CC JCB Dynamic Alpha Fund (APIR: CHN8607AU)
Fund Update as at 30 June 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]	-0.12%	0.51%	1.66%	3.02%	3.02%	1.32%	1.72%	2.42%
Benchmark Return[2]	0.33%	0.95%	1.78%	2.93%	2.93%	1.51%	1.03%	0.94%
Active Return (After fees)	**-0.45%**	**-0.44%**	**-0.12%**	**0.09%**	**0.09%**	**-0.19%**	**0.69%**	**1.48%**

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

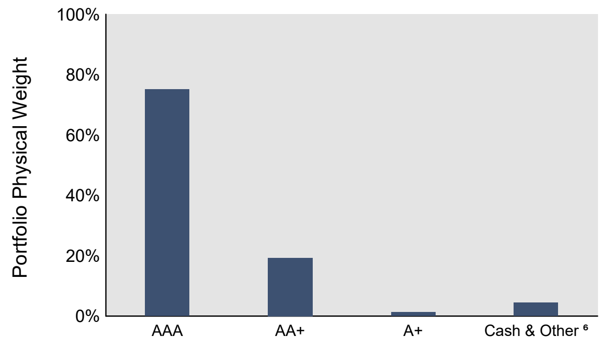
When bonds are held as part of a broader portfolio of different asset classes, diversification may assist in managing market volatility. Bond securities in general are considered a defensive asset class.The income generated by bond securities is consistent and regular (usually semi-annual).

Fund Characteristics

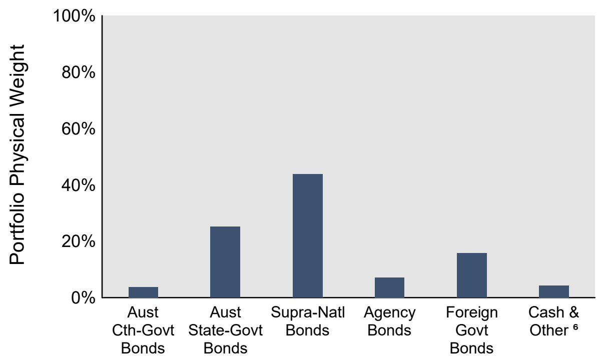
Characteristics	Fund
Modified Duration (yrs)	1.43
YTM + Hedging Effect	4.38
Weighted Ave. Credit Rating	AA+

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 $209 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.

Jamieson Coote Bonds

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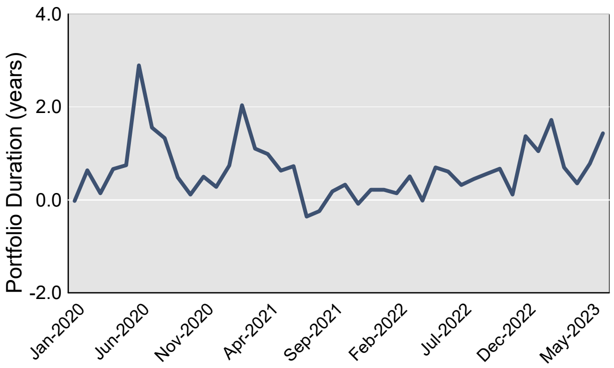
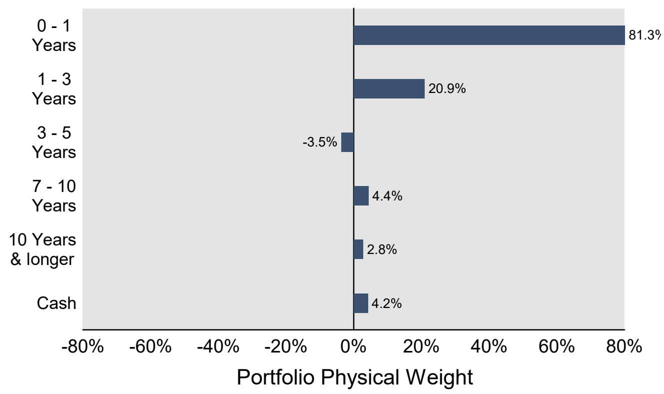
Historic Portfolio Duration#



Asset Allocation by Duration (Physical Weight)*



Data shown is for underlying assets of the CC JCB Dynamic Alpha Fund

*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.

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Fund Review

For the month ending June, the CC JCB Dynamic Alpha Fund – Class A units (the Fund) returned -0.12% (after fees), underperforming the RBA Cash Rate Total Return Index.

Following on from the volatile start to the year, the second quarter was a touch more subdued for asset markets as financial contagion from the banking issues of March failed to materialise. Sovereign bonds struggled to perform as inflation remained sticky and central banks remained on the front foot with their hawkish actions. The nuances of the inflation stickiness are important as goods inflation is decelerating however services inflation remains firm as a result of pent-up consumer demand. Canadian and Australian central banks both surprised the markets early in the month as they lifted their cash rates by 25 basis points (bp) to 4.75% and 4.10% respectively. The Bank of Canada's decision was telling as they had issued a conditional pause in January however resumed the tightening phase on concerns that core inflation momentum might prevent inflation from hitting its 2% target. The Reserve Bank of Australia's rate hike, the revision to national minimum wages and surprisingly robust employment data pressured the market into month end although momentum stalled into the compelling 4.00% region as the June Board meeting minutes highlighted policymakers had contemplated a pause and CPI came in much weaker than expected. Elsewhere Bank of England committed to a 50 bp hike and the European Central Bank a 25 bp hike however the market had pretty much already priced those decisions in. Bank of Japan (BoJ) continued to frustrate market participants who are positioning for an end to their current yield curve control as BoJ Governor Ueda stuck to his guns and suggested there was no need to tweak the policy. The US Federal Reserve (US Fed) left their policy rate unchanged although offset that with their dot plot which posited two more rate hikes into year end. Governor Powell reiterated at Sintra on June 28th that the US Fed was still committed to consecutive rate hikes.

The most notable moves in bond markets were in the front end which led the sell off to higher yields. This resulted in a flattening of global yield curves, with the US 2s10s curve closing back at -106 bps (near the pre Sicilon Valley Bank close), and the Australian 3s10s bond futures curve moving from 20 bps to 2 bps. Flatter yield curves (especially prolonged negative yield curves) have historically been a reliable indicator of pending recessions ; however, they do take time.

JCB believes that central banks are approaching the mature stages of their hiking programs, and we are getting close to terminal rates in most developed markets. Rates are now sufficiently restrictive to see a slow down in demand and refinancing risks for corporates who are coming off honeymoon rates that were locked in during the ultra low-rate period of the pandemic. So far, the consumer has been remarkably resilient, and it is too early to be even thinking about rate cuts. The time is near for central bankers to take stock and allow tight monetary policy to work its way through the economy.

The portfolio encountered drag from the underperfomance of the Australian short end and fixed income in general through the month. Portfolio still remains positioned for a change in Japanese Yield Curve Control, holds some UK gilts against Bunds and initiated a steepening trade in US Treasuries , buying the 2 year against the 5 year.

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Market Review & Outlook

Following on from the volatile start to the year, the second quarter was a touch more subdued for asset markets as financial contagion from the banking issues of March remains contained for now, however the impact and the direction of global interest rates continued to be hotly debated and closely monitored as we approach the zenith of the tightening cycle. The cumulative effects of Central Bank tightening continue to keep participants on watch as the timing of the global recession remains hard to isolate, particularly given the conflicting evidence that is arising from key data and the divergent directions of different asset classes.

The manufacturing sector is historically a prescient indicator of the state of the economy and probably best reflects the global story, whilst the services component of that sector runs hot on pent-up consumer demand. The manufacturing survey remains steadfast in recessionary territory due to tightening lending standards and the higher cost of capital. This divergence is creating headaches for the monetary authorities as goods inflation continues its trajectory lower, whilst services inflation remains sticky. Central Banks face a delicate balancing act as they strive to steer inflation into an acceptable level in the “vicinity” of the mandated 2% level - creating a challenging conundrum.

Like the concerned parent threatening their recalcitrant children to implement a ban on all electronic devices in the household, we expect to see continued tough talking from Central Bank officials as they steer markets away from pricing in a rate cutting cycle in the near term.

This was evident at the recent Central Baking Forum in Sintra, Portugal where Federal Reserve Chair Powell, European Central Bank President Lagarde, Bank of England Governor Bailey, and Bank of Japan Governor Ueda, all waxed lyrical on monetary policy and their prospective thoughts. With the exception of Ueda, who acknowledged that underlying inflation in Japan remains below 2%, all others emphasised their commitment to combat inflation and are adapting policy to achieve that goal. The Central Bankers also suggested their respective institutions will now be moving interest rates on a meeting-by-meeting timeframe as they become data dependent. This underscores the uncertainty with regards to the global economic outlook and the perils of implementing monetary tightening late in the cycle.

Consider Europe as an example, where stubborn inflation and the Central Bank’s aggressive round of interest rate hikes have inflicted pain on the Eurozone economy, leading to a technical recession with real GDP declining by 0.1%, quarter-over-quarter in the final quarter of 2022 and the first quarter of 2023. Furthermore, the once proud German economy now bears the unfortunate label of the “sick man of Europe,” as recent employment weakness has pushed the unemployment rate to a two year high of 5.7%.

These follies of Central Bank forecasting and pinning themselves to data are demonstrated by the practice adopted by the US Federal Reserve, where each quarter the US Federal Reserve members release their projections of where they believe US short term interest rates will be at future rate setting meetings. This “dot plot” mechanism is designed to provide the market with forward guidance and serves as an additional lever utilised to implement monetary policy. However, the current “dot plot” for US cash rates demonstrates huge distortions, with the expectations ranging from as low as 2.375% to 5.625%. This wide range underscores the presence of divergent opinions within the world's leading rate-setting institution, highlighting the potential drawbacks of this approach.
Asset prices this year are also pushing Central Bankers into a corner as the performance of equity markets and residential property have defied expectations. Technology stocks, which ironically are supposed to suffer under a higher interest rate environment, have experienced their best start to the year since 1983, with the Nasdaq soaring over 30%. What a difference a year makes, as it comes off the worst start to a year we had ever experienced in 2022. This positive equity market performance, along with historically low equity volatility, well behaved credit spreads, and reduced bond market volatility, has created a relatively favourable financial environment. However, this situation has inadvertently provided Central Banks with a false sense of security, potentially leading them to adopt a stern stance on further interest rate rises in the near term and bang the drum of higher interest rates for longer. Despite this easing of financial conditions, it does not factor in the extreme tightening of bank lending standards, as the contraction of bank loans to businesses will exert a significant drag on the economy going forward.

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The asset allocation landscape into year-end could be set to reverse from the first half. With the persistently higher interest rate environment, we anticipate downward pressure on equity valuations due to slowing revenue growth and contracting margins. Conversely, the bond market is expected to benefit from Central Banks' unenviable task of restoring inflation to the target range. Bonds are likely to regain their status as an attractive asset class, especially considering that 1-year Treasury yields have surpassed S&P 500 earnings yields for the first time since 2000. For investors, the evolving asset allocation landscape suggests a need to reassess investment strategies. Diversification and careful selection of quality assets could be crucial in navigating this environment.

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.