



Fund Update as at 31 December 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	-2.37%	0.10%	-0.59%	-0.59%	-10.69%	-3.48%	0.21%	0.34%
Benchmark Return ²	-2.37%	0.24%	-0.48%	-0.48%	-10.24%	-3.29%	0.50%	0.35%
Active Return (After fees)	0.00%	-0.14%	-0.11%	-0.11%	-0.45%	-0.19%	-0.29%	-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 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 \$1,132 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

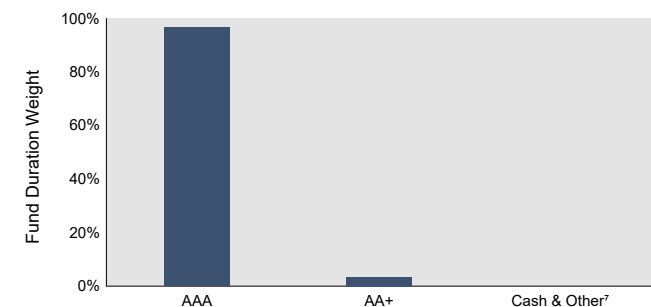
¹ Performance is for the CC JCB Active Bond Fund (APIR: CHN0005AU), also referred to as Class A units, and is based on month end unit prices before tax in Australian Dollars. Net performance is calculated after management fees and operating costs. Individual Investor level taxes are not taken into account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

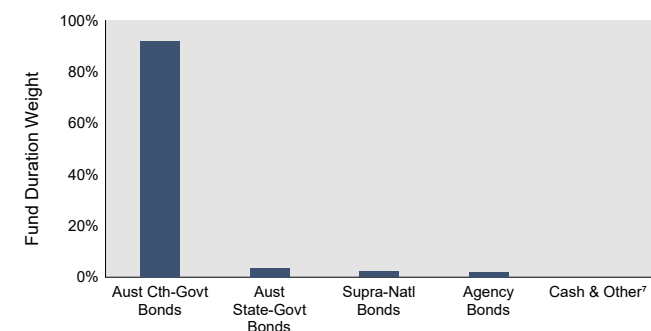
Characteristics ⁶	Fund	Benchmark ²
Modified Duration (yrs)	5.85	5.73
Yield to Maturity (%)	3.86	3.77
Weighted Ave. Credit Rating	AAA	AAA
Cash Weighting (%)	0.34	n/a

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

Bond markets retreated sharply to finish the year after the Bank of Japan surprised markets with the timing of their yield curve control widening, lifting Japanese bond yields across the maturity spectrum. This had a knock-on effect to other global markets as Japanese investors are a huge part of the eco system and will now require additional yield to maintain global investment programs in favour of domestic investments. Australian bonds over-reacted to this unexpected shift from the Bank of Japan as they managed to underperform most global bond markets on expectations of Japanese repatriation of foreign bond holdings. This action from the Bank of Japan should not be misconstrued as a major monetary policy pivot, the decision was also made with the intention of soothing their bond market from future bouts of volatility.

Later in the month, news of China reopening also added to the bearish momentum in fixed income and combined with Christmas liquidity the markets continued to leak to higher yields. The re-opening of China to the world is expected to give a boost to global consumption and the tourism industry and incited fears of further inflationary pressures resurfacing in 2023, when US CPI was showing signs of peaking as displayed by the second consecutive downside miss that was recorded for the November CPI earlier in the month.

Looking forward as the cycle develops over 2023, economies and consumer spending should slow markedly, with headline inflation collapsing (barring exogenous geopolitical shocks) from the double digit outcomes seen in the US and Europe. This should not be confused with lower prices; high prices are here to stay in many goods and services, but the rate of change within these prices changes can move to zero (stable but high prices) therefore crushing inflation outcomes. This might suggest that Central Bankers can 'pivot', moving to a period of market accommodation which would allow much of the above recalibration to be avoided. That is a slim possibility, it likely requires a more peaceful 2023 with a resolution to the Russian/Ukrainian conflict which would be most welcome and a catalyst for a possible new bullish market phase. A more likely scenario is that rates remain at more normalised levels as markets move away from negative interest rates and Quantitative Easing, holding the interest rate structure at higher levels. This is an exciting development for active bond managers with a richer opportunity set on offer in that environment.

The scope of these moves in December was a fitting finale for a challenging investment year in 2022 and was heightened by poor risk appetite into year end. This presents a significant medium-term opportunity to establish high quality and liquid fixed income positions for portfolios ahead of an expected turbulent 2023 where economies will slow and credit concerns will rise significantly.



Fund Update as at 31 December 2022

CC JCB Active Bond Fund (APIR: CHN0005AU)

Fund Review

For the month ending December, the CC JCB Active Bond Fund - Class A units (the Fund) returned -2.37% (after fees), performing in line with the Bloomberg AusBond Treasury (0+Yr) Index.

The main thematic in the month from a forward looking macro-economic perspective into 2023 focused on the opening up of China from Covid-19 restrictions, a pivot from the Bank of Japan (BOJ) monetary policy, continued hawkish viewpoints from the European Central Bank (ECB) and validation of peak global inflation. Despite the lower than expected November US CPI print mid-month which came in at only 0.1% and was the second consecutive downside miss, the bond market could not sustain the rally into year end. Bond markets were caught off guard from the hawkish rhetoric at the ECB meeting on 15th December which came on top of the as expected 50 basis point (bp) rate hike – with President Lagarde suggesting that “a significant rise at a steady pace means that we should expect to raise interest rates at a 50 bp pace for a period of time” . The BoJ also sprung a hawkish surprise into Christmas as they modified their long held Yield Curve Control policy as they widened the range by 25 bps with a maximum yield on 10yr Japanese bonds increased to 0.5%. This saw Japanese yields jump by over 20bp and the Yen rallied by almost 4% on the day. The final blow for bond markets into year end was the announcement from Chinese authorities that all Covid-19 quarantine measures would be removed from 8 January ramping up expectations of a pick up in demand and growth through the global economy in 2023. The heavy bond supply calendar in January also resulted in front loaded selling into diminished holiday market liquidity that exacerbated the global bond market weakness for the month. Australian rates market underperformed sharply into year end with low liquidity evident as corporate deal related selling, hedge fund futures selling and semi-government supply, were all micro factors that augmented the bearish sentiment from the BoJ hawkish move and the eagerly awaited reopening of China. The fear that the higher yields emanating from Japan as a result of their tilt to monetary policy hit Australian bonds the hardest in expectation of Japanese investors reducing their foreign bond exposures. Looking forward the portfolio will look to tactically explore the ranges as the anticipated slowdown in global growth from the rapid increase in financing costs is balanced against the Central Banks assessing their 2022 mandate to slay the inflation dragon and the implications of the re-opening of the Chinese economy .

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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