



CC JCB Dynamic Alpha Fund (APIR: CHN8607AU)

Fund Update as at 31 January 2022

Fund Performance

Returns	1 month	3 months	6 months	FYTD	1 year	2 years p.a.	3 years p.a.	Since inception p.a. (30-Dec-2019)
Fund Net Return ¹	0.09%	0.00%	-0.02%	0.13%	0.79%	2.32%	-	2.86%
Benchmark Return ²	0.00%	0.01%	0.02%	0.02%	0.03%	0.11%	-	0.14%
Active Return (After fees)	0.09%	-0.01%	-0.04%	0.11%	0.76%	2.21%	-	2.72%

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

Investment Manager	JamiesonCooteBonds Pty Ltd
Portfolio Managers	Charles Jamieson & Chris Manuell
Style	Global absolute return bond fund - concentrating on actively managing global high grade sovereign bonds
Objective	Outperform the RBA Cash Rate by 2.50% p.a. (after fees) over rolling 3 year periods
Inception Date	30 Dec 2019 ³
Benchmark	RBA Cash Rate
Management Fee	0.58% p.a. ⁴
Administration Fee	0.10% p.a. ⁴
Buy / Sell Spread	0.05% / 0.05%
Distributions	Quarterly
Fund Size	AUD \$607 million ⁵

¹ 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. ² Benchmark refers to the RBA Cash Rate Total Return 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 Dynamic Alpha Fund ARSN 637 628 918. ⁶ Cash & Other includes cash at bank, outstanding settlements and futures margin accounts.

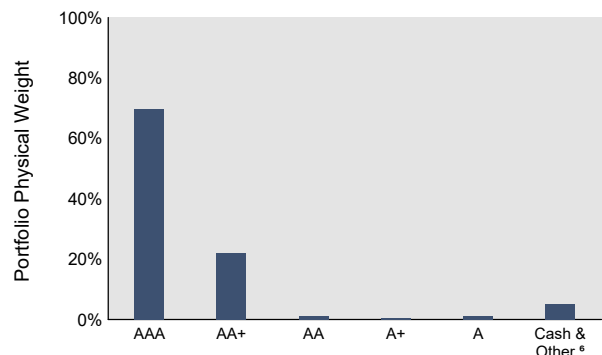
Fund Characteristics

Characteristics	Fund
Modified Duration (yrs)	0.22
YTM + Hedging Effect	1.56
Weighted Ave. Credit Rating	AA+

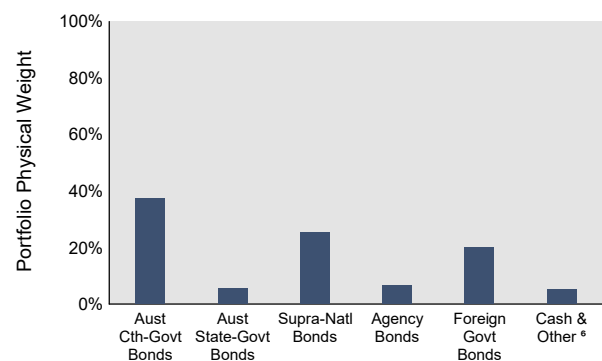
Source: JamiesonCooteBonds Pty Ltd.

See Definition of Terms.

Asset Allocation by Credit Rating (Physical Weight)



Asset Allocation by Sector (Physical Weight)

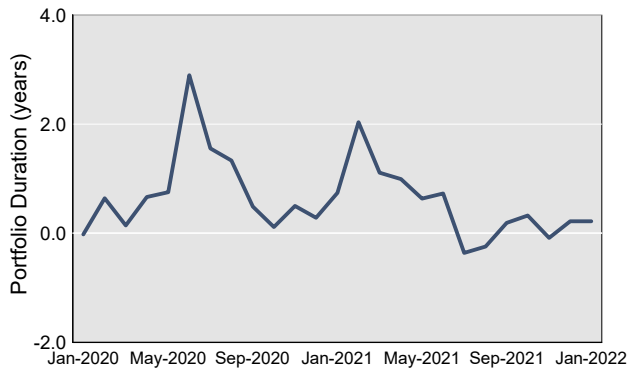




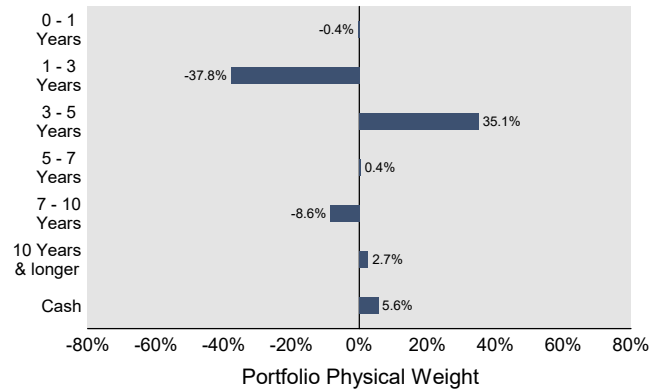
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Historic Portfolio Duration



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 January, the CC JCB Dynamic Alpha Fund – Class A units (the Fund) returned 0.09% (after fees), outperforming the RBA Cash Rate Total Return Index.

2022 started with bond markets on the back foot as over the month communication emanating from Central Bankers switched gears to display a desire to reduce financial accommodation from the monetary system. In particular the US bond markets corrected with the 2 year yield moving much higher after US Fed's Powell's hawkish tone indicated more frequent and potentially larger rate increases. Towards the end of the month at the FOMC meeting Powell suggested there was "quite a lot of room" to raise rates – which vindicated the market pricing of further hikes this year. Various US Fed officials also provided hawkish dialogue surrounding the inflation picture which was a step back from their "transitory" communication in 2021.

The economic landscape continued to provide mixed signals as consumer confidence started to wane in the face of oil hitting 91USD for the first time since 2014 and US employment data missing expectations. Domestically – CPI surprised to the upside and moved into the RBA's band although the expectation is for it to show sustainability within that range. The domestic market recovered into month end as the market had fully priced the higher rates. The Chinese central bank in contrast to its global counterparts was in a dovish phase as it eased rates for the first time since March 2020.

Positioning wise, the Fund continues to accumulate bonds in the AUD 3-5 yr sector which continue to offer compelling valuations given what is priced into the market. Driven by higher global yields and strong employment and inflation data, the market priced in 4 rates hikes for the next 12 months. JCB does not see this market pricing being delivered, and while markets can trade 'cheap' as global forces take hold, JCB are comfortable owning bonds looking for performance in time.

Market Review & Outlook

Jamieson Coote Bonds (JCB) had cautioned investors that 2022 could be a difficult year, driven by the triple threat removal of policy support enjoyed since the initial outbreak of the Covid-19 pandemic (Quantitative Easing removed, interest rate hikes and less fiscal spending). Over the course of January and into February, Central Bankers increased their hawkish commentary (unsupportive for markets), emboldening markets to quickly price further rate hikes into expectations. These moves caused volatility across most risk markets, with bonds, crypto assets and equities all suffering periods of acute volatility. Central Bankers seem globally intent on exiting emergency policy accommodation to head off material inflation prints caused by reopening of economies, supply constraints,



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generous fiscal transfers and super cheap money (and excess liquidity).

Many of the moves that dragged Australian bonds to higher yields were related to offshore factors, as the Reserve Bank of Australia (RBA) continued to hold a more dovish (supportive for markets) line. JCB expected the RBA would be a laggard in the normalisation process, and that should lead to geographical divergence amongst bonds markets, but moves year to date (YTD) have been convergent driven by US Federal Reserve expectations. This leaves the Australian bond market with around 6 interest rate hikes priced in (expected) by the end of 2022. JCB believes that the RBA cannot hike interest rates before the June RBA meeting, as quarterly data in both CPI inflation and wages will not be delivered until after the May RBA meeting dates. JCB's expectation would be for a small hike from 10 basis points to 25 basis points as an initial move, (a move of 15 basis points only which is rare), followed by two additional 25 basis points s hikes to finish the year with a cash rate of 0.75% (likely hiking in August and November after CPI data releases in July and October).

Market pricing remains for a faster hiking cycle, however JCB believes this is reflective of the poor RBA handling around Yield Curve Control policy removal in October 2021, which has led to additional yield premium being required from global investors to hold Australian bonds. The RBA's credibility is extremely poor after such an episode and associated backtracking around 'rates on hold until 2024' allowing the market to trade at cheaper valuation levels that previously experienced. Should the RBA manage to achieve the current bond market pricing, the cash rate could be back at 1.50% by year end. Since the last time the RBA cash rate was at 1.50%, residential home values have risen more than 30%, generating confidence and excess consumption throughout the pandemic effected economy. Bonds are now pricing the full reversal of those generous interest rate and liquidity conditions, and an expectation that mortgage rates and credit availability will become considerably more restrictive in a very short time frame. JCB does not believe that the RBA nor the Australian government have the will, nor the stomach to inflict such a rapid loss of wealth on the nation, and then have to deal with the dire economic consequences of such a violent recalibration.

The major driver of Central Bank policy expectation remains inflation, which has moved to extraordinary heights in markets such as the US. It is important to note that inflation is a 'rate of change' calculation. After such accelerated increases, prices need to leapfrog forward to maintain their current inflation rate. Consider energy prices which have been rising significantly over 2021, or specifically the oil price. If oil rises from \$45 a barrel to the current price of \$90 a barrel, the price rise is 100%. If oil then rises to \$135 a barrel in the following calculation period the rise is only 50%. Whilst that will really hurt when you fill up the car on a Saturday morning, it is important to recognise what markets term the 'base effect' in the calculation of inflation data. As in this example the inflation rate would actually be declining, as the rate of change falls from 100 to 50. This 'base effect' can continue to distort economic data until we truly achieve a steady state post Covid-19 normal economy, no longer effected by lockdowns which has caused enormous volatility in the data around growth and inflation.

For now markets seem very certain that inflation is here to stay and a massive policy withdrawal is necessary across quantitative easing programs, the material lifting of interest rates and curtailing emergency fiscal government spending. JCB has no doubt this can slow down inflation, but it might also stop the economic recovery as well. One thing remains certain. Volatility is here to stay for a while yet.

Further Information

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Platform Availability

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



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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. A Target Market Determination for the Fund is available at www.channelcapital.com.au.