JCB

JAMIESON COOTE BONDS

Fund Update as at 31 March 2021
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 $1106 million

Fund Performance

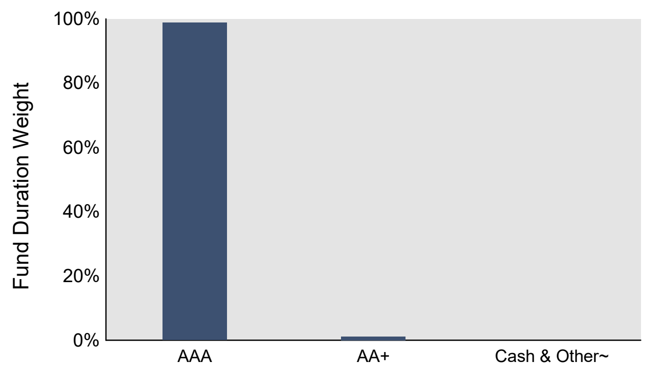
Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	1.03%	0.98%	0.05%
3 Months	-3.94%	-3.89%	-0.05%
FYTD	-3.57%	-3.69%	0.12%
1 Year	-3.42%	-3.91%	0.49%
3 Years p.a.	3.86%	3.91%	-0.05%
Inception p.a.	2.90%	2.67%	0.23%

Fund Overview

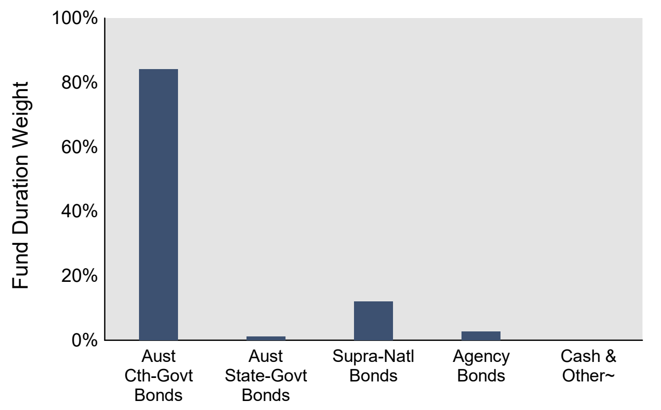
Characteristics***	Fund	Benchmark**
Modified Duration (yrs)	6.04	6.46
Yield to Maturity (%)	1.30	1.12
Weighted Ave. Credit Rating	AAA	AAA
Cash Weighting (%)	0.95	n/a

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	Implemented Portfolios
Linear	Macquarie Wrap	Mason Stevens
MLC Navigator	MLC Wrap	Netwealth
PowerWrap	Praemium	U-Exchange
Xplore Wealth		

Further Information

Phone: 1800 940 599
Email: distribution@channelcapital.com.au
Web: www.channelcapital.com.au

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. 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 AusBond Treasury 0+ Yr Index. *** Refer to Definition of Terms. ~ Cash & Other includes cash at bank, outstanding settlements and futures margin accounts.

Fund Update as at 31 March 2021
CC JCB Active Bond Fund (APIR: CHN0005AU)

Market Review & Outlook

March market review

After large moves in global and Australian fixed income markets in February, bond markets calmed considerably in March. Australian Government Bonds performed strongly over the month after being a large underperformer in February's recalibration of the global rates complex. Whilst data continues to impress in the near term as certain economies enjoy re-openings combined with President Bidens large fiscal support package, bond markets have remained broadly range bound albeit at higher yields on the year. Locally the rebound narrative is already well received with high commodity prices and better employment data, combined with strong housing markets suggesting much of this narrative is well priced already by fixed income markets. However, there are still issues ahead as JobKeeper has now expired over the month and winter is approaching for a population frustrated by slow vaccine roll outs and concerns over blood clotting.

Fixed income markets remain primarily focused on the upcoming rise in inflation data - so far most bond market moves have been on expectation rather than realisation of inflation which will print higher in coming months driven by transitory factors such as the base effect of data calculation and one time supply disruptions due to Covid -19 lockdowns. JCB believes this remains the major focus of markets which are still not fully responding to volatile economic data prints but remain focused on the evolution of the known rise in inflation outcomes.

Over the inflation hill

Given the importance of this transitory inflation 'base effect' and no doubt the media obsession with higher 'inflation' in the coming months we will publish a comprehensive white paper titled "Over the inflation hill'' that considers the how, why and when of this rise in inflation (or reflation) which is primarily mechanical, remembering all markets had a hugely deflationary period in Q2, 2020 due to global lockdowns and negative oil prices (much of this is the year on year data give back). The paper will outline how we have arrived at this place, consider the secular drivers of disinflationary forces that have been evident over the last few decades leading into Covid-19 and consider if these drivers will be persistent in a post Covid-19 world. It will also explain the base effect and look at possible expected inflation pathways, examine if inflation is likely persistent or transitory in nature, whilst also considering the autonomy of bond market sell- offs and the likely performance for both bond markets and other asset classes thereafter.

"It is easier to go down the hill than up, but the view is from the top.'' Arnold Bennett

Due to the base effect of inflation, which is essentially data rotation, we are all going "over the inflation hill", and that journey is sure to provide plenty of volatility, lower expected returns from some assets, lots of powerful arguments amongst asset allocators and some badly misguided narratives from 24/7 news media. It is certainly a market episode that requires careful navigation, as the reflexive feedback loops can be problematic in the fragile algorithmic dominated global financial markets. Even the most prolific of inflation forecasters has a "hill" in their forecasts where inflation rises (due to base effect) and then falls away thereafter. The transitory nature of inflation (rather than persistent) is not in question, just the magnitude of that ''hill'' and where longer run trend inflation will settle thereafter as that base effect falls away. These are material questions which will guide bond market performance in both directions, to compensate for the coming lift in inflation (expectations and realised) and then to re-price the normalisation to trend thereafter.

JAMIESON COOTE BONDS

Fund Update as at 31 March 2021
CC JCB Active Bond Fund (APIR: CHN0005AU)

Fund Review

For the month ending March, the CC JCB Active Bond Fund - Class A units (the Fund) returned 1.03% (after fees), outperforming the Bloomberg AusBond Treasury (0+Yr) Index.

The Australian bond market stabilised for the month of March following its underperformance in February as the triggers for the corrective move dissipated, and buying interest emerged ahead of the alluring 2% level on Australian 10yr yields.

The RBA left the cash rate and the 3-year yield target unchanged at 0.1% and reaffirmed its commitment to keep rates on hold until 2024. The Australian 10yr yield stabilised despite better than expected Q4 GDP data at 3.1% quarter on quarter and a fall in the unemployment rate to 5.8%, which was already priced into the market. The expected return to the market of Japanese investors as their fiscal year commences and negative net supply narrative provided a solid framework for a consolidation period in Australian rates .

The portfolio tactically explored the ranges through the month and remained on the defensive with duration at the upper end of the recent range and looked to increase exposure on any foray towards the 1.90-2.00% level in the 10yr. Through the month the Fund added exposure to the 3-5yr sector which is deemed attractive on a carry and roll basis and as the RBA underscored their commitment to low rates and their buy program. Micro curve positions were also initiated in the intermediate sector of the government bond curve whilst some long end exposure was reduced into the rally.

JCB remains constructive on the domestic bond market going forward with the improving fiscal balance of the government, the RBA on their second round of $100bn. bond purchases and the potential damage to the economy as JobKeeper rolls off. The fears of inflation should prove misguided with a transitory uplift expected and any correction into the 2.00% region will provide a welcome opportunity to increase duration exposure as we expect risk markets will encounter vulnerabilities on higher yield levels.

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), as a percentage of overall portfolio duration. 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