



Fund Update as at 30 June 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 \$1148 million

Fund Performance

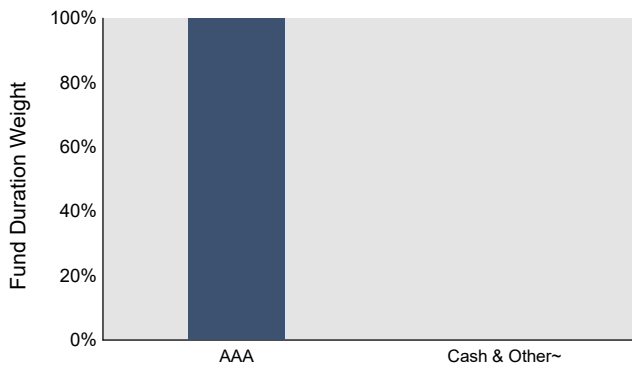
Returns (After fees)	Fund [*]	Benchmark ^{**}	Excess
1 Month	0.97%	0.99%	-0.02%
3 Months	1.76%	1.87%	-0.11%
FYTD	-1.87%	-1.89%	0.02%
1 Year	-1.87%	-1.89%	0.02%
3 Years p.a.	4.23%	4.29%	-0.06%
Inception p.a.	3.12%	2.92%	0.20%

Fund Overview

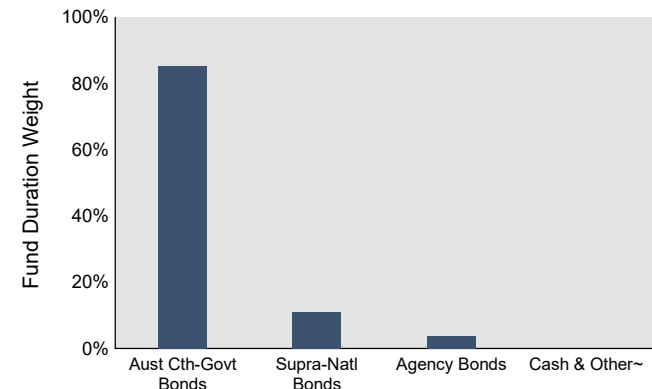
Characteristics ^{***}	Fund	Benchmark ^{**}
Modified Duration (yrs)	6.30	6.72
Yield to Maturity (%)	1.17	1.01
Weighted Ave. Credit Rating	AAA	AAA
Cash Weighting (%)	0.64	n/a

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.



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Market Review & Outlook

Bond markets continued to perform in June, finishing a strong second quarter of performance across both domestic and global markets. Markets continue to remain focused on inflation, with much discussion around the length of “transitory” inflation (JCB thinks longer than a few months but shorter than years) and how that may affect Central Bank policy looking forward.

The U.S. Federal Reserve (U.S. Fed) surprised markets over the month by indicating some members now believe removing emergency stimulus is warranted sooner, with the Board now talking about when to taper bond purchases. This surprise actually electrified the long maturity points in global bond markets generating strong absolute performance of many indexes as investors scrambled to exit “reflation” trades often structured around term structure of interest rate curve steepening (overweight short dated bonds, underweight long dated bonds). This combined with investor expectations that any U.S. Fed move to remove the emergency stimulus programs would halt growth and future inflation expectations.

Domestically, Australia continues to suffer an early winter outbreak of Covid-19 related lockdowns with restrictions currently in much of the country. Our long term expectation has continued to remain that Covid-19 is a perfect virus, whilst hotel quarantine is an imperfect system. As the majority of the Northern Hemisphere battled Covid-19 throughout its recent winter, it would be arrogant to assume Australia will not suffer its own Covid-19 problems throughout the colder winter months, causing episodic lockdowns, delays and disruption to daily lives and the economy. For now, this should be a speed bump on the road to economic recovery, however the situation requires careful monitoring if lockdowns drag on longer than expected. Government support structures are far less generous this time around meaning the private sector will carry a larger burden. Much anticipation remains around the RBA upcoming meeting in July, as Central Bankers the world over acknowledge improved outlooks and taking baby steps towards less accommodative policy as a response. The RBA has promised the markets repeatedly that rates will “likely” remain on hold at 0.10% until 2024 – but remember this is the same Central Bank that suggested previously that rates would never likely move below 1.50% and that QE was highly unlikely. JCB expects a mild change in rhetoric only, as the early winter Covid-19 outbreak is hardly the time to be congratulating ourselves for defeating the perfect viral enemy, as much as the economic war has been progressing previously. Although this is the same Central Bank that launched its “highly unlikely” QE program the day before a U.S. Presidential election and wondered why the markets didn’t respond. Buckle up folks – everything is possible.



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Fund Review

For the month ending June, the CC JCB Active Bond Fund - Class A units (the Fund) returned 0.97% (after fees).

The Fund underperformed the index in what was a month of two halves. The U.S. Fed meeting mid-month caught global financial markets off guard and stalled the 20 bp rally in Australian rates, although the global rates rally continued into month end defying the bearish rates consensus and positioning. The quarterly expiration of the Australian rate futures exaggerated some price moves although the underlying theme for the month was curve flattening and Australian rates outperformance of its peers.

The Fund trimmed some exposure in the long end of the curve and deployed some micro curve structures in the belly of the curve as JCB took advantage of the U.S. Fed inspired cheapening in the shorter end. The U.S. Fed meeting on 16 June triggered volatility through markets although the U.S. Fed kept the target range at 0-0.25% it altered the pathway of projections with the FOMC dots projecting 2 hikes in 2023 and comments from U.S. Fed Chairman Powell suggested that the U.S. Fed was more hawkish than what the market had priced in.

Early in the month, the RBA announced its decision to keep rates and its 3-year yield target on hold – underscoring that wages and inflation are unlikely to warrant a rate hike “until 2024 at the earliest”. The yield curve flattened sharply mid-month in sympathy with the U.S. following the U.S. Fed meeting and late in the month Australian rates outperformed as fresh restrictions were imposed as the Covid-19 Delta strain emerged in the community.

JCB maintains that the transitory nature of inflation and the uncertainty over the progression of Covid-19 will continue to provide a solid backdrop for bonds as we enter the seasonally bullish period for fixed income in July-August window.

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 instrument's 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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