JAMIESON COOTE BONDS

CC JCB Dynamic Alpha Fund (APIR: CHN8607AU)
Fund Update as at 30 September 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]	-0.08%	0.52%	0.77%	0.52%	-0.45%	0.76%	-	2.17%
Benchmark Return[2]	0.18%	0.43%	0.52%	0.43%	0.54%	0.29%	-	0.30%
Active Return (After fees)	**-0.26%**	**0.09%**	**0.25%**	**0.09%**	**-0.99%**	**0.47%**	**-**	**1.87%**

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.

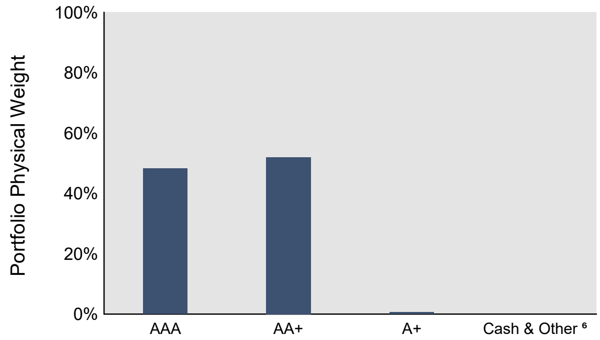
Diversification and Income
When bonds are held as part of a broader portfolio of different asset classes, diversification may assist in managing market volatility. Bond securities in general are considered a defensive asset class.The income generated by bond securities is consistent and regular (usually semi-annual).

Fund Characteristics

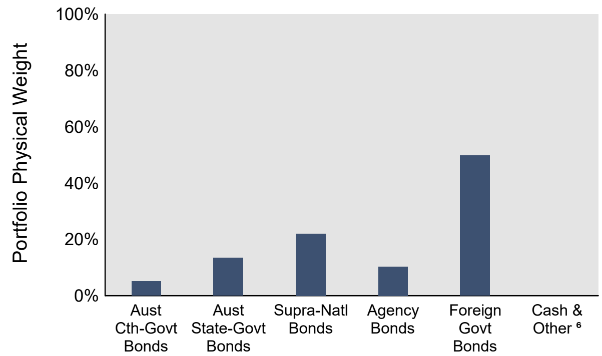
Characteristics	Fund
Modified Duration (yrs)	0.56
YTM + Hedging Effect	3.66
Weighted Ave. Credit Rating	AA+

Source: JamiesonCooteBonds Pty Ltd.
See Definition of Terms.

Asset Allocation by Credit Rating (Physical Weight)



Asset Allocation by Sector (Physical Weight)



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 $408 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.

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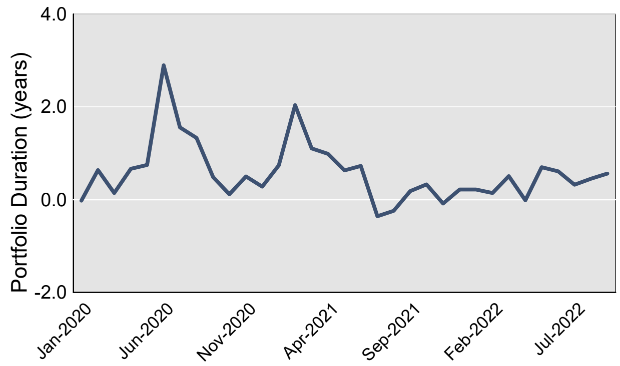
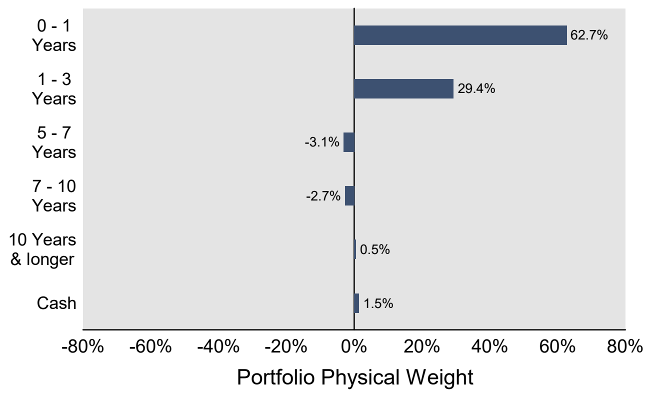
Historic Portfolio Duration



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 September, the CC JCB Dynamic Alpha Fund – Class A units (the Fund) returned -0.08% (after fees), underperforming the RBA Cash Rate Total Return Index.

The portfolio was challenged for the month as global bond markets remained under pressure along with other asset classes. With the US economic data surprised by the upside - in particular the CPI number - and as the US Federal Reserve (US Fed) hiked rates by 75 basis points (bp) for the third meeting in a row and forecasted a further 125 bp of tightening before year-end. US Fed Governor, Jerome Powell, also emphasised that 'the chances of a soft landing are likely to diminish to the extent that policy needs to be more restrictive, or restrictive for longer". Bond markets remained heavy into month end and the US 10yr yield breached 4% for the first time since 2008 under the continued narrative and Central Bank actions to slay the inflation dragon. UK markets provided the volatility for the month as the announcement of fiscal expansion by Chancellor Kwasi Kwarteng compounded inflationary concerns and triggered a massive move lower in the currency and the price of long end bonds with the GBP at one point 10% lower for the month. The violent movement in the long end bonds triggered financial solvency speculation amongst the UK pension community which warranted the Bank of England intervening in the bond market and postponing impending bond sales or reduction of their balance sheet.

The other major intervention in financial markets was in Japan with their Ministry of Finance, Shunichi Suzuki, buying Japanese Yen to stem currency weakness. This intervention from monetary authorities poses the question that the rapid tightening of financial conditions from the front loading of rate hikes is continuing to present problems within the financial system and creating volatility that might encourage Central Banks to slow down or pivot away from their hiking program. The fund encountered a drag on performance from the move lower in Australian short end bonds which tracked offshore bond markets, despite Reserve Bank of Australia Governor, Phillip Lowe, swimming against the hawkish global Central Bank tide at the annual Anika Foundation address, this suggested that the "case for a slower pace of increase in interest rates becomes stronger as the level of the cash rate rises". The portfolio remains positioned for outperformance in the Australian bond markets against its peers given the different inflation pathway and higher household debt loads exhibited domestically. The portfolio also added short term paper in the US given the compelling yields and with the expectation that the window for the peak in short end yields is approaching.

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Market Review & Outlook

The inflation focus will give way to a liquidity/credit crisis as markets begin to break.

''There are decades where nothing happens, and there are weeks where decades happen, '' as Vladimir Lenin said.

With so much focus and reporting of individual events in markets, we often miss the chance to stand back and consider the larger trends. The changes occurring in financial markets are profound, as Central Bankers must retreat from their low interest rate and excess liquidity policies to kill inflation. As this is occurring, assets that are reliant on low interest rates to justify higher valuations are quickly falling in value. Markets are starting to creak and crack, but the individual issues have yet to become a systemic market wide issue. Are these the Bear Stearns or Countrywide rumbles ahead of the Lehman moment? If we stay on this policy course of radically fighting inflation at all costs, then a systemic market issue is almost certainly the outcome, and likely leads to a highly deflationary bust. Perhaps that's been the plan all along – even though most folks will not enjoy seeing asset values fall in the process.

2022 has been a brutally ugly year to date, and as we know from previous episodes, sadly these things tend to speed up toward the end in a crescendo outcome (think about the year-long lead up to the Lehman Brothers blow up through the global financial crisis). With a tripod of policy being removed from markets in fiscal, monetary and liquidity (Quantitative Easing) to crush inflation, markets were always going to suffer in a re-adjustment from prior over stimulus. Geopolitical events have turbo charged these changes via higher energy prices and increased uncertainty, but they have restored yields to levels not seen since 2010. The last time 10 year US Government Bond yields traded at 4.00% the S&P 500 was at 1300 (gulp) some two thirds lower in value than today. Granted the earnings component is far higher than 2010, and the index has rotated out older businesses in favour of new darlings, but one must acknowledge that some hope of status quo valuations remains in the current pricing. That is quite rational given the macro policy safety nets investors have come to expect in any type of crisis since the global financial crisis, however, this time is a little different as we cannot guarantee that inflation will disappear in a supply constrained energy world where a few key players hold the future of global energy prices in their hands. That makes the 'pivot' – where Central Banks can provide accommodation potentially further away (double gulp!).

Many investors expect once this inflation monkey is off our collective backs (Central Banks will win this inflation fight by radically taming the economy), the world can return to the pre-Covid status quo of policy support which should deliver low volatility, low interest rates (negative real rates) and as a result, higher asset prices. That may be the case, or as Lenin suggests above, we could be quickly morphing towards a new investment environment where interest rates stay higher for longer periods to quell inflation. Our major concern remains that raising rates at the fastest pace in a generation, on enormous debt burdens, causes things to ultimately break. In the last few months this has all happened so quickly that like turning on a long garden hose, for a little while nothing actually happens and then all at once water spurts out at a chaotic pace. We are in the eye of the storm from the obvious effects of rate hikes, and the major pains are yet to come.

Monetary policy is now well into restrictive territory in most of the developed world (above the neutral rate which is defined as the rate that is neither accommodative or restrictive for the economy). After being lured into risky assets by cheap money and excess liquidity, leveraged participants are now asked to refinance (through time) after the fastest hiking cycle in a generation, on large debt loads. As a result, the availability and risk appetite of lenders is lower, despite the higher interest rates they can charge, as they don't think everyone is a good lending credit under higher debt servicing costs. This makes lending and availability of credit pro cyclical, when ideally it would be counter cyclical, which is ultimately why Central Banks need to provide the backstop to the economic machine to be the 'lender of last resort'.

To get some certainty back in markets and monetary policy, we need to consider the inflation pathway.

Historically, to kill inflation, the Fed Funds rate has needed to move beyond the inflation rate, which is expected to occur between March and June of 2023, depending on the monthly averages from (0.2% to 0.4%) and rationally the markets expect lower Fed Funds rates from this point on.

So, this would be the glide path if nothing goes wrong, nothing breaks in the system. Can we hang on until the second quarter of next year without a systemic accident? Sadly, that is highly unlikely as stress indicators across many metrics are peaking with financial stresses building into higher interest rates, wider credit spreads, lower equity valuations and higher volatility.

Thank goodness there are alternatives again.

Further Information

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Platform Availabilty

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.