



## CC JCB Dynamic Alpha Fund (APIR: CHN8607AU) Fund Update as at 30 June 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 <sup>1</sup>	0.11%	0.25%	-0.40%	-0.35%	-0.35%	1.07%	-	2.18%
Benchmark Return <sup>2</sup>	0.06%	0.08%	0.10%	0.11%	0.11%	0.09%	-	0.15%
<b>Active Return (After fees)</b>	<b>0.05%</b>	<b>0.17%</b>	<b>-0.50%</b>	<b>-0.46%</b>	<b>-0.46%</b>	<b>0.98%</b>	<b>-</b>	<b>2.03%</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 \$432 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.

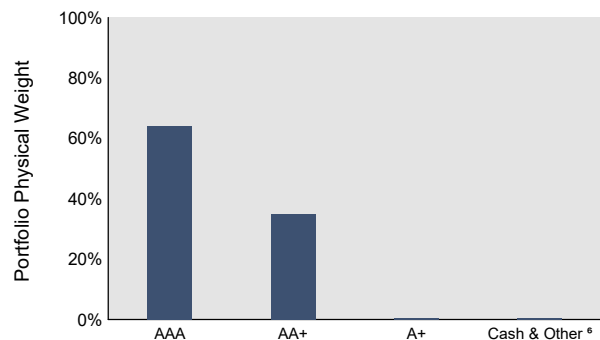
### Fund Characteristics

Characteristics	Fund
Modified Duration (yrs)	0.61
YTM + Hedging Effect	2.95
Weighted Ave. Credit Rating	AA+

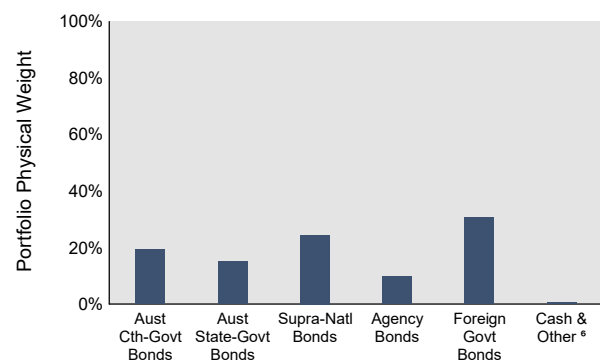
Source: JamiesonCooteBonds Pty Ltd.

See Definition of Terms.

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



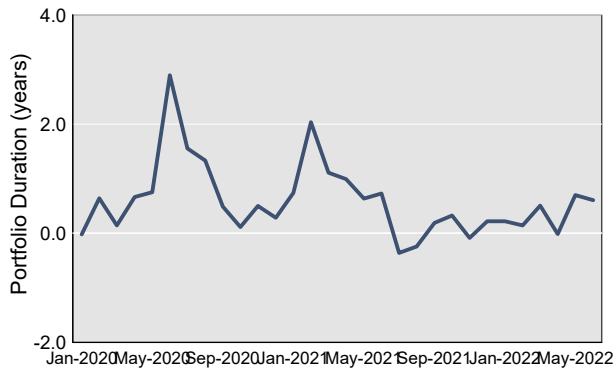
### Asset Allocation by Sector (Physical Weight)



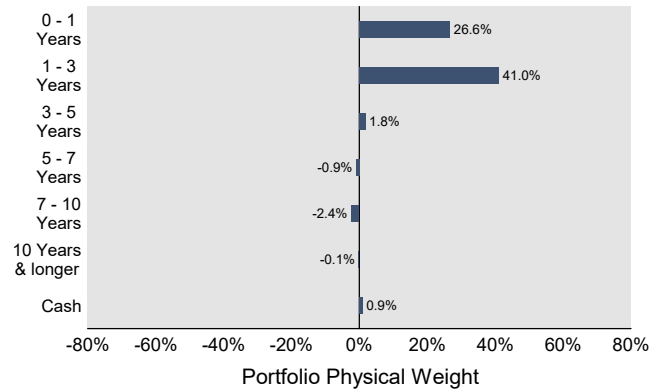


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## Historic Portfolio Duration



## 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 June, the CC JCB Dynamic Alpha Fund – Class A units (the Fund) returned 0.11% (after fees), outperforming the RBA Cash Rate Total Return Index.

The Fund enjoyed a month of positive performance after the thematic of exploiting the compelling yields on offer in the short end of the bond market came home to roost. The changing narrative from inflation to a slowdown in global growth precipitated some aggressive scaling back of expectations for higher rates going forward. The persistent weakness in equity and credit markets was finally acknowledged from the bond market as a flight to quality bid emerged in global bonds and the move was assisted with the sharp correction in the parabolic commodity move that adjusted inflation expectations downward. The portfolio benefited from the outperformance of the Australian bond market relative to its global peers into month end as investors realised 10yr yields at 4.00% in an uncertain investment landscape were a compelling investment.

## Market Review & Outlook

After leading macro markets for much of the year, Government Bond markets initially underperformed significantly early in the month of June, before stabilising and then performing (rallying 3.3% from the monthly lows) into month end. This showed increased negative correlation to risk assets as the inflation narratives gave way to worries around economic growth. We believe the recent performance of Government Bonds also speaks to concerns around credit risk, as it becomes clear that a new credit default cycle will emerge from higher funding and refunding pressures within the financial system. Performance of all listed asset classes continues to remain highly volatile, with ongoing uncertainty around the actual requirements of policy tightening to deliver lower inflation outcomes for economies.

Collectively, Central Banks have spent the majority of their time since the Global Financial Crisis of 2008 encouraging a misallocation of capital to avoid a disinflationary low growth/recession under a secular environment that has been prone to delivering low inflation and weak growth outcomes. Keeping the system juiced up with accommodation, low rates, quantitative easing and giving investors little choice (TINA = there is no alternative) has forced portfolios to drift into riskier allocations by decree. In 2022, it seems Central Bankers are actively seeking exactly the outcome they have worked tirelessly and spent trillions of dollars trying to avoid – a disinflationary or deflationary recession to bring post Covid-19 economic volatilities and geopolitical influences to heal.

The concerns around growth go some ways to suggest we have now priced in enough with regards to rate hiking (JCB feel there is little chance of the forward pricing being actually realised with the Reserve Bank of Australia



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having been priced as high as 4.50% cash rate which would literally crush the economy). This shift from inflation concern to growth concerns is a natural evolution within a tightening cycle – as Central Bankers continue to slam on the economic brakes to temper expected inflation outcomes, but in doing so they also risk killing economic growth in the process under higher funding rates. Corporate credit spreads continued to underperform, as the continued repricing of credit risk is further added to the financial system as we see ongoing adjustments from a decade of accommodative policy.

A global recession is now expected as the base case outcome with demand destruction and weakening momentum widely evident in many leading data releases. JCB believe it is likely that the US economy has already entered a technical recession, as the widely followed Atlanta Federal Reserve GDP nowcast model suggests that current quarter two GDP is -2.1% as at the end of June, following on from a -1.5% in quarter one. Whilst this nowcast model is prone to some error, it does have a strong predicative ability with an average error rate of between the Atlanta Federal Reserve GDP nowcast model and actual GDP of just -0.3%. In fact, when made with 30 days of the actual GDP release, the model has only ever had a singular outlier of more than 2% being quarter two, 2020 when the forecast was -35% and the actual was -32%. Of course, this was the unprecedented COVID-19 shutdown of the economy where data volatility was highly extreme. Other than that, we have no example of a more than 2% swing for any Atlanta Federal Reserve GDP made within 30 days of the release. So, a -2.1% forecast is a large enough model outcome to suggest that quarter two GDP we should expect a second consecutive negative GDP forecast and the technical definition of a recession.

The tightening of monetary policy is usually delivered to markets with a time lag effect as it takes time for the increased monthly repayments to effect consumer behaviour or to challenge corporate credit regarding financing via higher interest rates – rolling forward existing loans. With continued policy tightening expected into the second half of 2022, JCB believes that any prospect of a “soft landing” for the economy is looking highly challenged as the economy is losing growth velocity at an accelerated pace. This should continue until Central Banks reach an inflection point where they may “pivot” policy to neutral from restrictive allowing confidence to lift and animal spirits to be restored. Sadly for many asset owners, that pivot may be further away than what we have recently experienced in 2018 and 2020, as it is hard to cut rates and embark on quantitative easing if inflation is still well above mandate. Inflation velocity for the rest of 2022 will define market outcomes and Central Bank necessities to further inflict pain on over indebted economies.

### 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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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).