



CC JCB Dynamic Alpha Fund (APIR: CHN8607AU) Fund Update as at 31 March 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	0.73%	1.15%	1.97%	2.50%	2.76%	1.26%	1.93%	2.45%
Benchmark Return ²	0.30%	0.82%	1.52%	1.96%	2.04%	1.04%	0.72%	0.72%
Active Return (After fees)	0.43%	0.33%	0.45%	0.54%	0.72%	0.22%	1.21%	1.73%

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 \$257 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 in Australian Dollars. Net performance is calculated after management fees and operating costs. Individual investor level taxes are not taken into account when calculating net 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. The comparison to the RBA Cash Rate is displayed as a reference to the target return for the Fund and is not intended to compare an investment in the Fund to a cash holding. 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.

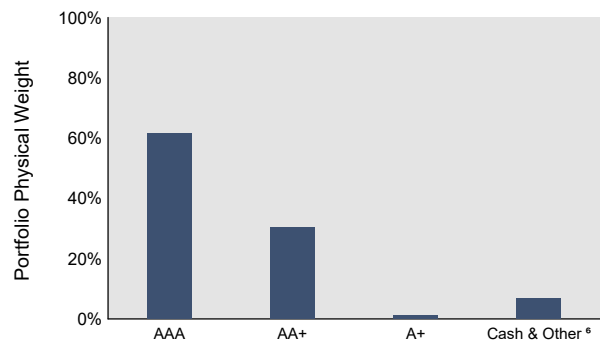
Fund Characteristics

Characteristics	Fund
Modified Duration (yrs)	0.70
YTM + Hedging Effect	3.68
Weighted Ave. Credit Rating	AA+

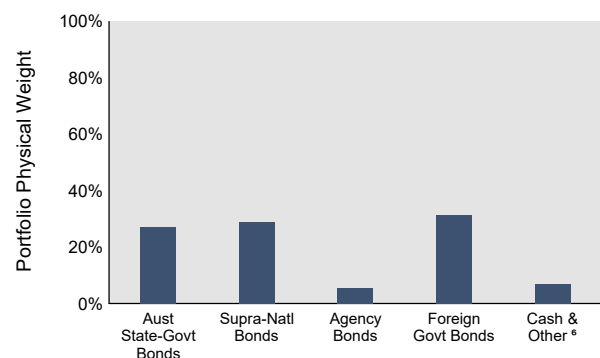
Source: JamiesonCooteBonds Pty Ltd.

See Definition of Terms.

Asset Allocation by Credit Rating (Physical Weight)



Asset Allocation by Sector (Physical Weight)

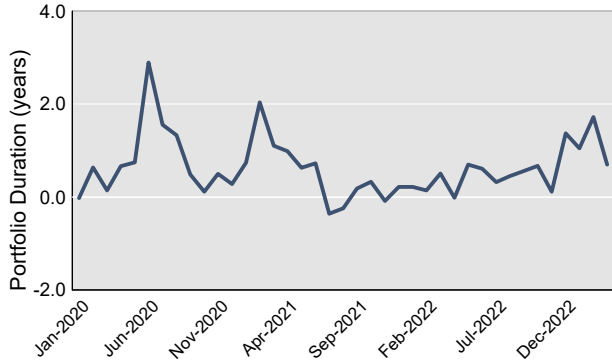




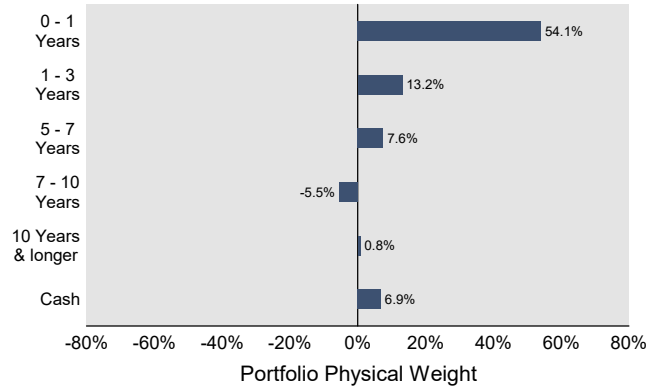
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Historic Portfolio Duration



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.

#Data shown is for underlying assets of the CC JCB Dynamic Alpha Fund (inception date 30 December 2019)



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Fund Review

For the month ending March, the CC JCB Dynamic Alpha Fund – Class A units (the Fund) returned 0.73% (after fees), outperforming the RBA Cash Rate Total Return Index.

The month of March was another historic period of volatility as the rapid tightening of the financial system over the last year exposed the fragilities of the banking system.

The stress in the banking sector dramatically altered Global Central Banks guidance as the outlook flipped from a 'higher-for-longer' consensus view to one that includes the US Federal Reserve (US Fed) cutting rates in 2023 as the base case. This resulted in an aggressive rally in US 2 year notes which peaked at 5.08% early in the month and troughed at 3.76% on the 24th of March. In the US, markets initially focused on the hawkish commitment from the US Fed after the US Federal Reserve Chair, Jerome Powell's testimony indicated higher rates for longer. Shortly after those comments, the collapse of SVB and other regional banking stresses within the US triggered a rapid recalibration of future rate hikes as concerns over credit creation and the economic outlook escalated. This banking fragility also spread to Europe where Credit Suisse was bailed out with the acquisition by UBS which was orchestrated by the Swiss authorities on March 19. The deal caused stress in the corporate bond market and triggered a flight to quality into highly-rated government bonds and concerns of who the next banking victim would be.

On the data front, inflation and employment continue to be the big ticket items and receiving the most attention from market participants. Tight employment conditions globally continues to be a thorn for central bankers, while inflation data is easing, however still at uncomfortable levels. In the face of the data, the Federal Open Market Committee, European Central Bank and Reserve Bank of Australia all continued their mission to focus on the inflation fight and hiked rates at their respective meetings, although we are now getting to a point where things are starting to break, which has been their aim all along by providing headwinds to the economy with the increasing cash rates and therefore cost of money.

The Fund over the month of March held long positions in short end Australian spread product in anticipation of continued performance and carry as the Australian economy continues to slow as the long and viable lags of monetary policy effect the economy. Dynamic Alpha also maintained a long position in short dated US Treasuries against a small short position in Japanese rates, with some additional curve flattening exposure in the 10 year to 30 year tenors in expectation of a sell off and flattening of the term structure within the removal of Yield Curve Control by the Bank of Japan.

Over the month, the Fund added a large position in 7 year New Zealand Government bonds, which were being syndicated with significant concessions to other cross market relationships and were compelling given that Reserve Bank of New Zealand are nearing the end of their tightening cycle. This duration risk was partially controlled by offsetting the position against Australian 10 years futures and US Treasuries. The portfolio also added QTC green 10 years bonds at new issue hedged with 10 yrs futures.

The explosion of Silicon Valley Bank initially saw these structures underperform, whilst staying within our expected volatilities. As the situation evolved this provided JCB to manage the risk down over the month and monetise the opportunities whilst reducing risk. JCB expects volatility to remain elevated and have calibrated risk accordingly.



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Market Review & Outlook

'Credit is a lot like oxygen. You don't notice it 99% of the time. But if its absent, it's the only thing you notice.'" Warren Buffett

March has been a rude awakening for investors, as credit risk returned with a vengeance and at a frightening speed. The fastest relative interest rate rises in recent history have now laid bare the potentially catastrophic credit risks faced by investors, with March generating the second and third largest banking failures in US history. Technology now means these events can happen in hours, a few mouse clicks of deposit withdrawals and the Silicon Valley Bank (SVB) was insolvent within a day, as customers stripped the bank of deposit assets by moving money rapidly. SVB and its poor risk management practices maybe the first major domino to fall but it's a stark reminder that we are now all standing on thinner ice, and cracks in the system are everywhere in a world unprepared for a rapid 500 basis point rise in the global risk-free rate (US funding rates).

These violent episodes now have markets on the back foot with confidence shattered and hunting around for the next weakest hand at the global table. Sadly, the embattled 160 year old and once global powerhouse of Credit Suisse wealth manager and investment bank was next on the chopping block, with some bond investors being wiped out entirely as the company was forced into a merger ahead of an almost certain imminent failure. With UBS being forced to acquire Credit Suisse to stem a run on the global banking system (some eerie parallels between this and Bear Stearns being forced into the hands of JP Morgan (pre GFC). No doubt many local investors madly re-read their hybrid prospectus to see the exact terms of their own debt holdings and investments, and where they may rank should the situation ever get disorderly closer to home, as some Credit Suisse bond holders lost everything. Credit risk has been violently reborn.

For now, authorities have managed to prop up the system, back stopping depositors in SVB, fire selling the ashes and dealing with these isolated failures. Are these examples of one-off spot fires, firecrackers that make a lot of noise without causing much damage, or is there a network effect that can link them together and generate a darker series of events which becomes systemic? This is a really difficult question to answer with precision, but critical if you are a dynamic asset allocator. It has certainly introduced some additional thinking for folks that expected 2023 to be a 2007 repeat, the continued calm after the rate hiking cycle. In the case of 2007, the world had just experienced a large US Federal Reserve hiking cycle (2004-2006), reaching a similar peak in rates of 5.25%, but the economy continued on into the long shadows of the post terrorist attack rates cuts of the 9/11 boom. Markets were talking about sub-prime debt, but we all knew about it, and felt collectively safe in that knowledge as it was unlikely to be a major problem, because it was the "unknown unknowns" that would topple the system and sub-prime was a known issue. For 2007 it was a year where not much happened, in fact equities went on to cycle highs later in the year, but then, all of a sudden everything happened. Such is the nature of delinquency, a silent build up that grows exponentially and then suddenly a straw breaks the camel's back.

Credit, and its availability are such a critical function in the economic system. The depositor flight that the US banking system is now experiencing is highly contractionary for credit creation. Much of the depositor monies are leaving smaller regional banks - the very back bone of US small and medium sized enterprise lending at more than 50% of all loans in this space - fleeing to the safety of systemically important banks or short dated US Government Bonds that enjoy explicit support. A contraction of credit availability means less new lending which crimps expected growth, but almost more importantly for the status quo, it presents a highly challenged environment for consumers and corporates in 'rolling' existing debts forward, as the existing debt terms mature.

Whilst no two cycles are the same, there are many similarities, but some differences, around this rapid hiking cycle and that of 2004-2006 which culminated in the GFC in 2008. As the old saying goes, liquidity is a coward, and it vanishes at the first sign of trouble. For a fund structure that offers frequent exit liquidity, the manager either needs to hold liquid assets to meet expected investor demand or raise enough fresh capital of inflows to meet investor demands. If the redemption request exceeds these thresholds, the manager must take the drastic action of realising



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the underlying illiquid assets or freezing the fund. We have seen many episodes of asset managers gating investors in, essentially freezing the structure to protect investors. Now that the firecrackers of SVB and Credit Suisse have started erupting, we would expect that investors will begin to move quickly on shoring up what liquidity they can find in an attempt to arbitrage this illiquidity offering by redeeming ahead of the asset books being forced into remarking by the additional redemption flow of funds. It becomes a game of last one out turns off the lights. It is somewhat irrational, very destructive and quite obviously somewhat unnecessary, but when it occurs in clusters it is catastrophic - just like deposit outflows at SVB.

Sometimes in investing the themes are easy, but the timing is really hard. Trying to time the evolution of this cycle and identify the acceleration of events can be as much luck as skill. As risk appetites shift, one thing is for certain, we have moved passed investors thinking about return 'on' capital to focus on return 'of' capital. The \$17 billion of destroyed wealth in Credit Suisse bonds reminds us that this really requires very critical thought, and then likely some tough actions.

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.

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.