JAMIESON COOTE BONDS

Fund Update as at 30 June 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%	-3.92%	-10.16%	-11.55%	-11.55%	-3.19%	0.62%	0.47%
Benchmark Return[2]	-1.32%	-3.78%	-9.81%	-10.78%	-10.78%	-3.03%	0.83%	0.46%
Active Return (After fees)	**-0.07%**	**-0.14%**	**-0.35%**	**-0.77%**	**-0.77%**	**-0.16%**	**-0.21%**	**0.01%**

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 Govenment, 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

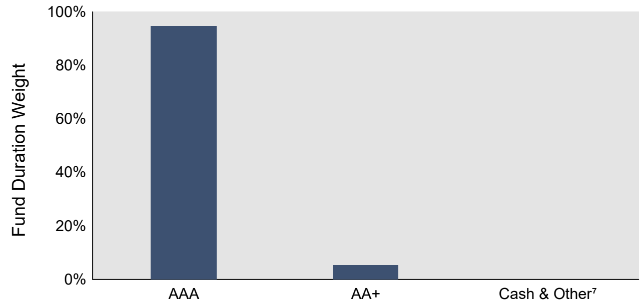
Investment Manager	JamiesonCooteBonds Pty Ltd
Structure	AAA or AA rated bond securities issued in Australian dollars
Inception Date	03 Aug 2016 [3]
Benchmark	Bloomberg AusBond Treasury 0+ Yr Index
Management Fee	0.45% p.a.[4]
Administration Fee	0.10% p.a.[4]
Buy / Sell Spread	0.05% / 0.05%
Distributions	Semi-annual
Fund Size	AUD $984 million [5]

Fund Characteristics

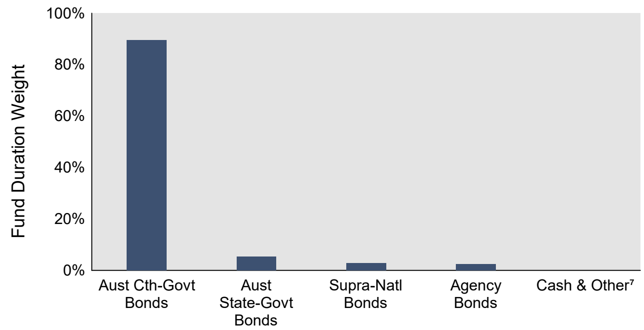
Characteristics[6]	Fund	Benchmark[2]
Modified Duration (yrs)	5.96	5.73
Yield to Maturity (%)	3.48	3.28
Weighted Ave. Credit Rating	AAA	AAA
Cash Weighting (%)	0.17	n/a

Source: JamiesonCooteBonds Pty Ltd.

Allocation by Rating (Duration Weight)[6]



Allocation by Sector (Duration Weight)[6]



Platform Availabilty

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

Further Information

Phone: 1800 940 599
Email: distribution@channelcapital.com.au
Web: www.channelcapital.com.au

[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.

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Market Review & Outlook

After leading macro markets for much of the year, Government Bond markets initially underperformed significantly early in the month of June, before stabilising and then performing (rallying 3.3% from the monthly lows) into month end. This showed increased negative correlation to risk assets as the inflation narratives gave way to worries around economic growth. We believe the recent performance of Government Bonds also speaks to concerns around credit risk, as it becomes clear that a new credit default cycle will emerge from higher funding and refunding pressures within the financial system. Performance of all listed asset classes continues to remain highly volatile, with ongoing uncertainty around the actual requirements of policy tightening to deliver lower inflation outcomes for economies.

Collectively, Central Banks have spent the majority of their time since the Global Financial Crisis of 2008 encouraging a misallocation of capital to avoid a disinflationary low growth/recession under a secular environment that has been prone to delivering low inflation and weak growth outcomes. Keeping the system juiced up with accommodation, low rates, quantitative easing and giving investors little choice (TINA = there is no alternative) has forced portfolios to drift into riskier allocations by decree. In 2022, it seems Central Bankers are actively seeking exactly the outcome they have worked tirelessly and spent trillions of dollars trying to avoid – a disinflationary or deflationary recession to bring post Covid-19 economic volatilities and geopolitical influences to heal.

The concerns around growth go some ways to suggest we have now priced in enough with regards to rate hiking (JCB feel there is little chance of the forward pricing being actually realised with the Reserve Bank of Australia having been priced as high as 4.50% cash rate which would literally crush the economy). This shift from inflation concern to growth concerns is a natural evolution within a tightening cycle – as Central Bankers continue to slam on the economic brakes to temper expected inflation outcomes, but in doing so they also risk killing economic growth in the process under higher funding rates. Corporate credit spreads continued to underperform, as the continued repricing of credit risk is further added to the financial system as we see ongoing adjustments from a decade of accommodative policy.

A global recession is now expected as the base case outcome with demand destruction and weakening momentum widely evident in many leading data releases. JCB believe it is likely that the US economy has already entered a technical recession, as the widely followed Atlanta Federal Reserve GDP nowcast model suggests that current quarter two GDP is -2.1% as at the end of June, following on from a -1.5% in quarter one. Whilst this nowcast model is prone to some error, it does have a strong predicative ability with an average error rate of between the Atlanta Federal Reserve GDP nowcast model and actual GDP of just -0.3%. In fact, when made with 30 days of the actual GDP release, the model has only ever had a singular outlier of more than 2% being quarter two, 2020 when the forecast was -35% and the actual was -32%. Of course, this was the unprecedented COVID-19 shutdown of the economy where data volatility was highly extreme. Other than that, we have no example of a more than 2% swing for any Atlanta Federal Reserve GDP made within 30 days of the release. So, a -2.1% forecast is a large enough model outcome to suggest that quarter two GDP we should expect a second consecutive negative GDP forecast and the technical definition of a recession.

The tightening of monetary policy is usually delivered to markets with a time lag effect as it takes time for the increased monthly repayments to effect consumer behaviour or to challenge corporate credit regarding financing via higher interest rates – rolling forward existing loans. With continued policy tightening expected into the second half of 2022, JCB believes that any prospect of a ‘’soft landing’’ for the economy is looking highly challenged as the economy is losing growth velocity at an accelerated pace. This should continue until Central Banks reach an inflection point where they may ‘’pivot’’ policy to neutral from restrictive allowing confidence to lift and animal spirits to be restored. Sadly for many asset owners, that pivot may be further away than what we have recently experienced in 2018 and 2020, as it is hard to cut rates and embark on quantitative easing if inflation is still well above mandate. Inflation velocity for the rest of 2022 will define market outcomes and Central Bank necessities to further inflict pain on over indebted economies.

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Fund Review

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

Central Banks were out in force tightening monetary policy in the month of June as the US Federal Reserve delivered a 75 basis point hike and the Reserve Bank of Australia lifted the cash rate by 50 basis points. The hawkish tone triggered an aggressive sell-off in rates which led to extended losses in risk markets, and saw US equity markets enter bear market territory, led by the NASDAQ (proxy for growth assets) which sold off 8.7% in the month of June to be down close to 30% since the turn of the year.

The first half of 2022 has been very difficult for bond markets with the worst returns for sovereign bond funds going back decades, let alone funds that have credit exposure added to their sovereign holdings. Green shoots are appearing for bond holders now, with the asset class now beginning to exhibit the diversifying characteristics to listed risky asset markets that we have come to expect over time. In fact, while bond markets were the first asset class to see substantial losses this year, since their lows on June 22nd, we have seen a positive return, whilst equities have continued their slide.

Going forward, JCB believes bond markets could continue to provide solid returns over the rest of the year as recessionary fears appear certain to increase and then very likely be crystalised in the next 6 months or so. A global recession is now expected as the base case outcome with demand destruction and weakening momentum widely evident in many leading data releases. JCB also believes it is likely that the US economy has already entered a technical recession, as the widely followed Atlanta Federal Reserve GDP nowcast model suggests that current Q2 GDP is -2.1% as at the end of June, following on from a -1.5% in Q1.

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