



CC JCB Dynamic Alpha Fund (APIR: CHN8607AU) Fund Update as at 28 February 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	-0.19%	-0.08%	-0.32%	-0.06%	0.59%	2.11%	-	2.67%
Benchmark Return ²	0.00%	0.01%	0.02%	0.02%	0.03%	0.08%	-	0.13%
Active Return (After fees)	-0.19%	-0.09%	-0.34%	-0.08%	0.56%	2.03%	-	2.54%

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 \$581 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.

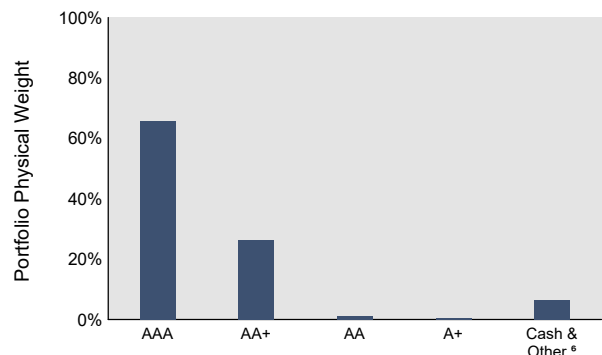
Fund Characteristics

Characteristics	Fund
Modified Duration (yrs)	0.14
YTM + Hedging Effect	1.54
Weighted Ave. Credit Rating	AA+

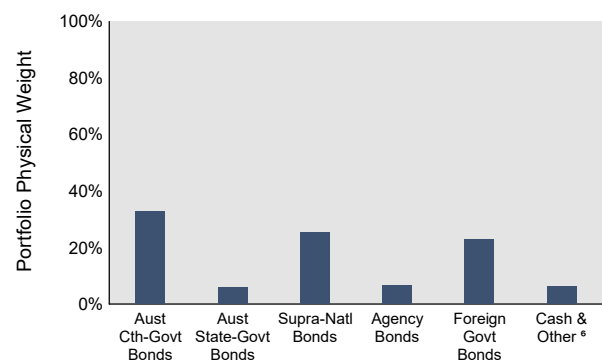
Source: JamiesonCooteBonds Pty Ltd.

See Definition of Terms.

Asset Allocation by Credit Rating (Physical Weight)



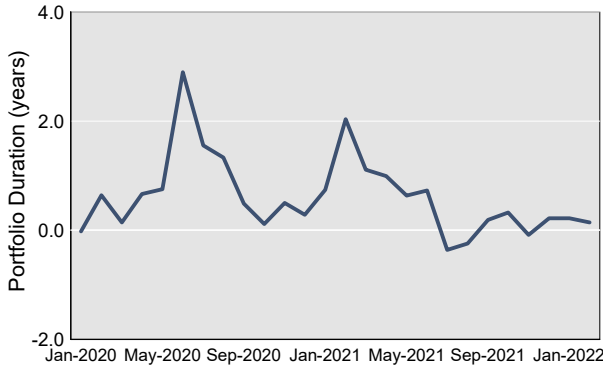
Asset Allocation by Sector (Physical Weight)



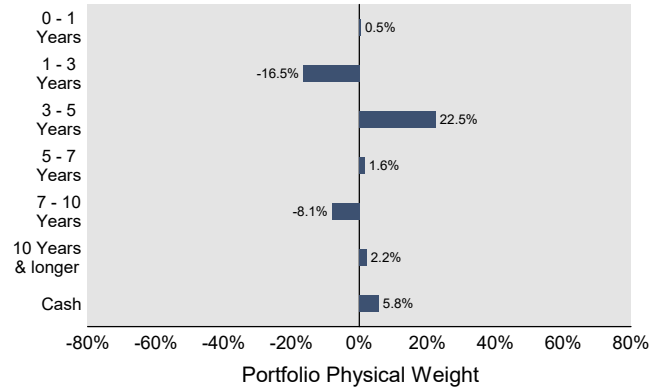


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Historic Portfolio Duration



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 February, the CC JCB Dynamic Alpha Fund – Class A units (the Fund) returned -0.19% (after fees), underperforming the RBA Cash Rate Total Return Index.

February continued for the thematic that started the year, with interest rate hikes and global inflationary pressures, as well as the withdrawal of stimulus programs and geopolitical risks, which are expected to increase volatility across financial markets in 2022. As investors adjust to the next phase of the economic cycle, understanding these risks and how they will feed into the global economy will be key to defending portfolios. At the start of the month the Reserve Bank of Australia (RBA) stressed that they were “prepared to be patient” as they left rates unchanged. This sanguine view of rates was not echoed by European Central Banks (ECB) Christine Lagarde at the ECB meeting at the start of the month who refused to rule out a 2022 rate hike. This triggered a move lower in European rates with the market moving to price in 40 basis points of tightening for 2022 – German’s 2-year bonds endured the worst week since 2008. The Bank of England also hiked 25 basis points to 0.50% with some members of the committee leaning towards a 50 basis point hike. Augmenting the move to higher yields in the first half of the month was a robust U.S Consumer Price Index print, which hit 7.5% year on year (YOY) in January in what was the fastest pace since 1982. The hawkish bent was also supported by U.S Fed’s President James B. Bullard who backed 100 basis points of tightening in the U.S by July which aided and abetted the weakness in global fixed income as U.S 10-year yield hit their highest levels since July 2019 at 2.04%.

Later in the month, Russia invaded Ukraine which triggered a global sell off in risk assets which also fuelled supply chain concerns as oil and wheat prices ratcheted higher. Ultimately this should hamper growth and consumption expectations. The flight to quality bid into U.S Treasuries into month end demonstrated the latent demand for 10 year Treasuries around the 2.00% level. Despite the large levels of uncertainty in markets, JCB expects central banks to focus on the inflation problem, which means they will carry on raising interest rates, although not to the magnitude that the market is pricing. JCB believes the level of neutral interest rates is now much lower than in previous cycles, and markets are now actually pricing rate cuts to begin in 2024.

The bond market investing environment has necessitated judicious management from JCB in a world of binary and violent outcomes. JCB will keep risk tighter and stay nimble.

Market Review & Outlook

Jamieson Coote Bonds (JCB) cautioned investors that 2022 would likely see the removal of three key policy accommodations which would likely occur over the year. This would include Quantitative Easing programs being



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wound down, Central Bank adjusting monetary policy to higher interest rates and significantly lower fiscal government spending within the economy. JCB felt this would lift volatilities and cause headwinds for financial markets as the year progressed. Sadly, the addition of a Russia / Ukrainian conflict has turbo charged volatilities and tightened financial conditions considerably, as energy prices have skyrocketed combined with many asset classes experiencing falls in value.

The conflict is absolutely harrowing to watch for humanity, played out over social media in almost live footage. Putin's invasion of Ukraine presents markets with ongoing uncertainty and challenges Central Bankers to tighten monetary policy into an energy crisis. Consumers are now facing significantly higher prices due to energy costs which will likely be combined with higher debt servicing costs, which should cool discretionary spending over the year. As energy is highly inelastic, the immediate impact for the economy is profound. Sadly for many European citizens, the majority of price rises due to a large reliance on Russian gas, signifies the term 'heat or eat' which is now common place as the winter is only just winding down.

JCB believe that such developments can slow the pathway of rates hikes from Central Bankers, as growth will likely fall much faster due to higher energy and commodity costs. JCB forecasts show the RBA to begin hiking rates at the August RBA Board meeting, increasing the cash rate from 0.10% to 0.25%. Additional rate hikes in the calendar year will continue as the RBA's requirements of full employment, 2-3% sustained inflation and 3% wages are getting close to being met. This should leave the RBA cash rate between 0.75% and 1.00% by Christmas, pushing mortgage costs higher.

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		

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.

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