



Fund Update as at 28 February 2022

CC JCB Active Bond Fund (APIR: CHN0005AU)

Fund Performance

Returns	1 month	3 months	6 months	FYTD	1 year	3 years p.a.	5 years p.a.	Since inception p.a. (03-Aug-2016)
Fund Net Return ¹	-1.39%	-2.44%	-5.88%	-3.95%	-1.25%	1.39%	2.56%	2.00%
Benchmark Return ²	-1.31%	-2.36%	-5.48%	-3.39%	-0.62%	1.42%	2.77%	1.93%
Active Return (After fees)	-0.08%	-0.08%	-0.40%	-0.56%	-0.63%	-0.03%	-0.21%	0.07%

Fund Benefits

Active Management

JCB is a specialist fixed income manager with significant global investment management experience and expertise.

Superior Liquidity and Credit Quality

A domestic high grade bond strategy that invests in Australian Government, semi-Government and supranational bonds (AAA or AA rated securities), providing investors with superior liquidity and credit quality.

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
Structure	AAA or AA rated bond securities issued in Australian dollars
Inception Date	03 Aug 2016 ³
Benchmark	Bloomberg AusBond Treasury 0+ Yr Index
Management Fee	0.45% p.a. ⁴
Administration Fee	0.10% p.a. ⁴
Buy / Sell Spread	0.05% / 0.05%
Distributions	Semi-annual
Fund Size	AUD \$1,032 million ⁵

Platform Availability

AMP MyNorth	Asgard	Ausmaq
Aust Money Market	BT Panorama	Colonial First Wrap
HUB24	Implemented Portfol	Linear
Macquarie Wrap	Mason Stevens	MLC Navigator
MLC Wrap	Netwealth	PowerWrap
Praemium	uXchange	Xplore Wealth

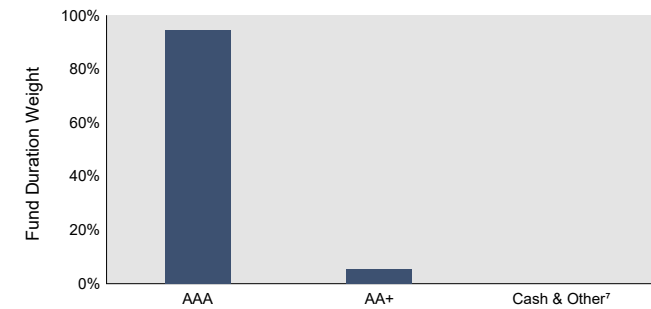
¹ Performance is for the CC JCB Active Bond Fund (APIR: CHN0005AU), also referred to as Class A units, and is based on month end unit prices before tax in Australian Dollars. Net performance is calculated after management fees and operating costs. Individual Investor level taxes are not taken into account 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. ² Benchmark refers to the Bloomberg AusBond Treasury 0+ Yr Index. ³ Inception Date for performance calculation purposes. ⁴ All figures disclosed include the net effect of GST and RITC. ⁵ Fund size refers to the CC JCB Active Bond Fund ARSN 610 435 302. ⁶ Refer to Definition of Terms. ⁷ Cash & Other includes cash at bank, outstanding settlements and futures margin accounts.

Fund Characteristics

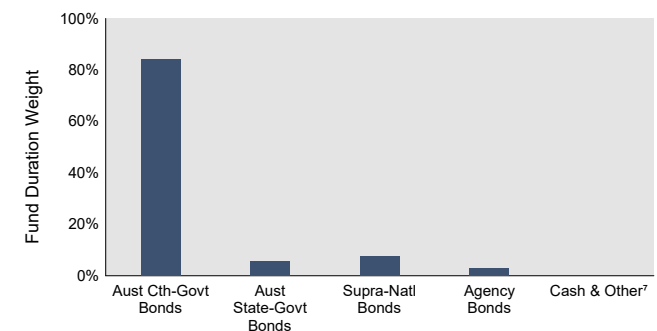
Characteristics ⁶	Fund	Benchmark ²
Modified Duration (yrs)	6.22	6.22
Yield to Maturity (%)	1.99	1.76
Weighted Ave. Credit Rating	AAA	AAA
Cash Weighting (%)	1.10	n/a

Source: JamiesonCooteBonds Pty Ltd.

Allocation by Rating (Duration Weight)⁶



Allocation by Sector (Duration Weight)⁶



Further Information

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Market Review & Outlook

Jamieson Coote Bonds (JCB) cautioned investors that 2022 would likely see the removal of three key policy accommodations which would likely occur over the year. This would include Quantitative Easing programs being wound down, Central Bank adjusting monetary policy to higher interest rates and significantly lower fiscal government spending within the economy. JCB felt this would lift volatilities and cause headwinds for financial markets as the year progressed. Sadly, the addition of a Russia / Ukrainian conflict has turbo charged volatilities and tightened financial conditions considerably, as energy prices have skyrocketed combined with many asset classes experiencing falls in value.

The conflict is absolutely harrowing to watch for humanity, played out over social media in almost live footage. Putin's invasion of Ukraine presents markets with ongoing uncertainty and challenges Central Bankers to tighten monetary policy into an energy crisis. Consumers are now facing significantly higher prices due to energy costs which will likely be combined with higher debt servicing costs, which should cool discretionary spending over the year. As energy is highly inelastic, the immediate impact for the economy is profound. Sadly for many European citizens, the majority of price rises due to a large reliance on Russian gas, signifies the term 'heat or eat' which is now common place as the winter is only just winding down.

JCB believe that such developments can slow the pathway of rates hikes from Central Bankers, as growth will likely fall much faster due to higher energy and commodity costs. JCB forecasts show the RBA to begin hiking rates at the August RBA Board meeting, increasing the cash rate from 0.10% to 0.25%. Additional rate hikes in the calendar year will continue as the RBA's requirements of full employment, 2-3% sustained inflation and 3% wages are getting close to being met. This should leave the RBA cash rate between 0.75% and 1.00% by Christmas, pushing mortgage costs higher.



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Fund Review

For the month ending February, the CC JCB Active Bond Fund - Class A units (the Fund) returned -1.39% (after fees), underperforming the Bloomberg AusBond Treasury (0+Yr) Index.

The volatility in global financial markets that was exhibited since the turn of the year continued in February. In a month of two halves, bond markets sold off to higher yields in the first half of the month as inflation data continued to print at uncomfortably high levels, before escalation of geopolitical tensions between Russia and Ukraine came to a head on 24th February, when Russia launched an invasion. The peak yield in the U.S 10 year Treasuries for the month was 2.04% (highest level since July 2019), before finishing the month at 1.825%.

In the U.S, Headline Consumer Price Index rose by a very strong 0.64% month on month (MoM) and 7.5% Year on Year (YoY), the strongest annual increase since February 1982. Both food and energy prices were stronger than expected, both rising by 0.9% MoM. The price of oil finished the month 8.6% higher.

Adding to the inflationary impulse was the Russian invasion of Ukraine, both producers of large amounts of commodities. The fear of a broader global war has caused risk markets to sell off globally, with equity markets and credit markets hit particularly hard. Australian equity markets outperformed their offshore counterparts. Bond markets performed very well in this environment with long end bonds pricing in lower global growth.

Global central banks have found themselves in a very challenging situation. There is the omni-present threat of high inflation, while the world is on the brink of the biggest war since 1945. There also continues to be a divergence in the paths of central banks depending on how out of control their inflation problem is. Fears of stagflation (high inflation and falling growth) becoming permanent within the global economy are rising.

Already, the Reserve Bank of New Zealand and the Bank of England hiked rates in the month of February, and JCB expect the U.S Federal Reserve to hike the FED Funds rate by 25 basis points at the March Federal Open Market Committee meeting. Despite the large levels of uncertainty in markets, JCB expect central banks to focus on the inflation problem, which means they will carry on raising interest rates, although not to the magnitude that the market is pricing. JCB believes the level of neutral interest rates is now much lower than in previous cycles, and markets are now actually pricing rate cuts to begin in 2024.

Australian fixed income markets continue to be driven by offshore catalysts and broadly traded directionally in line with U.S bond markets, although Australian 10 year bond yields did underperform the U.S 10 year Treasury by around 19 basis points on the month, finishing the month at a yield of 2.14%. Amongst other factors, the catalysts for the underperformance included:

- Reserve Bank of Australia (RBA) Governor Philip Lowe noting in his speech titled "The Year Ahead" that rate hikes were "plausible" in 2022, which was a change from prior messaging, having been forecasting hikes to begin in 2024.
- The RBA wrapped up its final bond buying as part of its Quantitative Easing program. Just over \$360bn of bonds have been purchased across all the bond buying operations of the past two years.

JCB forecasts the RBA to hike rates at the August RBA Board meeting, increasing the cash rate from 0.10% to 0.25%, with another 2 rate hikes in the calendar year as the RBA's requirements of full employment, 2-3% inflation and 3% wages are getting close to being met.

At a portfolio level, JCB have been reducing spread risk within the portfolio, as we see risks of further credit market pain. JCB are maintaining smaller duration positions than usual, enabling the portfolio to make the most of the volatility when opportunities do arise.



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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.

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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