



# CC JCB Dynamic Alpha Fund (APIR: CHN8607AU)

## Fund Update as at 31 December 2021

### Fund Performance

Returns	1 month	3 months	6 months	FYTD	1 year	3 years p.a.	Since inception p.a. (30-Dec-2019)
Fund Net Return <sup>1</sup>	0.02%	-0.57%	0.04%	0.04%	0.84%	-	2.93%
Benchmark Return <sup>2</sup>	0.00%	0.01%	0.02%	0.02%	0.03%	-	0.14%
<b>Active Return (After fees)</b>	<b>0.02%</b>	<b>-0.58%</b>	<b>0.02%</b>	<b>0.02%</b>	<b>0.81%</b>	-	<b>2.79%</b>

### Fund Benefits

#### Active Management

The CC JCB Dynamic Alpha Fund is designed as an absolute return product, that aims to deliver stable and consistent returns over time - regardless of share and bond market movements. JCB applies a range of hand-picked risk-controlled investment strategies to a universe of global high grade sovereign bonds (i.e. anchored by G7 nations, as well as Australia). It offers a high level of liquidity in Government issued instruments, without corporate credit exposure.

#### 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 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

<b>Investment Manager</b>	JamiesonCooteBonds Pty Ltd
<b>Portfolio Managers</b>	Charles Jamieson & Chris Manuell
<b>Style</b>	Global absolute return bond fund - concentrating on actively managing global high grade sovereign bonds
<b>Objective</b>	Outperform the RBA Cash Rate by 2.50% p.a. (after fees) over rolling 3 year periods
<b>Inception Date</b>	30 Dec 2019 <sup>3</sup>
<b>Benchmark</b>	RBA Cash Rate
<b>Management Fee</b>	0.58% p.a. <sup>4</sup>
<b>Administration Fee</b>	0.10% p.a. <sup>4</sup>
<b>Buy / Sell Spread</b>	0.05% / 0.05%
<b>Distributions</b>	Quarterly
<b>Fund Size</b>	AUD \$600 million <sup>5</sup>

<sup>1</sup> Performance is for the CC JCB Dynamic Alpha Fund (APIR: CHN8607AU), 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. <sup>2</sup> Benchmark refers to the RBA Cash Rate Total Return Index. <sup>3</sup> Inception Date for performance calculation purposes. <sup>4</sup> All figures disclosed include the net effect of GST and RITC. <sup>5</sup> Fund size refers to the CC JCB Dynamic Alpha Fund ARSN 637 628 918. <sup>6</sup> Cash & Other includes cash at bank, outstanding settlements and futures margin accounts.

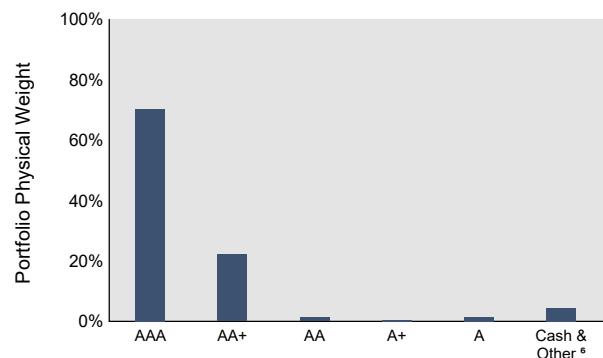
### Fund Characteristics

Characteristics	Fund
Modified Duration (yrs)	0.21
YTM + Hedging Effect	1.26
Weighted Ave. Credit Rating	AA+

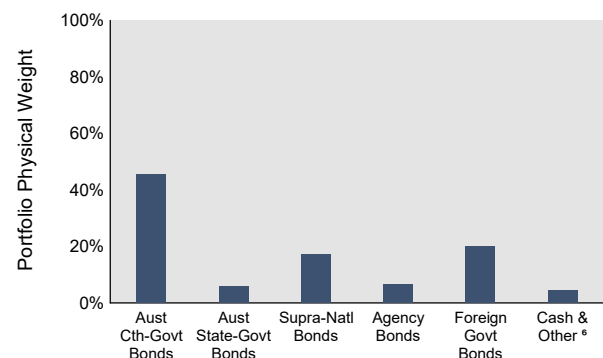
Source: JamiesonCooteBonds Pty Ltd.

See Definition of Terms.

### Asset Allocation by Credit Rating (Physical Weight)



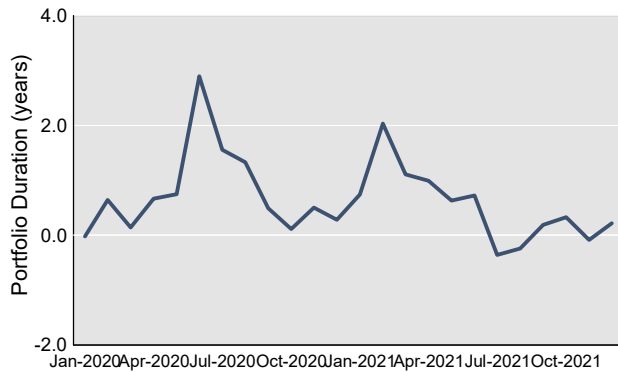
### Asset Allocation by Sector (Physical Weight)



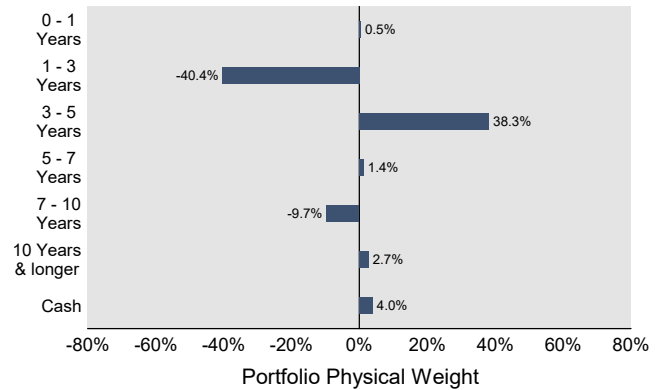


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## Historic Portfolio Duration



## Asset Allocation by Duration (Physical Weight)\*



\*Asset allocation totals (Duration Band) are the net position of physical bond and bond futures exposure and will be positive or negative depending on the portfolio positioning as selected by JCB.

## Fund Review

For the month ending December, the CC JCB Dynamic Alpha Fund (the Fund) returned 0.02% (after fees), outperforming the RBA Cash Rate Total Return Index.

Risk markets were on the back foot early in the month as the US reported its first case of the Omicron variant as it continued to provide global uncertainty and “shutdown risk” as vaccine efficacy remained inconclusive. Equities also felt the brunt of comments from US Fed Chair Powell at the Senate banking committee where he suggested that it’s time to stop using the word “transitory” to explain inflation and hinted at faster removal of Central Bank stimulus. The US CPI number was released mid-month and came in close to expectations with the bond market rallying following the number with anticipation that headline inflation could have peaked with recent indicators pointing to supply-chain bottlenecks having somewhat reduced. At its monthly meeting, the US Fed committed to conclude its asset-buying program earlier than planned and signalled an intention to move rates higher next year – which was largely priced into the market. The US Fed highlighted concerns over the new Omicron variant – suggesting that “risks to the economic outlook remain, including from new variants of the virus”. The Bank of England surprised markets as it became the first major central bank to hike rates since the pandemic started – raising borrowing costs by 15 basis points to 0.25% despite the country remaining in the grips of a new Covid wave as the more infectious Omicron variant pushed daily caseloads in the UK to the highest recorded total since the beginning of the pandemic. Heading into Christmas, President Biden’s \$2 trillion economic agenda was left in tatters as Democratic Senator Joe Manchin blindsided the White House as he rejected the package. The competing agendas in the Democratic party and the slim margins in which they control both chambers underscores the fiscal cliff thematic which should prevail into 2022 and remain a drag on economic growth in the US and is one of the biggest issues confronting the markets next year. Governments around the world will be faced with the removal of stimulus in a post Covid world, and the effects should be expected to feed into consumers and as such a revision downwards of economic growth. Bond market volatility remained suppressed for the majority of the month with the US 10-year yield oscillating either side of the 1.45% level as the market grappled with the outcome of the Omicron virus and the guidance from Central Banks as they contemplate a withdrawal of monetary stimulus.

Domestically, the Australian bond market remained in a well confined range as the quarterly bond futures expiration was uneventful and the RBA held its cash rate at 0.1% for the final meeting of 2021. The RBA reinforced its guidance that it will not lift rates before inflation is anchored within the central bank’s 2-3% target band and it will review its bond-buying program in February. The Australian bond market remained supported into year-end by the rapid spread of the Omicron variant, with the spike in cases occurring against a backdrop of state authorities rolling back virus restrictions.



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## Market Review & Outlook

Markets remained focused on the spread and severity of the Omicron variant in December, combined with monitoring mild improvements in the global supply chain. Whilst Omicron remains highly infectious, thankfully its severity does not seem to be as acute as prior strains. How politicians react will be critical for market performance. Hopefully lockdowns can be avoided as this milder strain can become dominant and crowd out other strains of Covid-19 which may bring the pandemic and all its interruptions on lives and economies to an earlier conclusion.

Markets have a huge amount to deal with into 2022, with three major policy changes likely across the year. Individually, any one of these three policy changes would be important for the bond market (and by linkage all asset markets) but collectively they generate material headwinds.

1. The significant removal of quantitative easing as a collective policy (some smaller programs may continue but US and Australia will end QE) removing huge amounts of excess liquidity.
2. Interest rate hikes – following on from RBNZ and the UK, JCB expects Canada then the US Federal Reserve to hike interest rates, with the RBA expected to be a laggard in this process.
3. A monstrous decline in fiscal spending after extraordinary programs designed to bridge the pandemic.

JCB believes these three significant policy changes will likely cause much higher volatility for asset markets across the year.

Insatiable demand still resides for physical goods in economies that are often very service orientated. Lockdowns have driven the demand for physical goods to spike as ‘just in time manufacturing’ has collided with global lockdowns, and now Omicron self-isolations are causing enormous supply disruptions that could take years to fix once compounded over many months. The supply side is slowly healing as evidenced by the recent improvements in the US ISM data seeing new orders falling and inventories rising, but this will not fully normalise easily or quickly.

Policy reaction will be required from Central Bankers in the form of normalising a series of policies that were implemented to hold back the gates of hell in March and April 2020. That moment of financial peril is long past, making those settings overly accommodative as the world enters that late stage of the pandemic. Combined with Biden’s fiscal spending that has saturated the US economy in stimulus, resultant inflation pressures will bring Central Bankers to action. However, Central Bankers have made a significant rod for their own backs. If they normalise policy too quickly, they risk setting off a volatility wave which can generate a market re-pricing in highly algorithmic markets (as seen in the bond market in 2021), especially in markets where the risk clustering is all one way – it takes a balance of long and short positions to fight for the market clearing price – that is, where all participants have a similar risk profile and are already long risk as we would broadly expect, then there is no one to sell securities to.

Central Bankers may very well kill inflation by these actions, but they also may kill off the economy in the process in a highly interest rate sensitive world. In Australia for instance, some 36% of spending now goes towards servicing debt repayments. Already as we are cresting the new year, the hot property markets of Sydney and Melbourne have slowed considerably in response to higher fixed rate loan availability.

For all the growth optimists of 2022, some markets are trading a little more cautious. Commodities, the stand-out asset performer of 2021, are already well off their highest valuations which suggests a more considered approach looking into such powerful re-calibrations of policy accommodation and liquidity conditions over 2022.

## Further Information

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## Platform Availability

AMP MyNorth	Ausmaq	Aust Money Market
BT Panorama	BT Wrap	Colonial First Wrap
HUB24	Implemented Portfolios	Macquarie Wrap
Mason Stevens	Netwealth	Powerwrap
Praemium	Xplore Wealth	



JAMIESON COOTE BONDS

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### 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.

**YTM + Hedging Effect** - is the total return anticipated on the portfolio if the bond holdings were held until their maturity, including the cost or benefit associated with the currency hedge.

**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.

Channel Investment Management Limited ACN 163 234 240 AFSL 439007 ('CIML') is the Responsible Entity and issuer of units in the CC JCB Dynamic Alpha Fund ARSN 637 628 918 ('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](http://www.channelcapital.com.au). A Target Market Determination for the Fund is available at [www.channelcapital.com.au](http://www.channelcapital.com.au).