



## Fund Update as at 30 November 2020

### 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 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 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 \$60.5 million

#### Fund Performance

Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	0.10%	0.14%	-0.04%
3 Months	0.55%	0.58%	-0.03%
FYTD	0.26%	0.37%	-0.11%
1 Year	4.28%	4.31%	-0.03%
2 Years p.a.	-	-	-
Inception p.a.	5.84%	5.58%	0.26%

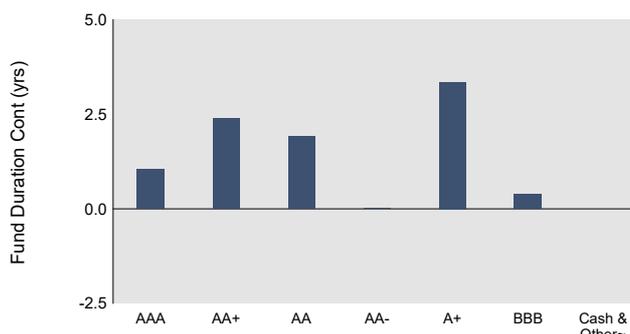
#### Fund Overview

Characteristics	Fund	Benchmark
Modified Duration (yrs) <sup>***</sup>	9.08	8.93
YTM + Hedging Effect <sup>^^</sup>	0.49	0.52
Weighted Ave. Credit Rating <sup>***</sup>	AA	AA

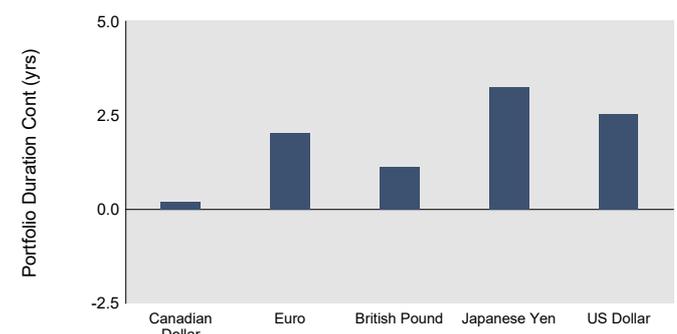
<sup>^^</sup> Data refers to CC JCB Global Bond Fund - Hedged Class (APIR: CHN4711AU) and Bloomberg Barclays Global G7 TRI Value Hedged AUD.

Source: JamiesonCooteBonds Pty Ltd.  
See Definition of Terms.

#### Asset Allocation by Credit Rating (Duration Contribution)<sup>\*\*\*</sup>



#### Asset Allocation by Currency (Duration Contribution)<sup>\*\*\*</sup>



#### Platform Availability

Asgard	Ausmaq	Aust Money Market
BT Panorama	BT Wrap	HUB24 Super & IDPS
Mason Stevens	Netwealth IDPS	Powerwrap
Praemium	uXchange	Xplore Wealth

#### Further Information

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# All figures disclosed include the net effect of GST and RITC. <sup>^</sup> Inception Date for performance calculation purposes. <sup>+</sup> 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. 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 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

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##### November market review

After all the anticipation of the US election, November's result delivered many twists and turns capturing the market's attention in the early part of the month. Initially a possible Trump victory saw an unwinding of the "Blue Wave" expectations – a term describing an all Democratic White House and Congress which could pass sweeping and generous stimulus programs requiring large amounts of US Government Bond issuance (leading to higher yields to encourage demand). As vote counting continued, Biden claimed the victory, but with a likely Republican Senate, although the final result requires a "run off" of two Georgia Senate seats to be conducted on 5 January 2021, which are expected to remain in firm Republican Control. This is important as it will crimp the Biden administration, delivering a "lame duck" president and all but guarantees the US Federal Reserve (the Fed) will maintain its central role as the driver of asset market performance, charged with keeping assets markets elevated. This likely leads to an environment known as "financial repression" where interest rates remain very low, hurting savers and conservative investors. It encourages risk seeking for return and embarks on a "hunt for yield", as asset incomes are low. This should keep credit spreads tight, despite growing insolvencies. It should also diminish much of the natural volatility which in turn is supportive for risk markets.

The announcement of a number of Covid-19 vaccines is welcome news for humanity, as was greeted with joy by investors who can now build a pathway to a sustained economic recovery in a post Covid-19 world. This further encourages politicians to 'lockdown' populations in the near term to buy time until the most vulnerable can be vaccinated into 2021. This will continue to see much of the incoming economic data remaining very volatile and JCB expects markets to look through many data points, similar to much of the first half period.

##### Don't fight Central Bankers

With all of these major developments occurring offshore, the release of additional Quantitative Easing (QE) by the RBA garnered little market attention. The RBA is extraordinary, back peddling on reams of commentary over the years about why they wouldn't get to this place, but Covid-19 has accelerated the secular moves of our time and delivered the RBA to a policy of ongoing support. History has not been kind for QE outcomes, once started there isn't a program that has ever fully concluded. One must question the market timing of this release – the day before the US election – as the stated objectives were to lower bond yields and lower the Australian dollar. Both are higher by month end.

JCB believes the RBA QE program will be significantly bigger than \$100 billion for a number of reasons, notwithstanding that no Central Bank has ever been able to stop QE. When we go down this rabbit hole there is no coming back. The major lesson of modern day markets is 'don't fight the Central Bankers' and in this instance it would be unwise to bet against them. We would certainly run the program very differently and choose our moments to get maximum market impact. The RBA could learn a lesson or two from the RBNZ's Governor Orr, who achieved much of his stated objectives by talking to market participants and threatening huge programs and negative rates, thereby letting market participants do his bidding for him under the threat of large actions. For now the RBA's QE program is looking like its own mini goal, and hence we can expect the powers that be in Martin Place to flood the system with more of our money.



JAMIESON COOTE BONDS

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#### Fund Review

For the month ending November, the CC JCB Global Bond Fund – Hedged Class (the Fund) returned 0.10% (after fees), underperforming the Barclays Global G7 Total Return Index Value Hedged AUD.

In November, G7 bond yields moved rather sideways, with some notable volatility around the US election date. The most notable performance was the Italian bond market, which tightened 20 basis points against Germany in November. The Underlying Fund actively managed US Treasury duration throughout the month. Some profitable positions were closed, such as long duration in Australia or Italian curve flattener. Some positions were trimmed, such as the Japan/Germany box. The Australia Dollar outperformed US Dollar by 4.5%, despite of the RBA's fresh new QE. The risk of sustained US Dollar weakness over the next 12 months remains notable, if the US Treasury curve continues to steepen from the longer tenor.

#### 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) in years. 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.

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).