Fund Update as at 30 September 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]	-1.46%	-0.68%	-4.58%	-0.68%	-12.36%	-4.11%	0.49%	0.34%
Benchmark Return[2]	-1.42%	-0.72%	-4.47%	-0.72%	-11.75%	-3.97%	0.77%	0.32%
Active Return (After fees)	**-0.04%**	**0.04%**	**-0.11%**	**0.04%**	**-0.61%**	**-0.14%**	**-0.28%**	**0.02%**

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

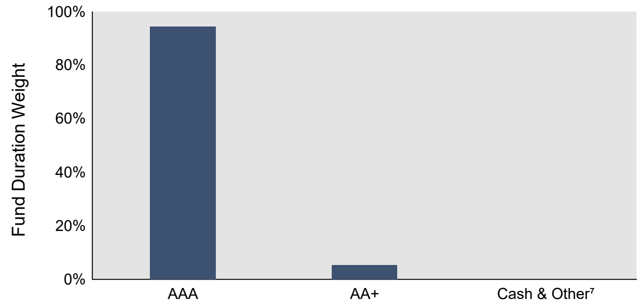
Investment Manager	JamiesonCooteBonds Pty Ltd
Structure	AAA or AA rated bond securities issued in Australian dollars
Inception Date	03 Aug 2016 [3]
Benchmark	Bloomberg AusBond Treasury 0+ Yr Index
Management Fee	0.45% p.a.[4]
Administration Fee	0.10% p.a.[4]
Buy / Sell Spread	0.05% / 0.05%
Distributions	Semi-annual
Fund Size	AUD $1,084 million [5]

Fund Characteristics

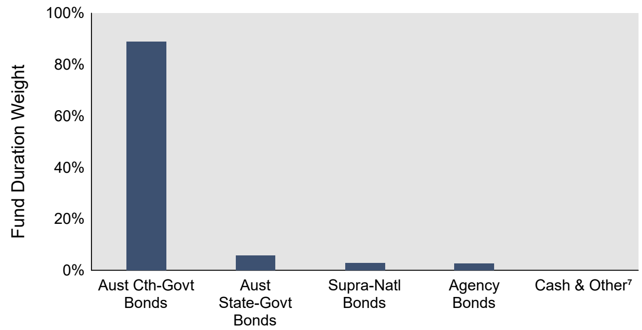
Characteristics[6]	Fund	Benchmark[2]
Modified Duration (yrs)	5.41	5.66
Yield to Maturity (%)	3.83	3.68
Weighted Ave. Credit Rating	AAA	AAA
Cash Weighting (%)	0.19	n/a

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

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[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

The inflation focus will give way to a liquidity/credit crisis as markets begin to break.

''There are decades where nothing happens, and there are weeks where decades happen, '' as Vladimir Lenin said.

With so much focus and reporting of individual events in markets, we often miss the chance to stand back and consider the larger trends. The changes occurring in financial markets are profound, as Central Bankers must retreat from their low interest rate and excess liquidity policies to kill inflation. As this is occurring, assets that are reliant on low interest rates to justify higher valuations are quickly falling in value. Markets are starting to creak and crack, but the individual issues have yet to become a systemic market wide issue. Are these the Bear Stearns or Countrywide rumbles ahead of the Lehman moment? If we stay on this policy course of radically fighting inflation at all costs, then a systemic market issue is almost certainly the outcome, and likely leads to a highly deflationary bust. Perhaps that's been the plan all along – even though most folks will not enjoy seeing asset values fall in the process.

2022 has been a brutally ugly year to date, and as we know from previous episodes, sadly these things tend to speed up toward the end in a crescendo outcome (think about the year-long lead up to the Lehman Brothers blow up through the global financial crisis). With a tripod of policy being removed from markets in fiscal, monetary and liquidity (Quantitative Easing) to crush inflation, markets were always going to suffer in a re-adjustment from prior over stimulus. Geopolitical events have turbo charged these changes via higher energy prices and increased uncertainty, but they have restored yields to levels not seen since 2010. The last time 10 year US Government Bond yields traded at 4.00% the S&P 500 was at 1300 (gulp) some two thirds lower in value than today. Granted the earnings component is far higher than 2010, and the index has rotated out older businesses in favour of new darlings, but one must acknowledge that some hope of status quo valuations remains in the current pricing. That is quite rational given the macro policy safety nets investors have come to expect in any type of crisis since the global financial crisis, however, this time is a little different as we cannot guarantee that inflation will disappear in a supply constrained energy world where a few key players hold the future of global energy prices in their hands. That makes the 'pivot' – where Central Banks can provide accommodation potentially further away (double gulp!).

Many investors expect once this inflation monkey is off our collective backs (Central Banks will win this inflation fight by radically taming the economy), the world can return to the pre-Covid status quo of policy support which should deliver low volatility, low interest rates (negative real rates) and as a result, higher asset prices. That may be the case, or as Lenin suggests above, we could be quickly morphing towards a new investment environment where interest rates stay higher for longer periods to quell inflation. Our major concern remains that raising rates at the fastest pace in a generation, on enormous debt burdens, causes things to ultimately break. In the last few months this has all happened so quickly that like turning on a long garden hose, for a little while nothing actually happens and then all at once water spurts out at a chaotic pace. We are in the eye of the storm from the obvious effects of rate hikes, and the major pains are yet to come.

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Monetary policy is now well into restrictive territory in most of the developed world (above the neutral rate which is defined as the rate that is neither accommodative or restrictive for the economy). After being lured into risky assets by cheap money and excess liquidity, leveraged participants are now asked to refinance (through time) after the fastest hiking cycle in a generation, on large debt loads. As a result, the availability and risk appetite of lenders is lower, despite the higher interest rates they can charge, as they don't think everyone is a good lending credit under higher debt servicing costs. This makes lending and availability of credit pro cyclical, when ideally it would be counter cyclical, which is ultimately why Central Banks need to provide the backstop to the economic machine to be the 'lender of last resort'.

To get some certainty back in markets and monetary policy, we need to consider the inflation pathway.

Historically, to kill inflation, the Fed Funds rate has needed to move beyond the inflation rate, which is expected to occur between March and June of 2023, depending on the monthly averages from (0.2% to 0.4%) and rationally the markets expect lower Fed Funds rates from this point on.

So, this would be the glide path if nothing goes wrong, nothing breaks in the system. Can we hang on until the second quarter of next year without a systemic accident? Sadly, that is highly unlikely as stress indicators across many metrics are peaking with financial stresses building into higher interest rates, wider credit spreads, lower equity valuations and higher volatility.

Thank goodness there are alternatives again.

JCB

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Fund Review

For the month ending September, the CC JCB Active Bond Fund - Class A units (the Fund) returned -1.46% (after fees), underperforming the Bloomberg AusBond Treasury (0+Yr) Index.

Hawkish central banks. Higher than expected inflation and other upside data surprises. These two headlines could have led most of the monthly commentaries for 2022, however what was added to the month of September was a UK 'mini-budget' which contained fiscal easing measures that led to an unprecedented sell off in UK Gilts in the manner of a VAR shock, taking global rates for the ride, finishing the month significantly higher in yield.

As the inflation genie continues to surprise to the upside, central banks continued to raise their respective cash rates. In September, these included hikes from:
FOMC (+75bps) RBA (+50bps), Riksbank (+100bps), BoC (+50bps), SNB (+75bp), Norges Bank (+50bp), and BoE (+50bp).

The UK mini-budget was nothing short of a disastrous piece of policy as the Truss government announced measures to ease fiscal conditions with proposed tax cuts and significantly larger borrowing programs for the UK. This saw a Gilt led sell-off, taking global fixed income yields higher, before the Bank of England needed to step in and buy Gilts to "restore orderly market conditions", effectively emergency QE.

Overall bond volatility continued in September, with the US 10y Treasury trading an 85bp range (3.17% to 4.02%, closing the month 64bp higher. The MOVE Index (a measure of bond volatility) was seen to reach a high of 159, which is only just below the record of 164 seen in 2020. Australian bonds outperformed comparatively, closing the month 31 basis points higher. The key driver of the outperformance was the improved budget measures announced by Treasurer Jim Chalmers, as well as an RBA that hinted most of the hard lifting had been done by the RBA in the current rate hiking cycle, and the speed of the hikes was to slow.
The higher bond yields and hawkish central banks continued to weigh on risk assets, with fears of recession becoming common place, and seemingly the narrative in markets is now that good news (i.e. better data) is bad news (Central banks need to do more and risk markets will continue to be hit).

The Fund was positioned with a mild bias to underweight duration and curve flattening positions, but then had a small draw-down in the volatility of the final week of September with the 30y point of the Australian bond curve flattening aggressively, detracting from performance. Overall, the Fund was broadly flat to benchmark returns for the month before fees.

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

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Channel Investment Management Limited ACN 163 234 240 AFSL 439007 ('CIML') is the Responsible Entity and issuer of units in the CC JCB Active Bond Fund ARSN 610 435 302 ('the Fund'). The appointed Investment Manager is JamiesonCooteBonds Pty Ltd ACN 165 890 282 AFSL 459018 ('JCB'). Neither CIML or JCB, their officers, or employees make any representations or warranties, express or implied as to the accuracy, reliability or completeness of the information contained in this report and nothing contained in this report is or shall be relied upon as a promise or representation, whether as to the past or the future. Past performance is not a reliable indication of future performance. This information is given in summary form and does not purport to be complete. Information in this report, should not be considered advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling units in the Fund and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice. Readers are cautioned not to place undue reliance on forward looking statements. Neither CIML nor JCB have any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date of this report. For further information and before investing, please read the Product Disclosure Statement available at www.channelcapital.com.au. A Target Market Determination for the Fund is available at www.channelcapital.com.au.