JAMIESON COOTE BONDS

Fund Update as at 29 February 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^	25 February 2019
Benchmark	Bloomberg Barclays Global G7 TRI Value Hedged USD (converted to 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 $84.4 million

Fund Performance

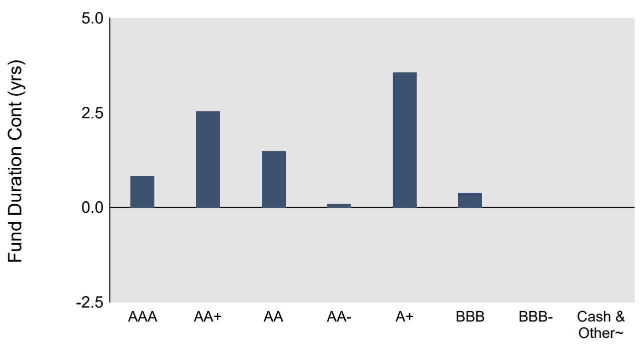
Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	5.37%	5.46%	-0.09%
3 Months	8.11%	8.15%	-0.04%
FYTD	14.04%	14.50%	-0.47%
1 Year	21.10%	21.23%	-0.13%
2 Years p.a.	-	-	-
Inception p.a.	21.52%	21.65%	-0.13%

Fund Overview

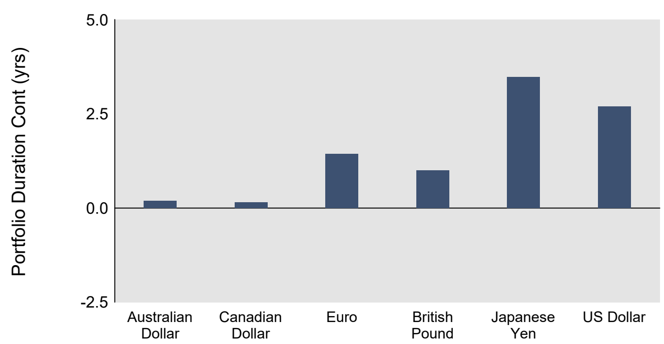
Characteristics	Fund	Benchmark
Modified Duration (yrs)***	8.92	8.71
YTM + Hedging Effect^^	1.66	1.65
Weighted Ave. Credit Rating***	AA	AA

^^ 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 Availabilty

Asgard	Ausmaq	Aust Money Market
BT Panorama	BT Wrap	HUB24 Super & IDPS
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, 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

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 Global Bond Fund – Unhedged Class returned 5.37% (after fees), underperforming the Barclays Global G7 Total Return Index Value Hedged USD (converted to AUD).

The Coronavirus (COVID-19) caused supply chain problems from China and the market started to price the risk of a global slowdown. Whatever duration overweight the Fund had, it was taken out too early to appreciate the full drop in yield. On the positive side, the Fund enjoyed positive returns from the US curve steepener and the Canada vs. UK spread compression. Both positions have been closed. The Fund maintains a flattener Italian curve to protect risk of panic in Italy. Markets started to move violently, some positions were cut loss accordingly. The Fund kept positions smaller than usual to adjust for substantial rise in bond volatility.

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.