JAMIESON COOTE BONDS

Fund Update as at 29 February 2020
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 $972 million

Fund Performance

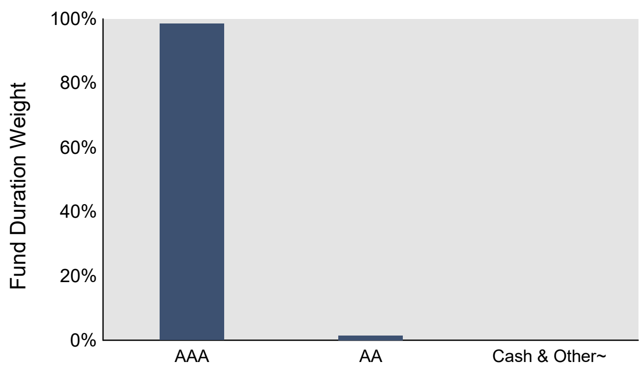
Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	1.04%	1.03%	0.01%
3 Months	1.77%	1.69%	0.08%
FYTD	4.27%	4.18%	0.09%
1 Year	10.29%	10.07%	0.22%
3 Years p.a.	6.29%	6.54%	-0.24%
Inception p.a.	4.79%	4.58%	0.20%

Fund Overview

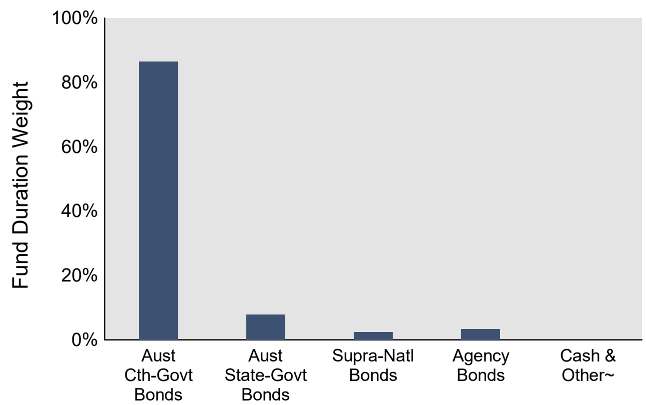
Characteristics***	Fund	Benchmark**
Modified Duration (yrs)	6.82	6.65
Yield to Maturity (%)	0.86	0.75
Weighted Ave. Credit Rating	AAA	AAA
Cash Weighting (%)	1.34	n/a

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	Linear
Macquarie Wrap	Mason Stevens	MLC Navigator
MLC Wrap	Netwealth	PowerWrap
Praemium	U-Exchange	

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, 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 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

Demand and supply disruptions in the global economy

In February markets were dominated by Coronavirus fears, triggering significant performance in high quality fixed income assets. As the virus is now likely moving into a global pandemic phase, economies are likely to collectively suffer with both lower demand and significant supply disruptions. There isn't a magical human policy which can easily make this go away. Interest rate cuts and liquidity will help, but they cannot solve the clear and present dangers we are currently facing. That's worth thinking about as we look forward over the coming months, because we don't think liquidity helps with supply issues this time.

JCB believes that the global environment was already slowing into the onset of this outbreak, but it is almost certain that economies will suffer intense slowdowns as a result. JCB is only just now starting to receive virus effected economic data for February. Looking at China data to date (as the earliest country to experience COVID-19) it has been far worse than expected. This could trigger a cashflow crisis in corporates, JCB holds grave fears for markets and Central Bankers ability to help in a 'supply' side shock.

Very weak manufacturing data from China

The depth of the shock is very sobering indeed, with the official Chinese Government manufacturing data and the private sector manufacturing series for February posting outcomes far worse than the depths of the global financial crisis (GFC). This type of economic outcome is likely in all virus-affected geographies over rolling time frames as the virus spreads, as is currently the case in Europe and the USA.

The outlook for bonds in the short term

For bonds there are two fairly clear pathways forward as we see it.

1) The virus has already created significant supply and demand destruction, putting large pressure on corporate cashflows, killing incoming economic data. Hoping for the best, if the virus can be contained in the days and weeks ahead, markets will still require huge policy accommodation to deal with this shock (we are seeing the start now as the RBA cut rates 25 basis points, the US Federal Reserve (the Fed) cut rates by a 0.50% emergency, the first since GFC, the Bank of Canada cut by 0.50%, and Hong Kong also followed suit. Rate cuts and liquidity programs will see bonds, as well as other assets continue to perform well.

2) Our worst fears are realised, the virus drags on for a prolonged period and triggers a global credit event. In this instance return 'of' capital will be paramount, rather than return 'on' capital and Government Bonds would be one of the few standalone asset classes to provide that certainty plus providing significant liquidity. In this instance we would expect strong returns both on an outright and relative basis to other asset classes.

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Liquidity is the key in this uncertain terrain

JCB cannot stress enough the possibility that markets may totally seize. The speed and velocity of the current moves in an algorithmic dominated world are quite astounding versus what we previously experienced in the GFC. A total panic moment could potentially be ahead if the plumbing of the financial system cannot be lubricated – the credit markets must find a way to re-open and provide corporates the ability to roll existing debt obligations forward.

Currently there is a very serious liquidity crunch unravelling, as parts of the funding markets and most of the corporate credit market are frozen. To date, Central Bank rate cuts have clearly not resolved these issues. It is highly likely the Fed and other Central Banks will need to inject an avalanche of additional stimulus and liquidity (in other words more rate cuts, liquidity provision, extended swap lines, uncapped repurchase agreements and further Quantitative Easing).

Fund Review

For the month ending February, the CC JCB Active Bond Fund - Class A units (the Fund) returned 1.04% (after fees), outperforming the Bloomberg AusBond Treasury (0+Yr) Index.

The Fund commenced the month with a small underweight bias as the Australian 10yr yield had met some minor objectives following the strong month in January and as the RBA appeared content to pause and reflect on the effect of lower interest rates on the economy and consumer balance sheet. The Fund expressed a flattening bias through the month with various structures selling ACGB 2031s to buy ACGB 2037s and was also a healthy participant in the 2041 syndication which performed well and was trimmed into the month end rally. The Fund also participated in some semi-government issuance as the ratio compression for yield pickup remained appealing. The acceleration of the COVID-19 virus in Italy and South Korea prompted a swift flight to quality bid in global government bonds – particularly U.S. Treasuries allowing a strong fixed income performance. The above average index extension for the month of February also supported the market allowing bonds to close the month out on the highs as virus uncertainty encouraged co-ordinated global central bank support.

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). 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.