



JAMIESON COOTE BONDS


# PRODUCT DISCLOSURE STATEMENT

## CC JCB Active Bond Fund APIR: CHN0005AU

November 2018

### Contents

Section 1	
About Channel	2
Section 2	
How the CC JCB Active Bond Fund works	2
Section 3	
Benefits of investing in the CC JCB Active Bond Fund	3
Section 4	
Risks of managed investment schemes	3
Section 5	
How we invest your money	4
Section 6	
Fees and costs	5
Section 7	
How managed investment schemes are taxed	7
Section 8	
How to apply	7
Section 9	
Other information	8

This Product Disclosure Statement ('PDS') provides a summary of significant information about the CC JCB Active Bond Fund (ARSN 610 435 302) ('the Fund') together with references to additional important information about the Fund which is available at [www.channelcapital.com.au](http://www.channelcapital.com.au) or by calling us on 1800 940 599. References to additional information are highlighted with a . It is important that you read this PDS and the additional information (which forms part of this PDS) before making a decision about the Fund.

The information in the PDS is general information only and does not take into consideration your personal financial situation or needs. You should obtain financial advice tailored to your personal circumstances.

An investment in the Fund is an investment in a registered managed investment scheme. An investment in the Fund is not a bank deposit, bank security or other bank liability. There is no guarantee of the repayment of capital from the Fund or the investment performance of the Fund.

The offer made in this PDS is available only to persons receiving this PDS (electronically or otherwise) within Australia. Applications from outside Australia will not be accepted

#### Updated Information

Information in this PDS may change. Any updates to information that are not materially adverse to investors will be provided at [www.channelcapital.com.au](http://www.channelcapital.com.au). Please check the website or call us or your financial adviser for any updates prior to investing. A paper copy of any updates will be provided free of charge upon request.

## 1 About Channel

Channel Investment Management Limited ACN 163 234 240 AFSL439007 ('Channel', 'RE', 'we', 'our' or 'us') is a trustee and manager of a number of managed investment schemes. Channel Capital Pty Ltd provides investment management infrastructure and services across several asset classes and is the holding company of Channel.

We are licensed under the Corporations Act 2001 (Cth) ('Corporations Act') to act as responsible entity of the Fund. We are responsible for managing the Fund in accordance with the Corporations Act and the constitution of the Fund. You can obtain a copy of the constitution by contacting us and requesting a copy be made available to you.

Channel has appointed JamiesonCooteBonds Pty Ltd ACN 165 890 282 AFSL 459018 ("JCB") as the investment manager of the Fund. JCB is a specialist bond fund manager based in Melbourne and operated by its founders, Charles Jamieson and Angus Coote. Charles and Angus have several decades of experience in the global bond market. Both have considerable experience in both the Australian and international bond markets.

### Investment philosophy

JCB is an active, fixed income manager with a macro economic, risk-adjusted investment process. JCB use a strict and disciplined approach honed across years of global market experience and careful management of downside risk. JCB aims to have the majority of the Fund's portfolio invested in long positions in Government Bonds, Supranational Bonds and/or Public Finance Agency Bonds. JCB will only invest in Public Finance Agency Bonds that are explicitly guaranteed by a government.

### Investment strategy

In pursuing the Fund's investment objective, JCB use fundamental and technical analysis to make bond security selections and adjust duration exposures (against the Benchmark) with a view to generating the optimal risk-adjusted portfolio. Security selections are set with hard limits on entry and exit with both floors and ceilings being pre-determined before investments are acquired. The JCB investment process aims to deliver the benefits of a defensive bond allocation with the overlay of active management.

### Investment universe

The Fund aims to hold bond securities that are AAA or AA rated, backed by a government, supranational or Public Finance Agency and issued in Australian dollars. Derivatives are used for interest rate hedging purposes or to replicate underlying bond securities in the form of futures contracts listed on the Sydney Stock Exchange. All futures will be exchange-traded. The use of futures may generate some gearing to the Fund which the management team will control using a risk-adjusted framework.

## 2 How the CC JCB Active Bond Fund works

The Fund is an Australian registered managed investment scheme in which amounts invested by individual investors are pooled to buy assets on behalf of all investors in the Fund.

When you invest in the Fund you are issued with Units. Your Units represent a beneficial interest in the Fund's assets as a whole. Your investment is not a direct investment in specific Fund assets. The value of your investment changes whenever Unit prices are recalculated. The price of Units will vary as the market value of the Fund's assets rise or fall. The most recent Unit prices are available at [www.channelcapital.com.au](http://www.channelcapital.com.au).

This PDS applies to Class A Units. We may in the future offer different classes of units in the Fund via a separate PDS or Information Memorandum which may have different rights and restrictions. We treat all investors within a class of units equally and investors in different classes fairly.

Minimum initial investment	
Indirect investors via IDPS	No minimum investment. Refer to your IDPS operator's requirements.
Direct investors	\$100,000. However, the RE has discretion to accept lower amounts.
Minimum additional investment	
You can increase your investment in the Fund by applying to acquire additional Units, subject to the minimum additional investment amounts set out below.	
Indirect investors via IDPS	No minimum investment. Refer to your IDPS operator's requirements.
Direct investors	\$50,000. However, the RE has discretion to accept lower amounts.
Minimum investment balance	
Indirect investors via IDPS	No minimum investment. Refer to your IDPS operator's requirements.
Direct investors	\$100,000. However, the RE has discretion to permit a lower minimum investment balance.
Unit prices	
Unit prices are calculated daily on each Business Day.	

<b>Income distribution</b>	Semi-annually for the periods ending 31 December and 30 June each year, where income is available. Where distributions are paid, you can elect to either have your distributions automatically reinvested or paid directly into a nominated Australian financial institution account.
<b>Withdrawal</b>	<p>You can decrease your investment in the Fund by withdrawing some or all of your Units. Written withdrawal requests should be lodged by mail or by facsimile with the RE prior to 12 noon (Sydney time) on any Business Day. The withdrawal amount payable is calculated using the withdrawal price as at close of business on that day. If a withdrawal request is received after 12 noon (Sydney time) or on a non-Business Day, it is deemed to be received the following Business Day, and the withdrawal amount payable is calculated using the Unit price for that Business Day.</p> <p>The RE endeavours to ensure that all withdrawal proceeds are paid within 7 Business Days from the date of receipt of the withdrawal request. Investors should note however, that the Fund's constitution allows up to 40 days from acceptance of a withdrawal request. In some circumstances, such as when there is a freeze on withdrawals, investors may not be able to withdraw their investment within the usual period upon request.</p>
<b>Cooling off period</b>	A cooling off period applies to your investment. See section 8 'How to apply' for details.



You should read the important information about 'How the CC JCB Active Bond Fund works' before making a decision. Go to 'Additional Information to the PDS' at [www.channelcapital.com.au](http://www.channelcapital.com.au). The material relating to 'How the CC JCB Active Bond Fund works' may change between the time you read this PDS and the day you sign the Application Form.

### 3 Benefits of investing in the CC JCB Active Bond Fund

A summary of the features and benefits of investing in the Fund is as follows:

<b>Active management</b>	The Fund is managed by JCB, a specialist fixed income manager with significant global investment management expertise. Investment in 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.
<b>Diversification</b>	An investment in the Fund offers diversity to a portfolio. When Government, Supranational Bonds and/or Public Finance Agency 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.
<b>Income</b>	The Fund's underlying securities are backed by Government, Supranational or Public Finance Agency Bond issuers. The income generated by bond securities is consistent and regular (usually semi-annual).
<b>Liquidity</b>	The underlying market of Australian Government, Semi Government, Supranational and Public Finance Agency Bonds are liquid positions that can be bought or sold with ease.

### 4 Risks of managed investment schemes

Investors need to understand the investment risks involved before investing in the Fund.

All investments carry risk. Different strategies can carry different levels of risk, depending on the assets that make up that strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk. The value of investments and the level of returns will vary. Future returns may differ from past returns and past performance is not a reliable guide to future performance.

Neither the RE, JCB, their directors, associates nor any of their related bodies corporate guarantee the success of the Fund, the repayment of capital or any particular rate of capital or income return. Investments in the Fund are not guaranteed or underwritten by the RE or JCB or any other person or party and you may lose some or all of your investment.

Some of the key risks that may impact the value of your investment in the Fund are outlined below. You need to consider the level of risk that you are comfortable with, taking into account factors such as your age, your investment time frame, other assets and investments you have and your overall tolerance for risk.

#### Credit risk

Credit risk is the risk that changes in the credit worthiness (ability to pay) of an issuer comes into question. As a result of a change in credit quality, gains or losses can occur to the prices of the underlying bond of that issuer. In extreme cases, defaults (inability to pay interest or principal) can occur and the underlying price of the bonds of that issuer are marked down significantly, if not entirely. While Government, Supranational Bonds and/or Public Finance Agency Bonds carry the lowest levels of bond risk, a level of credit risk still exists.

### Credit ratings risk

The Fund invests in securities that may have been assigned credit ratings by external ratings agencies. A rating downgrade could reduce the value of a security. Credit ratings do not guarantee the credit quality of a security, its underlying assets or its repayments, and may be re-assessed by rating agencies in a range of circumstances.

### Inflation risk

There is a risk that the rate of inflation may exceed the net after-tax return from your investment. Thus, the purchasing power of an investment may not keep pace with inflation.

### Interest rate risk

Interest rate risk is the risk to an investment that is caused to the underlying asset when interest rates rise or fall. Whilst capital gains can be made in an environment where interest rates fall, capital losses on bond portfolios can occur in an increasing interest rate scenario if the bonds are realised prior to maturity.

### Investment risk

The Fund seeks to generate higher returns than traditional cash investments. The risk of an investment in the Fund is higher than an investment in a typical bank account or term deposit. Amounts distributed to unitholders may fluctuate, as may the Fund's Unit price. The Unit price may vary by material amounts, even over short periods of time, including during the period between a redemption request being made and the time the redemption Unit price is calculated.

### Model risk

The Investment Manager uses a financial model as part of the investment or risk management processes; however, there is no guarantee that the model will perform as expected.

### Sovereign default risk

Sovereign default risk refers to the default of a government issuer that is unable to repay its interest or principal on its bond issuance and, as a result, is unable to pay its country's debts.

### Derivative risk

JCB will have the ability to use gearing in the form of bond futures. Derivatives are used for interest rate hedging purposes or to replicate underlying bond securities in the form of futures contracts listed on the Sydney Stock Exchange. Bond futures can have the ability to magnify both profits and losses. There is also a liquidity risk associated with bond futures in that it may be difficult in times of volatility to trade in reasonable size.

### Liquidity risk

Investments may be difficult or impossible to sell, either due to factors specific to that security, or to prevailing market conditions. Liquidity risk may mean that an asset is unable to be sold or the Fund's exposure is unable to be rebalanced within a timely period and at a fair price, potentially resulting in delays in redemption processing, or even the suspension of redemptions. If we are required to process a large redemption or application, the exposure of the Fund to particular investments, sectors or asset classes may be altered significantly due to the security sales or purchases required.

### Counterparty risk

This is the risk that any of the counterparties which the Fund deals with may default on their obligations to pay monies or

deliver securities to the Fund. This may result in a loss.

### Fund risk

The risk that changes to the Fund such as key staff termination, changes to fees or changes to government policies, regulation and laws that may affect the Fund, can have an impact on the potential returns.

### Market risk

The return on a particular security may be influenced by macro-economic factors including other security returns in investment markets similar assets classes or regions.

### Withdrawal risk

The risk that the usual timeframe for withdrawal requests is not met, or the RE suspends withdrawals from the Fund due to severe adverse market conditions.

### Operational risk

Operational risk is the risk of loss or damage resulting from inadequate or failed internal processes, people and systems or from external events. JCB, the RE or the Fund may experience losses, adverse regulatory consequences or reputational damage due to a variety of operational risks, including inadequate or failed internal or external processes, people or systems, internal or external fraud, cyber security attacks or cyber incidents including deliberate or unintentional events, errors by counterparties under outsourcing arrangements and inadequate business continuity planning, and due to key person risk. The extent of your exposure to losses from the operational risks of parties not under your control may be determined, in part, by applicable law and/or contractual provisions that allocate or limit liability. The Investment Manager and the RE manage operational risk through the oversight arrangements, systems, procedures and policies which have been established as part of a governance, risk management and compliance framework.

### Regulatory risk

The value of some investments may be adversely affected by changes in government policies, regulations and laws, including tax laws and laws affecting managed investment schemes.

### Foreign investment risk

Additional risks may arise when investing overseas, including changes in foreign exchange control regulations, foreign tax legislation and withholding tax and government policy. Additionally, differences in accounting, legal, securities trading and settlement procedures can also impact on the value of the Fund's investments.

### Investment manager and RE risk

The success of the Fund depends upon our ability to develop and implement investment processes and identify investment opportunities that achieve the investment objectives of the Fund. Matters such as the loss of key staff, the replacement of Channel as RE or JCB as investment manager of the Fund, or the failure of either Channel or JCB to perform as expected may negatively impact returns, risks and/or liquidity.

## 5 How we invest your money

Before deciding whether to apply for Units, you should consider the likely investment return, the risks involved in investing in Units and your investment time frame.

<b>Objective</b>	Outperform the Bloomberg AusBond Treasury 0+ Yr Index (Benchmark) over rolling 3 year periods.
<b>Strategy</b>	To use fundamental and technical analysis to make individual bond security selections and adjust duration exposures (against the Benchmark) with a view to generating the optimal risk-adjusted portfolio.
<b>Asset classes and allocation</b>	<ul style="list-style-type: none"> <li>• AAA or AA rated bond securities backed by a government, supranational or a Public Finance Agency and issued in Australian dollars. JCB will only invest in Public Finance Agency Bonds that are explicitly guaranteed by a government.</li> </ul> <p>Target ranges<sup>#</sup></p> <ul style="list-style-type: none"> <li>• Bond securities – 80-100%</li> <li>• Derivatives – 0-50%</li> <li>• Cash – 0-10%</li> <li>• Individual bond security selection not to exceed 20% of the Fund's net asset value.</li> </ul>
<b>Duration</b>	+/- 3yrs of duration vs. the Benchmark
<b>Base currency</b>	AUD
<b>Currency hedging</b>	Unhedged – no currency exposure.
<b>Suitable for</b>	Investors looking for income, diversification and defensive investment characteristics, uncorrelated to other asset classes.
<b>Risk level</b>	Low to Medium.
<b>Minimum suggested timeframe (not a recommendation) for holding the investment</b>	Medium term (3yrs+).
<b>Switching</b>	Currently, the Fund does not offer a choice of investment options thus the ability to switch between different products is not available.
<b>Labour standards, environmental social and ethical considerations</b>	Neither the RE or JCB explicitly take into account these considerations and do not have a specific methodology for the extent to which these factors are considered.
<b>Up to date information</b>	Subject to the Corporations Act or the Fund's constitution we have the discretion to make changes to the Fund at any time. We will inform investors of any material changes to the Fund's details. For up to date information about the Fund please refer to the website at <a href="http://www.channelcapital.com.au">www.channelcapital.com.au</a> .

<sup>#</sup> In order to carry out the investment strategy and achieve the objective set out above, the asset allocation target ranges may vary significantly from time to time.

## 6 Fees and costs

The following consumer advisory warning is required under the Corporations Act. The purpose of this warning is to emphasise to you the importance of considering 'value for money' when selecting a managed investment. The consumer advisory warning also refers to managed investment calculators, located on the Australian Securities and Investments Commission's website, which will allow you to make individual comparisons.

### Consumer Advisory Warning

#### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

#### To find out more

If you would like to find out more, or see the impact of fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

The table below shows the fees and other costs that you may be charged in relation to an investment in Units. These fees and costs may be deducted from your investment, from the returns on your investment or from the Fund's assets as a whole. Taxes are set out in another part of this document. You should read all of the information about fees and costs because it is important to understand their impact on your investment.

You can also use this information to compare the fees and costs between different simple managed investment schemes.

Type of fee or cost	Amount <sup>1</sup>	How and when paid
Fees when your money moves in or out of the Fund		
Establishment fee	Nil	Not applicable
Contribution fee	Nil	Not applicable
Withdrawal fee	Nil	Not applicable
Exit fee	Nil	Not applicable
<b>Management costs</b>		
The fees and costs for managing your investment	A Base Fee of 0.45% p.a.	The Base Fee is expressed as a percentage of the net asset value of the Fund relating to the Class A Units, reflected in the daily Unit price and payable monthly in arrears from the Fund.
<b>Administration Fee</b>		
The fee for administration expenses	0.10% p.a.	The Administration Fee is expressed as a percentage of the net asset value of the Fund relating to the Class A Units, reflected in the daily Unit price and payable monthly in arrears from the Fund. We pay the expenses of the Fund (other than extraordinary expenses) from the Administration Fee.  Extraordinary expenses are paid from the Fund assets as and when incurred.

<sup>1</sup> All figures disclosed include the net effect of GST and RITC.

#### Example of annual fees and costs

The following table provides an example of how the fees and costs of this class of Unit for this managed investment product can affect your investment over a one year period. You should use this table to compare this product with other managed investment products. Please note the amounts below are estimates only and may not reflect the actual cost of investing in Units.

<b>Example</b>	Balance of \$100,000 with a total contribution of \$5,000 during the year.	
<b>Contribution fees</b>	Nil	For every additional \$5,000 you put in you will be charged \$0.
<b>Plus management costs</b>	0.45% p.a. + 0.10% p.a. = 0.55% p.a.	And, for every \$100,000 you have in the Fund you will be charged \$550 each year.
<b>EQUALS cost of Fund</b>	If you had an investment of \$100,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of \$550. <sup>^</sup> <b>What it costs you will also depend on the investment option you choose and the fees you negotiate.</b>	

<sup>^</sup> Additional fees may apply including a buy/sell transaction cost.

<sup>\*</sup> The \$5,000 contribution occurs at the end of the year and the value of the investment is otherwise a constant, therefore the management costs are calculated using the \$100,000 balance only.

We reserve the right to change fees and other costs without your consent, but subject to any limitations under the Corporations Act and other applicable laws. We will give you 30 days notice prior to increasing fees. Different fees may apply to units in different classes. Fees may be individually negotiated with wholesale and institutional clients.

**WARNING: Additional fees may be payable to a financial adviser if consulted. You should refer to the statement of advice which sets out details of the applicable fees.**

#### Management costs

The Base Fee of 0.45% p.a. of the net asset value of the Class A Units is payable to the RE for managing your investment. This fee accrues daily and is payable monthly in arrears. From this, the RE will pay JCB a fee for acting as the Investment Manager.

## Administration Fee

The Administration Fee of 0.10% p.a. (of the net asset value of the Class A Units) accrues daily and is payable to the RE monthly in arrears. The RE pays the expenses incurred in administering the Fund (other than extraordinary or unusual expenses and transaction costs) from this Administration Fee. Some of these expenses include:

- compliance and administration costs for the Fund (e.g. audit, fund administration, legal and taxation services);
- custody fees; and
- fees and expenses in relation to tasks outsourced by the RE (but excluding investment management services performed by the Investment Manager).

## Transaction costs

When you apply for Units or withdraw all or part of your investment you will incur a buy/sell transaction cost. This transaction cost is currently 0.05% of the value of the application or withdrawal amount.



You should read the important information about 'Fees and Costs' before making a decision. Go to 'Additional Information to the PDS' at [www.channelcapital.com.au](http://www.channelcapital.com.au). The material relating to 'Fees and Costs' may change between the time when you read this PDS and the day when you sign the Application Form.

## 7 How managed investment schemes are taxed

**Warning:** Investing in a managed investment scheme is likely to have tax consequences. It is strongly recommended that investors obtain advice from their professional advisers, particular to their own circumstances, prior to investing or otherwise dealing with their Units.

The tax comments below are only relevant for Australian resident investors that hold their Units on capital account. Further, they may not be relevant for investors that are subject to special tax rules such as banks, superannuation funds, insurance companies, managed investment trusts, tax exempt organisations and dealers in securities.

### Will I be liable to pay tax on distributions made by the Fund?

Managed investment schemes are generally not subject to tax on the net income and net capital gains generated by the Fund. Rather, you will generally be assessed on your proportionate share of the net income (including net capital gains) generated by the Fund.

This is the case even where distributions are reinvested into the Fund or where no cash distributions are made by the Fund to investors. We will send you an annual tax distribution statement each year to assist in the preparation of your income tax return.

### Will I be liable to pay tax when I withdraw money from the Fund?

If you are an Australian resident investor, when you withdraw or transfer Units, you will generally be required to include the resulting capital gain or loss in your net capital gain calculation

for the relevant income year. Tax should be payable on any net capital gain that you make for that income year.

### What is the composition of distributions likely to be?

Taxable distributions from the Fund should primarily be in the form of capital gains, domestic dividend income or foreign sourced dividend income. Income tax offset entitlements may be attached to such distributions made by the Fund, including tax offsets for imputation credits attached to domestic dividend income and tax offsets for foreign withholding tax levied on income received and gains made by the Fund. Non-assessable (ie tax deferred or tax free) distributions may also be made by the Fund.

Any tax losses or capital losses made by the Fund cannot be distributed to investors.

### Do I have to provide a Tax File Number ('TFN') or an Australian Business Number ('ABN')?

No. However, if you do not provide your TFN or ABN or claim an exemption, the Fund is required to deduct tax at the top marginal tax rate plus Medicare levy on the taxable component of any distributions.

### What is FATCA and CRS and how does it apply to me?

Pursuant to the United States of America, Foreign Account Tax Compliance Act (FATCA), institutions defined as 'foreign financial institutions' (which includes us) are required to comply with certain requirements including the provision of information to the United States of America Internal Revenue Service (IRS). The information only relates to investors who we identify as US residents or those whose residency we cannot identify due to insufficient information being provided ('non-compliant account holders'). The Australian Government has an intergovernmental agreement (IGA) with the US Government to minimise the impact of FATCA on Australian stakeholders. Under the terms of the IGA, we will provide the ATO with any required FATCA information which would otherwise be submitted to the IRS, and there will be no obligations for us to withhold tax for FATCA purposes from any payments.

Similarly, the OECD has developed a Common Reporting Standard (CRS) regime for the reporting and exchange of information in respect of foreign tax residents, which has been adopted in Australia. Under the CRS regime, we report certain financial information to the ATO in respect of investors identified as foreign residents and the ATO exchanges that information with overseas revenue authorities, where that country has become a party to the CRS regime.

## 8 How to apply

### Direct investors

A copy of the Application Form can be obtained by contacting Channel on 1800 940 599 or by email to [clientservices@channelcapital.com.au](mailto:clientservices@channelcapital.com.au).

To invest, simply complete the Application Form (including the provision of other documentation required for identification purposes) and return it to:

### **Channel Investment Management Limited**

Client Services, GPO Box 206 Brisbane QLD 4001

Application monies can be paid via cheque or electronic funds transfer. Please contact Channel Client Services for bank details.

## Indirect investors

If you are investing via an IDPS, please do not complete our Application Form. Instead, complete the forms the IDPS operator requires and if you have further enquiries, that operator can help. We authorise the use of this PDS as disclosure to investors who invest via an IDPS.

## Cooling off period

If you are a Retail Client (as defined in the Corporations Act) and are investing directly in the Fund, you have a 14-day cooling off period in relation to your investment.

The cooling off period applies if the investment into the Fund is either new or additional and is not a reinvestment of distributions, and where you have not exercised any rights conferred by the investment during the cooling off period. You may exercise your cooling off rights within a period of 14 days commencing on the earlier of the time your application is confirmed, or the end of the fifth Business Day after your Units are issued.

In the event you exercise your cooling off rights the amount you receive will reflect any movement (either up or down) in the Unit price of the Fund which means there may be capital gains tax implications for you. We may also be obliged to deduct any tax or duty incurred by us and reasonable administrative and transaction costs. As a result, the amount returned to you may be less than the amount initially invested.

Cooling off rights do not apply where the Fund is not liquid (as defined in the Corporations Act).

## Complaints resolution

We aim to resolve any concerns or complaints quickly and fairly. If you have a concern or complaint about any aspect of your investment in the Fund, please contact us at:

Channel Investment Management Limited  
GPO Box 206  
Brisbane QLD 4001  
t 1800 940 599 e [clientservices@channelcapital.com.au](mailto:clientservices@channelcapital.com.au)

We are a member of and participate in the Australian Financial Complaints Authority ('AFCA'), an independent complaints resolution organisation. If you feel your complaint has not been satisfactorily resolved you are entitled to make a complaint to AFCA at the following address:

Australian Financial Complaints Authority  
GPO Box 3  
Melbourne VIC 3001  
t 1800 931 678 e [info@afca.org.au](mailto:info@afca.org.au)

Investors investing through an IDPS should, in the first instance, contact the IDPS operator.

## 9 Other information

### Keeping you informed

As an investor in the Fund you will receive:

- confirmation of your investments, withdrawals and switches;
- an annual tax statement;
- a periodic statement detailing the transactions during the period and the balance of your investment;
- a distribution statement, following each distribution; and
- the annual accounts for the Fund.

## Availability of documents

As a disclosing entity for Corporations Act purposes, the Fund is subject to regular reporting and disclosure obligations and copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office.

A copy of the annual financial report for the Fund most recently lodged with ASIC can be obtained free of charge from us upon request. We satisfy our continuous disclosure obligations for the Fund by publishing material information on our website at [www.channelcapital.com.au](http://www.channelcapital.com.au). Accordingly, given the disclosure of material information will be made on our website, we are not required to lodge continuous disclosure notices for the Fund with ASIC.

## Consent

JCB has consented to the inclusion of the statements about JCB provided in sections 1, 3 and 5 in the form and context in which those statements are included.

## Terms used in this PDS

**Administration Fee** means the fee payable to the RE to cover Fund expenses as described in section 6.

**Australian Government Bonds** means bonds issued by the Australian Commonwealth Government.

**Base Fee** means the fee payable to the RE for managing the Fund's investments as described in section 6.

**Benchmark** means the Bloomberg AusBond Treasury 0+ Yr Index which is engineered to measure the market of securities issued by the Commonwealth Government of Australia. This is a legacy UBS index and is a subset of the Bloomberg AusBond Composite Bond Index. It is a rules-based, market value weighted index which includes bonds maturing in 0+ years.

**Business Day** means a day other than a Saturday, Sunday or a public holiday in Sydney, New South Wales.

**Class A Unit/s** means a unit/s in the Fund.

**Fund** means the CC JCB Active Bond Fund ARSN 610 435 302.

**Government Bonds** means bonds issued with the explicit backing of a government.

**IDPS** means Investor Directed Portfolio Service, IDPS-like scheme or a nominee or custody service (collectively known as master trusts or wrap accounts).

**JCB** means JamiesonCooteBonds Pty Ltd ACN 165 890 282 AFSL 459018.

**Outperformance** or **Outperform** means performance in excess of the Benchmark.

**Public Finance Agency** means a finance agency of a government which has an explicit guarantee by the government on the issue of its bonds.

**Public Finance Agency Bonds** means bonds issued by a Public Finance Agency.

**RE or Channel** means the responsible entity of the Fund, Channel Investment Management Limited ACN 163 234 240 AFSL 439007.

**Semi Government Bonds** means bonds issued by Australian state governments (for example, the Treasury Corporation of Victoria).

**Supranational Bonds** means bonds issued by two or more central governments to promote economic development for its member countries (for example, the World Bank).

**Unit/s** means a Class A unit/s in the Fund.





JAMIESON COOTE BONDS

# ADDITIONAL INFORMATION TO THE PRODUCT DISCLOSURE STATEMENT

CC JCB Active Bond Fund APIR: CHN0005AU

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November 2018

## Contents

### Channel Client Services

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Brisbane QLD 4001

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f 07 3259 7695

e [clientservices@channelcapital.com.au](mailto:clientservices@channelcapital.com.au)

The information in this document forms part of the Product Disclosure Statement ('PDS') dated November 2018 issued by Channel Investment Management Limited ACN 163 234 240 AFSL 439007 ('RE') about the CC JCB Active Bond Fund (ARSN 610 435 302) ('the Fund').

You should read this information together with the PDS before making a decision to invest in the Fund.

The information is general information only and does not take into consideration your personal financial situation or needs. You should obtain financial advice tailored to your personal circumstances.

### Updated Information

Information in this Additional Information may change. Any updates to information that are not materially adverse to investors will be provided at [www.channelcapital.com.au](http://www.channelcapital.com.au). Please check the website or call us or your financial adviser for any updates prior to investing. A paper copy of any updates will be provided free of charge upon request.

# 1 How the CC JCB Active Bond Fund works

## Additional investments

Additional investments can be made at any time by sending a completed additional unit application form, together with your cheque or electronic funds transfer (EFT) confirmation. It is not necessary for you to complete another Application Form. You can obtain an additional unit application form by contacting Channel Client Services. Additional investments are made on the basis of the PDS current at the time of investment. The latest PDS is available at [www.channelcapital.com.au](http://www.channelcapital.com.au) or by calling 1800 940 599.

## How to withdraw

You can withdraw from your investment by sending us a completed withdrawal request form. You can obtain a withdrawal request form by contacting Channel Client Services on 1800 940 599.

Withdrawal requests must be signed by the appropriate authorised signatories.

Cheques and bank accounts must be in the name/s of the investor/s as specified in the Application Form or as otherwise notified to the RE.

Proceeds will be paid in Australian Dollars.

Partial withdrawals are subject to you maintaining a minimum balance of \$100,000.

## Restrictions on withdrawals

The RE endeavours to ensure that proceeds are paid within 7 Business Days from the date of receipt of the withdrawal request, although the Fund constitution permits up to 40 days to pay withdrawal proceeds after a withdrawal request is accepted.

Alternate withdrawal procedures will apply if the Fund is determined not to be liquid. The Fund is considered non-liquid if less than 80% of its assets are cash, marketable securities or assets which can be realised at market value within the period specified in the constitution.

If the Fund becomes non-liquid the withdrawal procedures set out in the Corporations Act will apply.

## Processing application and withdrawal requests

If we receive an application or withdrawal request by 12 noon (Sydney time) on a Business Day you will receive the Unit price for that Business Day. An application or withdrawal request received after 12 noon (Sydney time) will be processed using the Unit price for the following Business Day.

In circumstances where we receive an incomplete

application or withdrawal request you will receive the Unit price applicable on the Business Day we receive the completed documentation and, for applications, cleared application funds.

## Unit pricing

A Unit price for each class of unit is usually calculated each Business Day by dividing the net asset value of the Fund's assets apportioned to each applicable unit class by the number of units on issue in that class. The Fund's assets are valued in accordance with the Fund's constitution, based on market values of securities and other assets such as cash. Unit prices will vary as the market value of the Fund's assets rise or fall.

An allowance for transaction costs incurred in buying and selling Fund assets is added to, or subtracted from, the Unit price to determine an application price and a withdrawal price for each class of units.

The RE has a policy for unit pricing discretions we use in relation to the Fund for the purposes of Class Order 13/657. The unit pricing policy and discretions exercised by the RE are available from us free of charge upon request.

## Reinvestment of distributions

You can choose to reinvest some or all of your distributions. Distribution reinvestment is generally effective the first day following the end of the distribution period. No buy/sell transaction cost will apply to distribution reinvestments. For tax purposes certain components of a distribution are included as assessable income regardless of whether the distribution is reinvested.

## Transfers

You can request a transfer of some or all of your Units to a third party by completing and signing a transfer form and providing us with any other documentation required by us or any law. You can obtain a transfer form by contacting Client Services on 1800 940 599. The RE reserves the right to refuse to register a transfer of Units.

## Custodian

A custodian has been appointed to hold the assets of the Fund on our behalf. Any fees we pay to the custodian are paid out of the Administration Fee referred to in the following section and are not an additional charge to you.

# 2 Fees and costs

This document shows fees and other costs that you may be charged in relation to Units. These fees and costs may be deducted from your investment, from the returns on your investment or from the Fund's assets as a whole.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount <sup>1</sup>	How and when paid
Fees when your money moves in or out of the Fund <sup>2</sup>		
Establishment fee	Nil	Not applicable
Contribution fee	Nil	Not applicable
Withdrawal fee	Nil	Not applicable
Exit fee	Nil	Not applicable
<b>Management costs</b>		
The fees and costs for managing your investment	A Base Fee of 0.45% p.a.	The Base Fee is expressed as a percentage of the net asset value of the Fund relating to the Class A Units, reflected in the daily Unit price and payable monthly in arrears from the Fund. <sup>3</sup>
<b>Fund expenses</b>		
The fee for administration expenses	0.10% p.a.	The Administration Fee is expressed as a percentage of the net asset value of the Fund relating to the Class A Units, reflected in the daily Unit price and payable monthly in arrears from the Fund. We pay the expenses of the Fund (other than extraordinary expenses) from the Administration Fee. <sup>4</sup>  Extraordinary expenses are paid from the Fund assets as and when incurred. <sup>5</sup>
<b>Service fees</b>		
Switching fee	Nil	Not applicable
The fee for changing investment options		

1 All figures disclosed include the net effect of GST and RITC.

2 Transaction Costs (buy/sell transaction cost) apply. Refer to 'Transaction costs' in 'Additional explanation of fees and costs'.

3 Refer to 'Base Fee' in 'Additional explanation of fees and costs'.

4 Refer to 'Administration Fee' in 'Additional explanation of fees and costs'.

5 Refer to 'Extraordinary expenses' in 'Additional explanation of fees and costs'.

## Additional explanation of fees and costs

### Base Fee

The current Base Fee is 0.45% per annum (including GST) of the net asset value of the Class A Units. The Fund's constitution permits the RE to charge a Base Fee of up to 3.3% per annum (including GST) of the gross asset value of the Fund. The Base Fee is calculated and accrues daily and is paid monthly in arrears. From this, the RE will pay all the fees and costs associated with managing your investment, including paying JCB a fee for acting as investment manager (but excluding transaction costs, the Administration Fee and extraordinary expenses).

Expenses incurred in administering the Fund are paid via the Administration Fee of 0.10% per annum (including GST) of the net asset value of the Class A Units and do not form part of the Base Fee. These expenses include registry, administration and custodian, accounting, audit and legal costs. If extraordinary or unusual expenses are incurred we may choose to recover these costs from the Fund and this will be reflected in the Unit price.

### Administration Fee

The Administration Fee of 0.10% p.a. (of the net asset value of the Class A Units) accrues daily and is payable to the RE monthly in arrears. The Fund's constitution permits the RE to charge an Administration Fee of up to 1.1% per annum (including GST) of the gross asset value of the Fund. The RE pays the expenses incurred in administering the Fund (other than extraordinary or unusual expenses and transaction costs) from this Administration Fee. Some of these expenses include:

- compliance and administration costs for the Fund (e.g. audit, fund administration, legal and taxation services);
- custody fees; and
- fees and expenses in relation to tasks outsourced by the RE (but excluding investment management services performed by the Investment Manager).

### **Fund expenses**

The Fund's constitution allows the RE to pay from the Fund for certain reasonable expenses including but not limited to administration expenses incurred in relation to the operation of the Fund. However, as the RE receives the Administration Fee it will not pay from the Fund expenses incurred in operating the Fund (other than extraordinary or unusual expenses and transaction costs).

### **Extraordinary expenses**

Generally expenses incurred in managing the Fund will be paid from the Administration Fee referred to above. However, if extraordinary or unusual expenses are incurred we may choose to recover these costs from the Fund. Examples of this type of expense include the costs involved in:

- convening a meeting of investors;
- termination of the Fund;
- amending the Fund constitution;
- defending or bringing of litigation proceedings; or
- replacement of the responsible entity.

### **Transaction costs**

The buy/sell transaction cost is an additional cost to you when you buy or sell Units. This cost includes brokerage and clearing fees relating to the purchase or sale of Fund assets associated with an application or withdrawal.

The transaction cost payable is to meet the expenses associated with investors entering and exiting the Fund and to ensure investors in the Fund are not disadvantaged.

The buy spread and the sell spread for applications and withdrawals are 0.05% of the value of the application or withdrawal amount. These spreads may change from time to time depending on the nature of the costs and volume of assets being bought or sold.

For example, if \$100,000 was invested in, or withdrawn from, the Fund, the cost of your buy/sell spread would be \$50 in and \$50 out.

### **Additional operational transaction costs**

Additional transactional and operational costs associated with dealing with the Fund's investments may be recovered from the Fund. Transactional and operational costs, other than the buy/sell spread, may include brokerage, clearing costs, investment settlement fees and applicable stamp duty when underlying assets are bought or sold.

The total transactional and operational costs incurred by the Fund for the 12 months ended 30 June 2018 were calculated to be \$84.28 based on a \$100,000 holding (approximately 0.08% of total average net assets).

### **Differential fees**

There may be differing fee arrangements for investors in different classes. Rebates of management costs may be negotiated with certain sophisticated or professional (i.e. wholesale) investors.

These arrangements reflect terms privately agreed with each sophisticated or professional investor. Neither JCB nor the RE is under any obligation to make arrangements on these terms available to all other investors (including other sophisticated or professional investors).

### **Payment to platforms**

Payments may be made to a platform where they include one or more of our funds on their menu. Any platform payments are deducted from the management cost and are not a separate charge to you.

### **Constitution fee provisions**

Please note the constitution fee provisions set out below represent the maximum amounts payable under the constitution and are not the amounts charged. The Fund constitution provides that the following fees may be payable to the RE:

a) performance fee - the Fund constitution allows a performance fee of up to 38.5% (including GST) of the amount by which the Fund's performance Outperforms the Benchmark. The RE does not currently charge a performance fee; and

b) removal fee - under the Fund constitution, the RE is entitled to a fee of up to 5.5% (including GST) of the gross asset value of the Fund if the RE is removed as responsible entity of the Fund (other than as a result of a determination by ASIC or an Australian Court, or on acknowledgement by the RE, of gross negligence in the management of the Fund or a material fiduciary breach). For example, if the Fund's gross asset value was \$5 million, the RE would be entitled to receive a removal fee of up to \$275,000 if removed as responsible entity of the Fund. The management costs amount in the table on page 3 does include any removal fee.

### **Goods and Services Tax (GST)**

The fees specified in the PDS include the net effect of Goods and Services Tax (GST) and the benefits of reduced input tax credits (RITC) where applicable, unless otherwise specified.

Investors should not be directly subject to GST when applying for or withdrawing Units. However, the Fund may incur GST as part of the expenses of the Fund. The Fund may then be entitled to claim RITCs for GST incurred on certain expenses.