



## Fund Update as at 31 January 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 \$81.2 million

## Fund Performance

Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	7.27%	7.11%	0.16%
3 Months	4.05%	4.04%	0.01%
FYTD	8.23%	8.57%	-0.35%
1 Year	-	-	-
2 Years p.a.	-	-	-
Inception	15.56%	15.58%	-0.02%

## Fund Overview

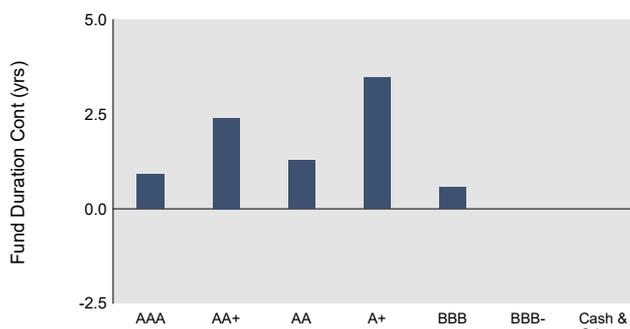
Characteristics	Fund	Benchmark
Modified Duration (yrs)***	8.61	8.60
YTM + Hedging Effect^^	1.87	1.84
Weighted Ave. Credit Rating***	AA	AA

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

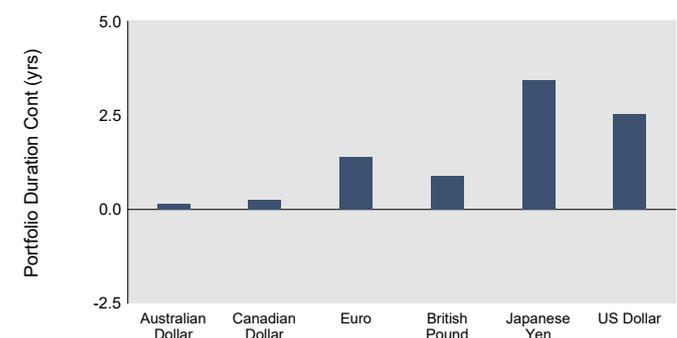
Source: JamiesonCooteBonds Pty Ltd.

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	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, 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 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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**Strong performance for bonds in a month of fire, drone missiles and coronavirus that see investors running towards safety.**

2020 was supposed to be a year of gentle optimism around the global economy, slowly healing after 2019's trade wars and Brexit uncertainty. Instead markets have been rocked by bushfires, the assassination of Iranian General Soleimani and the coronavirus in China. All of these events have far reaching consequences.

Firstly the bushfires will accelerate long overdue environmental change in Australia, but this will come at an economic cost, as the Government must choose emissions reduction over mining jobs and tax revenues.

Secondly, the bold assassination of Soleimani flares geopolitical tensions with Iran, a credible nuclear military power. Unlike Iraq or Afghanistan, Iran has significant military hardware capabilities which could successfully attack Israel. This also threatens the nuclear deal delivered by President Obama.

Most importantly, coronavirus has already dented the global economy. JCB believes this is very likely to continue to be problematic for quite some time yet. Coronavirus is both a demand and supply shock. That is very rare in economies.

#### **Economic impact of the coronavirus**

The economic impact is hard to quantify at this point, other than to expect global growth to materially falter as the workshops of the world are closed and supply chains are badly disrupted, having knock on effects all through the manufacturing industry in Asia. There may be some corporate stress as cashflows dry up, particularly at a time when the global economy had already experienced a difficult year in 2019. Global inventory levels had recently lifted, reaching business cycle averages after a solid drawdown into the August 2019 period, suggesting this mini green shoots period for Asian manufacturing could already have been slowing naturally going into coronavirus. Recent regional Purchasing Managers' Index (PMI's) suggest some slight drawdowns to validate this.

The scale of disruption in China is already significant. Hyundai, fifth in global car sales, has been forced to close all its factories for lack of key components. Volkswagen, Toyota, General Motors, and Tesla have all downed tools at their Chinese plants, as has Apple's iPhone supplier Foxconn.

The Australian economy was weak into the back end of 2019. Bushfires and coronavirus add further complexity to a challenged outlook but there are elements that have improved. The Government consideration of loosening the fiscal strings can provide badly needed fiscal support to the economy in a counter cyclical manner. Also the cheapening of the \$AUD also offers some element of support. This current state of events is making GDP forecasts very challenging.

Consider left tail hedging strategies for your portfolio

The markets' violent start to 2020 may encourage investors to review and consider tail hedging solutions.

JCB recently published an article 'Tail risk hedging your portfolio using currency' which looks at how currency can be used to potentially gain left tail protection. The article can be viewed at [www.jamiesoncootebonds.com.au](http://www.jamiesoncootebonds.com.au) under 'Latest Thinking'. When combined with sovereign bonds and duration, currency can potentially provide an enhanced outcome, as January has just shown (the Fund's unhedged class returned 7.27% (after fees) for the month of January). However, investors do need to consider their own investment objectives and risk appetite before considering such a strategy.



JAMIESON COOTE BONDS

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#### Fund Review

For the month ending January, the CC JCB Global Bond Fund – Unhedged Class returned 7.27% (after fees), outperforming the Barclays Global G7 Total Return Index Value Hedged USD (converted to AUD) by 0.16%.

As economic data improved from late December last year, especially from Europe and from Asia, the portfolio was short duration in both US and French bonds. The U.S./Iran tension and the coronavirus outbreak caused flight to quality rally in bond markets. The portfolio subsequently cut loss. Some other trades worked out well. While the portfolio did not participate in the rates rally in the UK bond market as the market priced in Bank of England rate cut, the portfolio put on Canada vs UK spread narrower, which worked out as Bank of Canada softened outlook and Bank of England did not cut. The portfolio also enjoyed the duration rally in Australia.

#### 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.

The information contained in this report is provided by the Investment Manager, JamiesonCooteBonds Pty Ltd ACN 165 890 282 AFSL 459018 ('JCB'). 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 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 on request.