



Fund Update as at 30 April 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	-1.45%	-6.87%	-5.61%	-9.28%	-8.17%	-1.27%	1.16%	0.93%
Benchmark Return ²	-1.51%	-6.71%	-5.40%	-8.68%	-7.50%	-1.23%	1.35%	0.88%
Active Return (After fees)	0.06%	-0.16%	-0.21%	-0.60%	-0.67%	-0.04%	-0.19%	0.05%

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 \$980 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

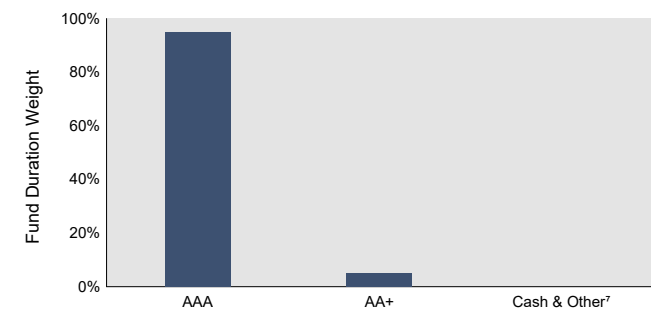
¹ Performance is for the CC JCB Active Bond Fund (APIR: CHN0005AU), also referred to as Class A units, and is based on month end unit prices before tax in Australian Dollars. Net performance is calculated after management fees and operating costs. Individual Investor level taxes are not taken into account 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

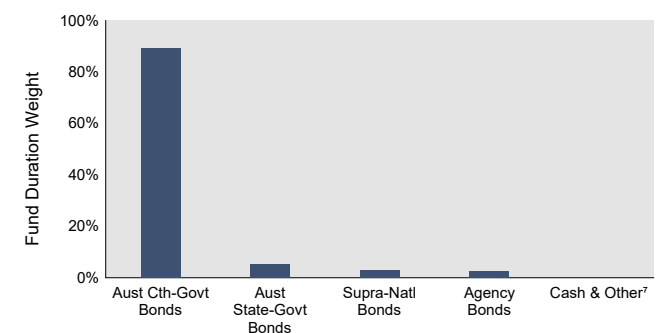
Characteristics ⁶	Fund	Benchmark ²
Modified Duration (yrs)	6.22	5.88
Yield to Maturity (%)	3.03	2.78
Weighted Ave. Credit Rating	AAA	AAA
Cash Weighting (%)	1.50	n/a

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

After warning of challenges for asset markets since the beginning of the year, April has delivered a wake up call across many asset markets (ex commodities), as the realisation that higher interest rates will dramatically effect not only bonds but have an outsized impact on corporate credit, equities and property. As the triple crutches of policy support continue to be withdrawn in 2022 (Qualitative easing (QE), low interest rates and fiscal spending), economic momentum is slowing or stalling the world over with a global recession now widely expected into year-end or early 2023. Consumer confidence remains extremely poor, despite the majority of planned major rate hikes priced by Wall St markets and remain yet to be delivered to the Main St economy, which JCB feels will further reduce confidence, demand and spending in economics.

Bonds initially lead the underperformance of asset markets in 2022, but the selloff in other asset classes has now accelerated significantly in April for credit and equities (JCB believes that bonds are the freight train on a long series of assets and ultimately pull other markets via funding and discount rates moves), with US equities now down ~12% for S&P and ~20% for Nasdaq. Thankfully Australian equities are a significant global outperformer, helped by commodities and the inversion of the tyranny of distance – the blessing to be well geographically removed from current conflict issues in the world today. US high grade corporate credit has also suffered, following equities to accelerated underperformance and is now ~-13% YTD, after a large decline of -5.5% in April. It is worth noting that these returns are before any major credit event that may seize the market similar to the loss of confidence periods in Q4, 2018 and Q1, 2020. As corporate credit is a market of confidence, JCB believe that soaring interest rate hikes and reduced policy support delivered by Central Bankers to crush inflation expectations, can bring us to the difficult seizure point in markets as the year progresses. Asset correlation remains positive for now as rates lead markets to new policy environment, but as we are yet to experience a credit moment where asset quality and liquidity becomes paramount for investors, JCB would expect negative correlation to kick in hard for sovereign bonds should that moment be unfortunately realised. The key element to watch out for is refinancing, rolling existing obligations forwards. Where are the pressure points? What are the maturity walls? Who is struggling? JCB note there have already been a number of high yield issues that have been pulled from market due to 'volatility'. Should that read lack of interest? As credit is the financial oil that lubricates the economic machine, it is absolutely critical for market health that it stays functioning. It didn't in 2018, or 2020; both episodes required vast policy accommodation (rate cuts and QE) from Central Bankers. That cannot happen this time under the current framework and mandates until inflation falls.

The savour for markets will be lower inflation outcomes, which will save policy makers from slamming on the brakes with extra force. Any further shocks to inflation (China/Taiwan conflict, 2nd Global Covid-19 wave or energy infrastructure destruction) would likely cause a deep recession, should policy makers remain committed to slaughtering demand to take pressure off the supply side. Without further shocks, inflation does look set to significantly moderate over the balance of the year after suffering a string of unexpected shocks which has kept expected inflation readings higher in the near term. The re-opening boom in economies last year, fuelled by exceedingly generous policy accommodation long after the medical emergency had past, has run right into a food and energy crisis from the Ukraine/Russia conflict, which is further compounded by the lockdown of China and its manufacturing sectors. Inflation is unlikely to return quickly to any type of stable trend levels, with more volatility expected in readings as the world returns to a larger boom/bust cycle. This bust cycle is moving at a furious pace, we are likely to have a US Federal Reserve funds rate of 2.00% (from essentially zero) by July this year. In the last hiking cycle the credit markets seized and imploded at 2.50% Federal Funds rate – achieved in a stable and peaceful preCovid-19 world. This time because of the pace of hikes we might get further initially, before policy makers move from the brakes to the accelerator to stimulate if inflation allows, but make no mistake in the interim. These policy adjustments using monetary policy with this much force is a blunt instrument to crush demand, attempting to alleviate a supply side pressure. Central Bankers are telling us it will be a "soft landing". JCB don't agree that dealing with these highly complex issues is quite that simple. The one thing that JCB can recommend in a highly uncertain world – markets will remain very volatile and that alone drives risk premiums higher in all asset markets.



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Fund Review

For the month ending April, the CC JCB Active Bond Fund - Class A units (the Fund) returned -1.45% (after fees), outperforming the Bloomberg AusBond Treasury (0+Yr) Index.

April 2022 was the month that the Reserve Bank of Australia (RBA) lost its “patience” stand and took the steps to begin normalisation of monetary policy.

Cross asset volatility picked up in the month globally, with equities, credit and fixed income all seeing negative returns for the month as global inflation continued to accelerate and central banks are set to continue to tighten policy, targeting inflation and destroying demand with the blinkers on as asset prices took a heavy hit.

US inflation data showed a new cycle high of 8.5% year on year, however the consensus is that we have now seen peak inflation and we should start to roll over from now onwards.

US Fed speakers started toying with the idea of aggressive rate hikes, with the potential for 75 basis point (bp) hikes, however it became market consensus that the preferred path would be for 50bp hikes to get the Fed back to a more neutral rate of funds that was no longer stimulatory.

Locally, the highly anticipated Australian CPI figures were released in the final week of April which showed that inflation was running at uncomfortably high levels (5.1% year on year vs the RBA target band of 2-3%), much like the rest of the world, and putting the RBA in line for multiple rate hikes over the rest of 2022. JCB sees the cash rate reaching 1.5% by year end.

The Fund traded with a short bias over the month which generated incremental alpha, before turning long by month end, taking the view the RBA will not meet the market pricing which is looking for an RBA cash rate of well over 2% by year end. Other key drivers of performance included:

- Overweight the 30y sector which outperformed the 10y point; and
- Trading around the new ACGB 2033 supply event

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



JAMIESON COOTE BONDS

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