JCB

JAMIESON COOTE BONDS

CC JCB Dynamic Alpha Fund (APIR: CHN8607AU)
Fund Update as at 31 August 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]	0.54%	0.85%	2.23%	0.97%	3.40%	1.67%	1.82%	2.58%
Benchmark Return[2]	0.35%	1.03%	1.95%	0.69%	3.38%	1.86%	1.25%	1.08%
Active Return (After fees)	**0.19%**	**-0.18%**	**0.28%**	**0.28%**	**0.02%**	**-0.19%**	**0.57%**	**1.50%**

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

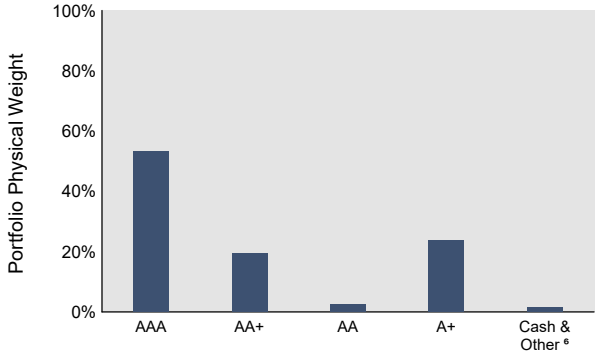
Investment Manager	JamiesonCooteBonds Pty Ltd
Portfolio Managers	Charles Jamieson & Chris Manuell
Style	Global absolute return bond fund - concentrating on actively managing global high grade sovereign bonds
Objective	Outperform the RBA Cash Rate by 2.50% p.a. (after fees) over rolling 3 year periods
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 $184 million [5]

Fund Characteristics

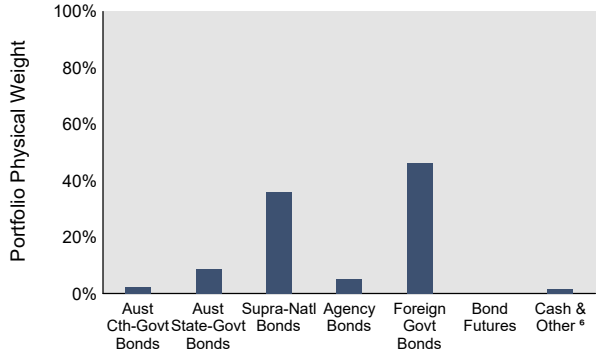
Characteristics	Fund
Modified Duration (yrs)	1.96
YTM + Hedging Effect	4.19
Weighted Ave. Credit Rating	AA+

Source: JamiesonCooteBonds Pty Ltd.
See Definition of Terms.

Asset Allocation by Credit Rating (Physical Weight)



Asset Allocation by Sector (Physical Weight)



[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.

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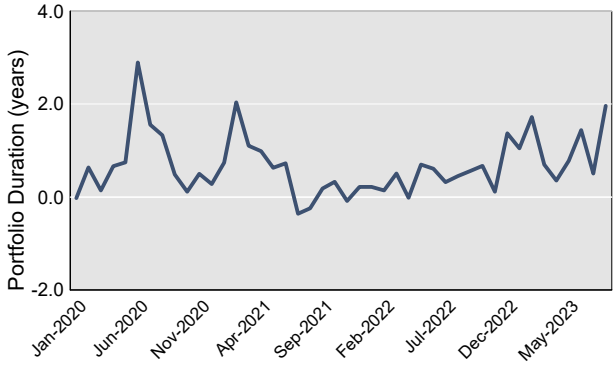
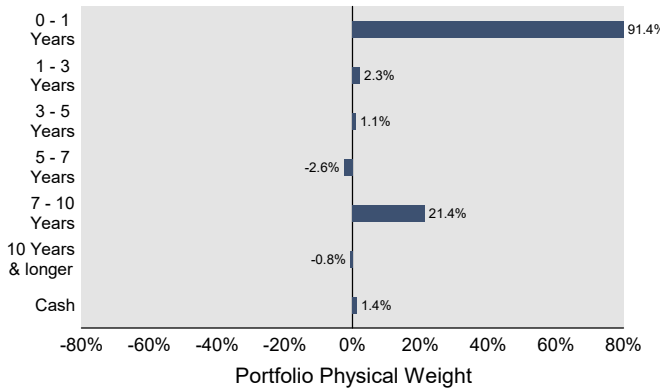
Historic Portfolio Duration#



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.

Fund Review

For the month ending August, the CC JCB Dynamic Alpha Fund – Class A units (the Fund) returned 0.54% (after fees), outperforming the RBA Cash Rate Total Return Index.

The month commenced with a Fitch downgrade of the US Long Term rating from AAA to AA+ which assisted the move higher in yields for the start of the month, only then to reverse on weaker than expected US employment data. Mid-month, Treasuries continued their move higher in yields on the news of greater supply and foreign central bank selling which allowed the market to reach levels not seen since November 2007 – with the US 10-year touching 4.34% on August 21. The much anticipated speech from the US Federal Reserve Chairman Powell at the Jackson Hole conference was uneventful, however the market responded favourably latching on to his encouraging comments on inflation data. Across the pond in the UK, the yields pushed higher following record high wage growth data although subsequently recorded very weak retail sales data which demonstrated that the transmission mechanism of tightening policy was starting to weave its way through the system. European data continued to deteriorate with much weaker than expected manufacturing data as the China slowdown continued to bite. Domestically the Reserve Bank of Australia (RBA) kept rates unchanged, and the market started to get comfortable with the fact that the end of the tightening cycle is nigh as data continued to show signs of weakness with falling employment and softer wages data. Australian market continued to outperform its global peers as the Chinese slowdown, higher debt-loads and more favourable supply picture all supported the market. The Fund continued to hold high quality short end Australian and New Zealand paper as we approach the end of the rate cycle in both countries. Through the month the fund engaged in US Treasury long end steepening position, unwound a short dated Treasury curve steepener and trimmed some UK bonds.

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Market Review & Outlook

After the rapid rise in the cost of capital the world over, economies are beginning to falter. China, Germany, Holland, New Zealand and now Australia are rapidly slowing, bringing high quality fixed income back on the radar as the window for the next stage of the investment cycle approaches. With many other asset classes still enjoying lofty valuations after an extraordinary period for investors, the reset of global yields in fixed income bond markets continues to draw in fresh capital, as asset allocation from smart money continues to rebuild exposures to position for any further economic deterioration expected under restrictive policy settings as real yields remain at historically high levels.

The material reset of yields through the rate hiking cycle has delivered some markets back to yield levels not seen since the GFC, with many US Government Bonds now yielding more than 5.00%. This reestablishment of yield makes for a compelling income alternative, whilst also providing a significant cushion against further rate rises. JCB believes the risk/reward for high quality government bonds as an asset class has becoming very appealing from a medium to long term cyclical view for inclusion in a balanced portfolio. The return profile for Treasuries over the next year at circa 4.25% yields are also skewed in favor of the buyer as any rally allows greater rewards from the capital appreciation and the coupon reinvestment, whilst a further rise in yields will be somewhat mitigated from coupons received.

Strong policy support and a booming economy have had many portfolios set up to be kicking with the policy wind, running with plenty of risk looking to keep the scoreboard humming. As those global winds (and policies) have turned and inflation attempts to return to within acceptable levels for Central Banks , markets will remain in a transitional phase that will require some nimble adjustments. Central Bankers have already acknowledged that the transmission lag needs to be monitored. JCB is watching the developments in the UK rates market keenly , they have been the canary in the global bond markets over the last few years. The recent statement from BoE bail was quite telling . Bailey said UK interest rates are probably “near the top of the cycle” because the fall in the inflation rate will continue and likely be quite marked. Bailey said much of the surge in the key rate to 5.25% from 0.1% at the end of 2021 is yet to be felt; “We’ve definitely got a substantial amount of transmission to come”; “It appears that there is a longer transmission, that the lags are longer. We have to factor that in our policy decision .” Consideration is also required between access to capital in public markets, and the differences in private markets where investment horizons and lock ups can be significantly longer. Also make sure asset offering pass the sniff test. If public markets have had huge pullbacks over 2022, shouldn’t that impact private markets also? What does the go forward look like for those offerings which are yet to reset?

With Central Banks at the end of their tightening cycles and the specter of the global growth slowdown lurking ominously, many leading indicators such as inverted yield curves, tightening bank lending standards, slowing of mortgage applications, and weakening labour markets have historically been prescient indicators of a recession. Economic ills in China and Germany, historically countries that navigate through economic growth slowdowns, would suggest that the recent velocity of monetary tightening is impacting manufacturing and exports and the broader global economy.
The Antipodean Central Banks, the RBA and RBNZ have already strongly hinted that they are at the end of their respective hiking cycles which is telling and reflective for other global central banks as these economies are both highly levered and susceptible to weakening global growth outcomes. New Zealand is already in official recession, albeit mild but with no policy support forthcoming, we expect this will continue to broaden to a more severe slowdown. Australia is now in a ‘per capita’ recession, as GDP per person was -0.3% in both the March and June quarters, meaning it is only population growth that is keeping the nominal numbers above zero. Historically the probability is high that rate hikes presage floundering economies and given the velocity of this rate hike cycle, the chances of a hard landing should supersede chances of a unicorn soft landing. The benefits of duration is compelling, particularly as the bond market traditionally rallies after the last hike and given the bifurcated nature of this business cycle.

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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.

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.