



Fund Update as at 30 April 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 \$1094 million

Fund Performance

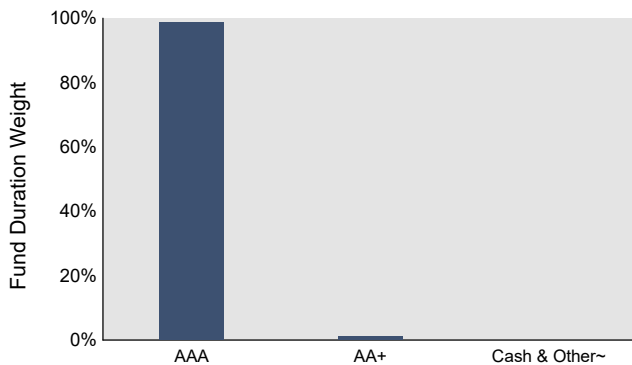
Returns (After fees)	Fund [*]	Benchmark ^{**}	Excess
1 Month	0.53%	0.57%	-0.04%
3 Months	-2.76%	-2.71%	-0.05%
FYTD	-3.05%	-3.14%	0.09%
1 Year	-2.64%	-2.94%	0.30%
3 Years p.a.	4.21%	4.30%	-0.09%
Inception p.a.	2.97%	2.74%	0.23%

Fund Overview

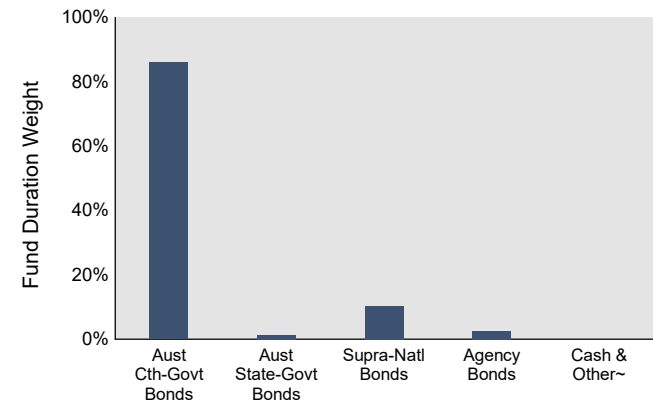
Characteristics ^{***}	Fund	Benchmark ^{**}
Modified Duration (yrs)	6.44	6.46
Yield to Maturity (%)	1.08	1.09
Weighted Ave. Credit Rating	AAA	AAA
Cash Weighting (%)	0.75	n/a

Source: JamiesonCooteBonds Pty Ltd.

Asset Allocation by Credit Rating (Duration Weight)^{***}



Asset Allocation by Sector (Duration Weight)^{***}



Platform Availability

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

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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. 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.



JAMIESON COOTE BONDS

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Market Review & Outlook

April market review

Bond markets broadly performed in April despite very strong macro data over the month. For those that found bond market pricing perplexing in the pre-Covid world, April is hard to explain. Fundamentalist investors could be forgiven for expecting bond yields to be higher on the month as the U.S. economy continued to power ahead driven by extraordinary stimulus and strong data prints. U.S. employment (non-farm payroll report) added 916,000 jobs, significantly higher than pre-Covid averages around 200,000 per month. Retail sales grew by 9.8%, whilst inflation rose to 0.6% month-on-month and 2.6% year-on-year. We know inflation will continue to rise in the coming months on a substantial base effect (as outlined in our recent whitepaper “Over the Inflation Hill”) but this performance of the bond market has occurred without an ascribed media narrative. Bond markets are renowned for their predicative capabilities – is the performance based on an assumption of peak data now that the U.S. stimulus cheques have been mailed out? Or perhaps the rally is based on renewed concerns over Covid-19 variants as another possible explanation as the new Indian Covid-19 variant is proving immune to vaccinations, potentially taking us back to the starting line in the global fight for inoculation. Geopolitical fears are also heightened around a possible flash points like Taiwan. Perhaps it is as simple as the market moved over its skies on re-setting to higher bond yields and has moved too far on expectation?

Looking ahead, markets still need to absorb a substantial rise in base effect inflation in the U.S. – the driver of global market sentiment. This is due to the large -0.7 monthly print from April 2020 falling out of the year-on-year calculation. This will see headline year-on-year inflation rise to at least 3.3% with a flat monthly print, so the likelihood of a print in the mid to upper 3s is likely for a short period. This will ignite substantial media narrative about the return of inflation, but this is primarily reflation which will fall away as the “inflation hill” is created. It should deliver more volatility ahead until markets calm down into the northern summer.



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Fund Review

For the month ending April, the CC JCB Active Bond Fund - Class A units (the Fund) returned 0.53% (after fees), underperforming the Bloomberg AusBond Treasury (0+Yr) Index.

The Australian bond market stabilised for the month of April grinding higher in price through the month and outperforming its global peers after decent buying emerged into the compelling 1.80% area which remains attractive, with the RBA on its lower for longer regime.

Through the month the Fund participated in the ACGB Nov-2032 syndication and JCB used the cheapening into that pricing to take off its short Australian 10s exposure, as the market failed to follow through on the improving economic data that was appearing from around the globe. The Fund also participated in an Asian Development Bank 2025 Gender bond syndication. That part of the curve remains compelling on a carry and roll basis.

The decent miss in Australian CPI, which came in well below expectations, and the large month end index extension generated solid buying into month end and underscored the benefits of holding high grade government bonds in the current environment.

JCB remains relatively constructive on the Australian bond market as the RBA continues its quest towards the goals of full employment and inflation. For the RBA to achieve a "sustainable" move into the 2 to 3 percent inflation range a substantial pick up in employment will be required to garner any impulse in wage inflation than what we have currently.

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

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