contract hedge (marked settlement at 5am Sydney/2pm Chicago time). For the month of July, the Australian dollar declined by 0.87% over that 4 hour period, impacting the reported performance of the Fund due to timing differences in reporting.

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). 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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