JAMIESON COOTE BONDS

Fund Update as at 30 September 2021
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 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 $26.8 million

Fund Performance

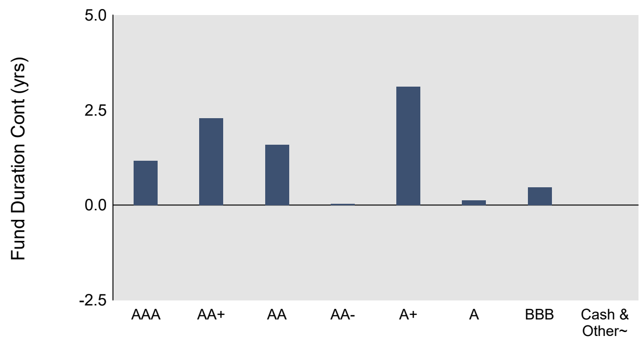
Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	0.11%	0.07%	0.04%
3 Months	3.89%	3.89%	0.00%
FYTD	3.89%	3.89%	0.00%
1 Year	-2.88%	-2.68%	-0.20%
2 Years p.a.	-2.61%	-2.52%	-0.09%
Inception p.a.	3.00%	3.11%	-0.11%

Fund Overview

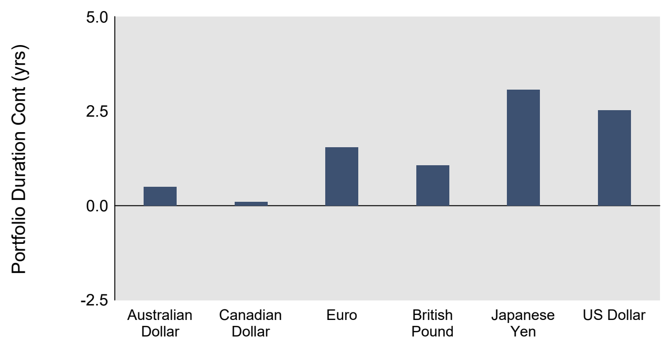
Characteristics	Fund	Benchmark
Modified Duration (yrs)***	8.79	8.75
YTM + Hedging Effect^^	0.78	0.75
Weighted Ave. Credit Rating***	AA	AA-

^^ Data refers to CC JCB Global Bond Fund - Unhedged Class (APIR: CHN1425AU) and Bloomberg 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
Implemented Portfoli	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. 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 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 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

Bond markets were on the backfoot in September after very strong performance over the Northern Hemisphere summer period. The rise in Debt Capital Market issuance is often a period where yields can move higher in expectation of increased corporate supply coming out of the holiday season in the major financial markets of London and New York. Market attention has been dominated by the politics of Washington, as Democratic infighting has caused difficulty in securing passage of key legislation to pay the debts of the administration's abundant spending programs. With the Republicans playing politics on the issue and refusing to support any Senate bill around an extension of the debt ceiling, it will likely be left for progressive and moderate Democratic Senators to find common ground around policy to secure the required votes as a party to pass the bill to extend the debt ceiling. The major battleground remains the size of future Democratic spending programs, slated to be multi trillion under President Bidens "build back better'' social programs. Holding out are moderate Democratic senators, Kyrsten Sinema of Arizona and Joe Manchin of West Virginia who have placed a flag in the sand on the issue looking for more fiscal conservatism in future debt fuelled spending programs. Without these moderate Senators, and Republicans playing politics, the Democrats risk managing the US Government into a monetary crisis, running out of money in mid-October, with a potential to also default on debt securities which could lead to a significant shock to capital markets. The stakes are high and voting margins are razor thin.

Looking beyond the short term of Washington politics, the markets have a number of issues to process as the year ends and looking into 2022. The US Federal Reserve (the Fed) has announced its intention to taper bond purchases, likely beginning in November. This taper has been widely expected by markets, being part of the Fed conversation for some time. Whilst such a move will reduce the amount of buying conducted by the Fed, Government bond supply will also be significantly curtailed coming into 2022, as the US Government enters the largest expected fiscal contraction of recent times, with deficit spending falling from 13.5% of GDP (estimated for full year 2021) towards 5 to 6%. On these estimates, this would make this contraction larger than the reduction in spending after WWII. Markets seem to be blissfully missing this fiscal cliff for now, but the macro drag will be pronounced into 2022.

Energy prices in Europe and China are also a cause for concern, biting into economic recovery (emerging markets are very sensitive to energy prices) and bringing supply side inflation concerns to market. Given it is pre-winter, already elevated prices will likely become political issues for much of Europe suffering from disruptions of natural gas from the North Sea, lack of wind seeing renewable production levels fall and struggling to provide on ageing and poor infrastructure. China has also experienced energy shocks, as Beijing imposes limitations on usage to promote efficiency, reflecting the struggle to balance economic growth with efforts to rein in pollution and emissions of climate-changing gases.

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As Australia exits its lockdowns into October, we expect a short jump in economic data on a reopening surge, however, we believe economic scarring will occur as a result of pronounced lockdowns and data will fall away to return to trend after a summer bounce, similar to the experience of Northern hemisphere economies. This period of change can have an effect on social psyche, as folks try and return to normal to find it's not the normal they remember and much has changed from 2019. This is disorientating and unpredictable, meaning consumer behaviour and economic activity can become more complex to model.

Conflict is likely between the government and private sector as to who shares the blame and who is responsible for the solution. Whilst funding conditions remain highly accommodative and will remain so, with the RBA doubling down on no rates hike before 2024. "Animal spirits''- a term often referred to by the RBA, is expected to be highly muted for the lifeblood of the economy being small business creation. Lockdowns and all the uncertainty they have generated, combined with stop start government programs of assistance for such businesses can create a very cautious small business sector as the economy reopens. We continue to expect that Australia and the RBA remain at the rear of any policy normalisation.

Fund Review

For the month ending September, the CC JCB Global Bond Fund – Unhedged Class returned 0.11% (after fees), outperforming the Bloomberg Global G7 Total Return Index Value Hedged USD (converted to AUD).

The global bond market was pulled and pushed by the heavy bond issuance schedule, concerns of the Evergrande default and China's economy slowing down in the early part of September. During this period, UST 10Y yield traded within a confined range between 1.27% and 1.38%. The FOMC meeting was largely consistent with the market expectation that tapering would start later this year. Chairman Powell provided more details suggesting that "could come as soon as the next meeting" and be completed by mid-2022. The hawkish surprising from Bank of England meeting and high energy price in the EU, UK and China, pushed the yield to break its recent range. Over the month, UST 10Y yield was up 18bps, Gilt 10Y yield was up 31bps while ACGB 10Y yield was up 34bps.

The Underlying Fund entered the US curve fly trade – short the belly while long the front and long end as the belly looks expensive comparing to what has been priced into US Fed hiking path. The Underlying Fund also added a steepening trade in UST 5s30s curve later the month as the inflation concern due to high energy price gathering attention. These trades worked well for the portfolio. At the later part of the month, JCB added a long bias in ACGB market as they think the fundamental in Australia does justify RBA's stance to keep the interest rate low. ACGB market, however, sold off aggressively. ACGB/UST usually trades wider in an impulsive sell-off environment. Hence, ACGB doesn't always align with fundamentals. Once the ACGB/UST spread settles or narrows, JCB should start to see stability or momentum waning in ACGB market. Nonetheless, this position dragged the Underlying Fund performance.

Looking ahead, JCB expects the current momentum to continue as the narrative around energy crisis and inflation fear is still red-hot. The higher energy prices would lead to either power cuts or higher electricity bills in China which would slow down the economy further. On the other hand, the global reopening from the hit of the Delta variant would support the service sector and labour market. Overall, the Underlying Fund will stay nimble in the near term. If the opportunity presents, the portfolio will start positioning itself ahead of the narrative thematics for 2022 which JCB believes will be around fiscal drag, exuberant growth expectations and the ramifications of any Central Bank liquidity withdrawal.

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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.
YTM + 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.