Fund Update as at 28 February 2019

CC JCB Active Bond Fund (APIR: CHN0005AU)

Fund Benefits

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

Access
The Fund provides access to investment knowledge, markets, opportunities and risk management systems that individual investors may not be able to obtain on their own.

Diversification
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.

Income
The income generated by bond securities is consistent and regular (usually semi-annual).

Fund Facts

Investment Manager	JamiesonCooteBonds Pty Ltd or JCB
Portfolio Manager	Charles Jamieson
Structure	AAA or AA rated bond securities issued in Australian dollars
Inception Date^	3 August 2016
Benchmark	Bloomberg AusBond Treasury (0+Yr) Index
Management Fee#	0.45% p.a.
Administration Fee #	0.10% p.a.
Buy / Sell Spread	0.05% / 0.05%
Distributions	Semi-annual
Fund Size+	AUD $349 million

Fund Performance

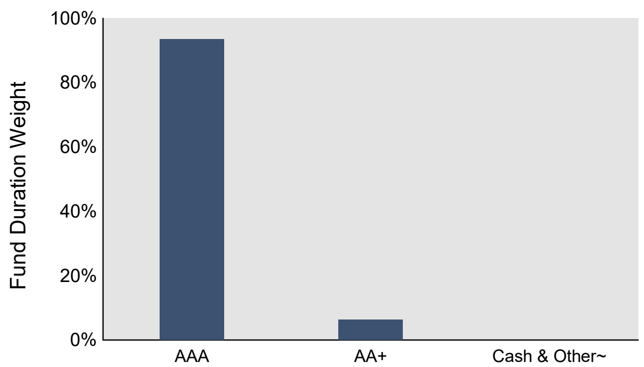
Returns (After fees)	Fund*	Benchmark**	Excess
1 Month	1.07%	1.03%	0.04%
3 Months	3.24%	3.69%	-0.46%
FYTD	4.37%	5.03%	-0.66%
1 Year	6.03%	7.09%	-1.06%
2 Years p.a.	4.35%	4.81%	-0.46%
Inception p.a.	2.72%	2.53%	0.20%

Fund Overview

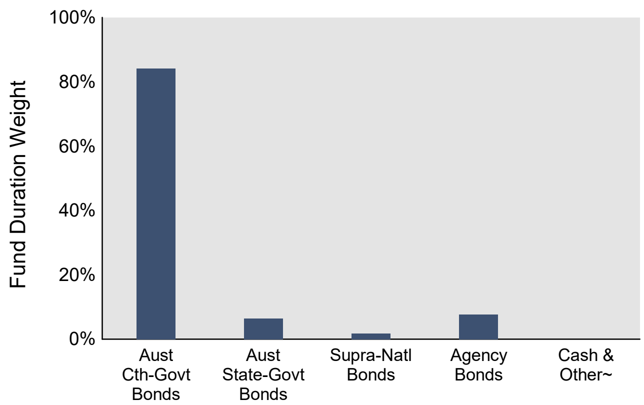
Characteristics***	Fund	Benchmark**
Modified Duration (yrs)	6.39	6.25
Yield to Maturity (%)	2.05	1.94
Weighted Ave. Credit Rating	AAA	AAA
Cash Weighting (%)	1.05	n/a

Source: JamiesonCooteBonds Pty Ltd.

Credit Rating Allocation (by Duration Weight)***



Sector Allocation (by Duration Weight)***



Platform Availabilty

Asgard	Ausmaq	Aust Money Market
BT Wrap/Panorama	Colonial First Wrap	HUB24
Linear	Macquarie Wrap	Mason Stevens
Netwealth	PowerWrap	U-Exchange

Further Information

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All figures disclosed include the net effect of GST and RITC. ^ Inception Date for performance calculation purposes. + Fund size refers to the CC JCB Active Bond Fund ARSN 610 435 302. * 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, excluding taxation. 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. ** Benchmark refers to the Bloomberg AusBond Treasury 0+ Yr Index. *** Refer to Definition of Terms. ~ Cash & Other includes cash at bank, outstanding settlements and futures margin accounts.

Zenith Investment Partners — Recommended

JCB
JAMIESON COOTE BONDS

Recommended — Lonsec Research

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Market Review & Outlook

• Australia has an availability of credit issue, not a price of money issue
• The RBA opens the door to rate cuts in H2
• Asset allocation has been difficult in a year of wide risk dispersion
• Searching for the 'perfect hedge' the Q Super case study

• Australia has an availability of credit issue, not a price of money issue

Australia does not have a 'price' of money problem, its problem arises from a significant and one-time recalibration around the availability of credit. The days of easy money are over, no longer can loan applications make light reference to monthly expenses which go un-tested by lenders. As this recalibration occurs, think carefully about how now deflated markets could reflate. Going back to lax lending standards and poor loan due diligence isn't a great pillar to be leaning on as the central expectation. This recalibration looks more "L" shaped for many asset markets contingent on leveraged participation than a possible "V" shape in JCB's eyes.

• The RBA opens the door to rate cuts in H2

Falling property prices have forced the RBA's hand with their recent acknowledgement that the next move in rates is now 'balanced'. This is a sizeable shift away from the previous RBA rose-coloured glasses narrative that the Australian economy remained solid and recovering towards trend, commentary JCB have long criticised as being overly optimistic, but have assumed necessary to provide reassured confidence. With property markets now falling consistently around the country the expected extrapolation into consumption and household balance sheets has seen the RBA swallow a bitter pill of reality. Many economists are now publicly calling for interest rate cuts in the second half of 2019, after the Federal election likely to occur in May. Such a move, whilst being great for the bond market, would do little to redress the major issue of credit availability.

• Asset allocation has been difficult in a year of wide risk dispersion

Globally, macroeconomic data has been the weakest JCB has experienced since early 2016 when markets imploded, and yet equity markets have enjoyed a powerful new year rally on dovish Central Bank commentary and hope of continued quantitative support. Such measures can make a fool of well-constructed asset allocation thinking, as perversely bad news could be good news for risk assets again. The dispersion of possible returns seems wide under such a scenario. If credit delinquency is contained, such accommodative policies would be warmly welcomed by risk markets. However, should credit delinquency grow, such moves may not be enough (think early 2008 when U.S. Federal Reserve cut rates by 2.25%, the U.S. government had guaranteed AIG, Freddie Mac and Fannie Mae and yet risk assets continued to plunge).

As investment committees begin to think of their asset allocations for 2019, could the fixed income allocation be the easiest? The scare campaigns of global rate hikes and unknown bond supply programs are gone, mitigating the left tail of weakness in performance outcomes. JCB believes two powerful right tail outcomes potentially exist for material performance: (1) markets enter a credit crisis and bonds rally on flight to quality; or (2) markets get renewed Quantitative Easing and all assets rally including fixed income.

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• Searching for the 'perfect hedge' the Q Super case study

The recent AFR article published on 4 March made some excellent points around the benefit of pure duration assets to provide a hedge-like counter balance for riskier asset holdings. The article explains how Q Super, Australia's best performing Superannuation fund in 2018, took years to search for its "perfect hedge," finally settling on the "finance 101" textbook – good old government bonds.

Fund Review

For the month ending February, the CC JCB Active Bond Fund (the Fund) returned 1.07% (after fees), outperforming the Bloomberg AusBond Treasury (0+Yr) Index by 0.04%.

Over the course of the month the Fund made mild adjustments to its key rate exposures, exiting an overweight in short dated QTC 2020's to add 3 year ACGB 5/21's, and extending into NSWTC and QTC 24's from ACGB 3 years and a small parcel of 20 years ACGB bonds on belly underperformance. JCB also trimmed an overweight in the ACGB 30 year sector versus 10 year contracts after observing the UST curve steepen, taking the portfolio slightly underweight the ultra-long bond key rates. Finally, JCB are trimming long end exposures to NSWTC ahead of the state election and in sympathy with lower expected property taxes.

The Fund retains short-dated Supra national holdings for added carry and income.

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). 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 contracts.

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