



CC JCB Dynamic Alpha Fund (APIR: CHN8607AU)

Fund Update as at 31 January 2023

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	0.30%	0.81%	1.24%	1.64%	1.15%	0.97%	1.93%	2.30%
Benchmark Return ²	0.27%	0.75%	1.30%	1.40%	1.50%	0.76%	0.57%	0.58%
Active Return (After fees)	0.03%	0.06%	-0.06%	0.24%	-0.35%	0.21%	1.36%	1.72%

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 \$348 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.

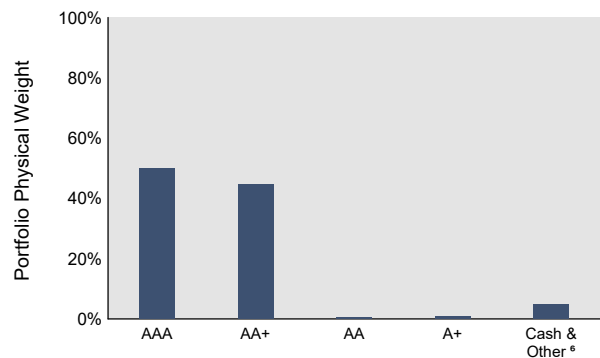
Fund Characteristics

Characteristics	Fund
Modified Duration (yrs)	1.05
YTM + Hedging Effect	3.89
Weighted Ave. Credit Rating	AA+

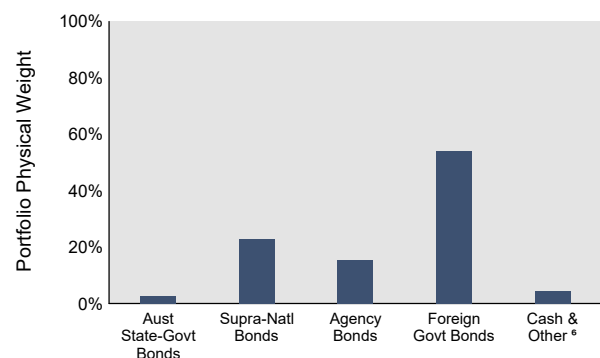
Source: JamiesonCooteBonds Pty Ltd.

See Definition of Terms.

Asset Allocation by Credit Rating (Physical Weight)



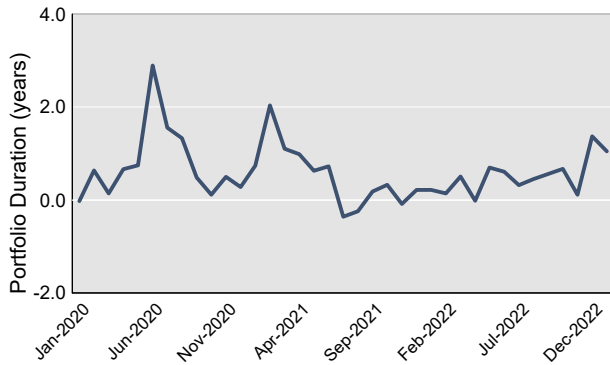
Asset Allocation by Sector (Physical Weight)



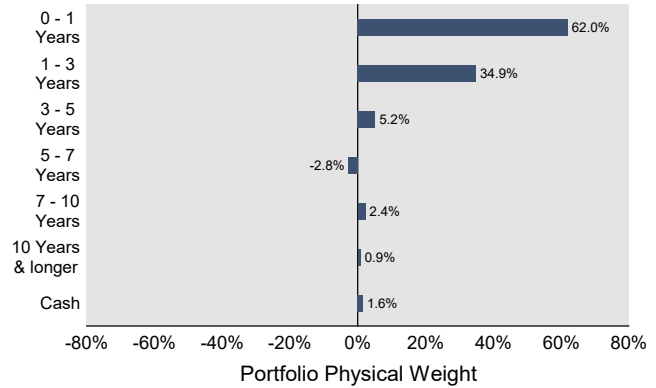


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Historic Portfolio Duration



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 0.30% (after fees), outperforming the RBA Cash Rate Total Return Index.

The fund delivered modest returns for the month of January as financial asset markets started the year off in a different fashion to 2022. Global bond volatility continued to dissipate which allowed investors more surety that the rapid tightening of financial conditions experienced last year is mostly behind us. Treasury yields pushed lower reflecting the growth-slowdown narrative in the US economy as a slowdown in inflation and economic data outweighed the comments from Fed officials who continued to stress that short end interest rates would remain higher for longer. The US employment report beat expectations on the headline number however the softening in the average hourly earnings garnered more attention as the market focused on the deceleration of the inflation narrative. US CPI also came in line with expectations which placated the market and supported the bullish environment for equities and financial assets. Reports from Europe that the ECB would only consider a 25 bp hike in March along with a lower than expected Eurozone CPI print provided support for the bond market there. Following the surprise move by the Bank of Japan to widen the YCC bands at their December meeting the market eagerly awaited the outcome of their January meeting given the negative implications for the global bond market if they continued with their hawkish behaviour. The positioning reflected a strong bias for higher Japanese yields and the failure of the BoJ to move the YCC bands instigated a sharp rally in Japanese bonds that also supported global bonds to a lesser extent. The peripheral European markets and the Australian bond markets in particular enjoyed a tail wind from that BoJ decision as the threat of repatriation flows diminished. The Canadian Central Bank started the year with a 25 bp hike to 4.50% however was the first Central Bank to offer guidance of a step down from tighter monetary policy as they signalled a shift to a “conditional pause”. Domestically the Australian bond market enjoyed a strong rally to start the year after the bludgeoning into year end on the news of China reopening and the move from the bank of Japan – the cheapness encouraged good demand again off the 4.00% level in 10yr bonds and ironically the market pushed to new highs for the month following the decision by the Bank of Japan to keep the YCC band unchanged at +/- 50 bp. The market retreated following a higher CPI which came in at 7.8% versus expectations of 7.6%. The portfolio benefited through the month from Australian rates outperformance adding to duration around the 4.00% level in Australian 10yr bonds and tactical duration plays in US Treasuries and European rates.

Market Review & Outlook

With the first month of the year now behind us, both bonds and equities have performed well in expectation of a collective pause from Global Central Bankers and growth outcomes have waned. JCB believe it is unlikely that 2023



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is quite that simple and investors should consider several differing elements that make up market pricing – not least the macroeconomic backdrop and medium-term inflation outlook. Seemingly last year there was uniform agreement amongst most Central Bankers, the developed world over, to move rates quickly to restrictive territory. An acknowledgement that much has been achieved in moving monetary policy, combined with significant caution around the economic outlook towards growth are the flavour of most speeches from this community so far in 2023. This is helping markets perform as we open the year, as the elusive “pivot” in monetary policy should encourage market participants that the moment of peak restrictive policy is now complete, and things can improve under the assumption of rates cuts in the future.

Looking at US data (as the dynamic leading economy for markets) over January alone we have had string of decaying economic data prints. ISM manufacturing came in at 48.4, ISM services at 49.6 (below 50 in contractionary), New York Federal Business Activity index at -21.4, Richmond Federal Business conditions -10, Philadelphia Federal Business outlook at -8.9, Dallas Federal Manufacturing Activity -15, (below zero in contractionary), Industrial production -0.7%, Manufacturing production -1.3%, Housing Starts -1.4% and a large decline in retail sales at -1.1%. This is an economy losing velocity rapidly from prior periods and looks set to continue as policy settings are now restrictive (rather than accommodative as they have been for most of the GFC period). Across the pond in the United Kingdom a similar picture is developing. Negative industrial production, manufacturing production and weak retail sales also point to further slowdowns ahead. Germany is also showing lower retail sales and manufacturing activities.

Australia has had little data released over January due to our major summer break, however our own December 2022 retail sales collapsed by -3.9% - the largest ever decline outside of the pandemic and the introduction of the GST. With mortgage interest charges already over 60% higher over the year, it is little wonder that a sharp slowing of discretionary spending is widely expected looking forward and should mirror outcomes seen in other developed economies. Combined with higher prices (we all noticed the higher cost of BBQ goods this summer), the drain on households spending remains acute. This will continue to make 2023 a challenging investment period as the conflicting path for inflation versus growth continues to pervade the financial asset landscape.

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.



JAMIESON COOTE BONDS

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