JAMIESON COOTE BONDS

Fund Update as at 30 April 2024
CC JCB Active Bond Fund (APIR: CHN0005AU)

Fund Performance

Returns	1 month	3 months	FYTD	1 year	3 years p.a.	5 years p.a.	7 years p.a.	Since inception p.a. (03-Aug-2016)
Fund Net Return[1]	-2.12%	-1.49%	1.64%	-2.13%	-2.89%	-0.82%	0.78%	0.65%
Benchmark Return[2]	-2.03%	-1.25%	2.02%	-1.70%	-2.48%	-0.69%	1.00%	0.68%
Active Return (After fees)	**-0.09%**	**-0.24%**	**-0.38%**	**-0.43%**	**-0.41%**	**-0.13%**	**-0.22%**	**-0.03%**

Fund Benefits

Active Management
JCB is a specialist fixed income manager with significant global investment management experience and expertise.

Superior Liquidity and Credit Quality
A domestic high grade bond strategy that invests in Australian Government, semi-Government and supranational bonds (AAA or AA rated securities), providing investors with superior liquidity and credit quality.

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

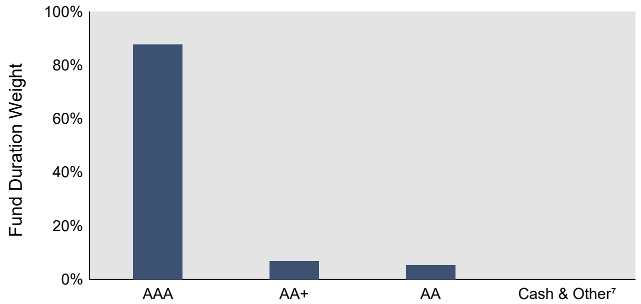
Investment Manager	JamiesonCooteBonds Pty Ltd
Structure	AAA or AA rated bond securities issued in Australian dollars
Inception Date	03 Aug 2016 [3]
Benchmark	Bloomberg AusBond Treasury 0+ Yr Index
Management Fee	0.45% p.a.[4]
Administration Fee	0.10% p.a.[4]
Buy / Sell Spread	0.05% / 0.05%
Distributions	Semi-annual
Fund Size	AUD $1,298 million [5]

Fund Characteristics

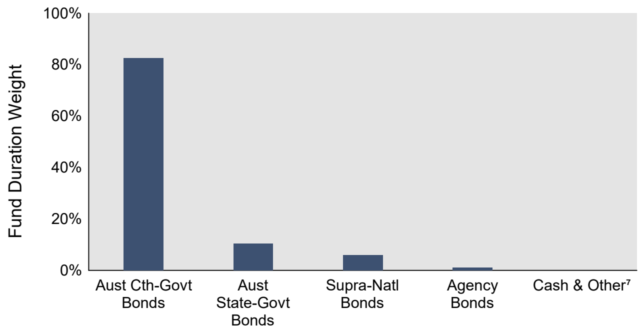
Characteristics[6]	Fund	Benchmark[2]
Modified Duration (yrs)	5.65	5.35
Yield to Maturity (%)	4.46	4.24
Weighted Ave. Credit Rating	AAA	AAA
Cash Weighting (%)	1.30	n/a

Source: JamiesonCooteBonds Pty Ltd.

Allocation by Rating (Duration Weight)[6]



Allocation by Sector (Duration Weight)[6]



Platform Availabilty

AMP MyNorth	Asgard	Ausmaq
Aust Money Market	BT Panorama	Colonial First Wrap
HUB24	Implemented Portfol	Linear
Macquarie Wrap	Mason Stevens	MLC Navigator
MLC Wrap	Netwealth	PowerWrap
Praemium	uXchange	Xplore Wealth

Further Information

Phone: 1800 940 599
Email: distribution@channelcapital.com.au
Web: www.channelcapital.com.au

[1] Performance is for the CC JCB Active Bond Fund (APIR: CHN0005AU), 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 Bloomberg AusBond Treasury 0+ Yr 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 Active Bond Fund ARSN 610 435 302. [6] Refer to Definition of Terms. [7] Cash & Other includes cash at bank, outstanding settlements and futures margin accounts.

JCB

JAMIESON COOTE BONDS

Fund Update as at 30 April 2024
CC JCB Active Bond Fund (APIR: CHN0005AU)

Market Review & Outlook

Financial markets have dealt with a large volume of economic data and communication from central bankers in recent weeks. Despite some overly sensationalised media coverage and short-term predictions, we believe that the central banks' messaging has remained consistent across jurisdictions.

The US Federal Reserve (US Fed), the global leader in setting market trends, and the Reserves Bank of Australia (RBA) domestically, have both cautioned patience with monetary policy, as already restrictive settings continue to work through the system, lowering growth and demand whilst bringing inflation back towards target. This process is frustrating in the day to day, in that inflation data doesn't move in straight lines – seasonal factors, annual price increases, one-off adjustments, flash sales, and other variables create a bumpy, unpredictable, and somewhat volatile path. Even well-resourced teams of economists at major investment banks consistently get their estimations markedly wrong, reflecting the inherent volatility in this process.

Take the latest CPI quarterly release in Australia, which was widely predicted to be 0.8%. When the actual figure came in at 0.96% (rounded up to 1.0%), the unexpected result triggered a significant market reaction, leading to the removal of any expectations of a rate cut from the RBA.

What makes this even more galling for forecasters is that with a monthly inflation series, they already have about two thirds of the dataset before the quarterly figures are released. This makes forecasting errors even more surprising and exacerbates the market's reaction when a when a relatively small portion of new data has an outsized impact.

This may be more detail than you require as you read this over your morning coffee. Of course, forecasting errors can also work in reverse, as we have seen some large undershoots versus expectation over time. Yet the sequencing of these dataset surprises drives market sentiment, and sadly, central bankers are now wedded to react to a 'data dependent' approach, risking falling behind the curve.

The key takeaway here is that while inflation in Australia peaked at 7.8% in the fourth quarter of 2022, it has since steadily fallen to 7.0%, 6.0%, 5.4%, 4.1% and now 3.6% over the preceding quarters. This downward trend, though slightly slower than the RBA forecasts, has been the direction of travel for 18 months. The fight against inflation is not yet over, but it is well advanced, whilst the battle rages on under restrictive interest rate settings.

The US economy, which has long been the 'exception' in a souring global macroeconomic story, has suddenly slowed significantly. Whilst the incoming numbers remain solid, they are markedly weaker than we had received previously, with a shock miss on components like GDP, the employment report (Non-Farm Payrolls), initial unemployment claims and a host of second-tier manufacturing and activity data. This has taken the US "economic surprise" index to a negative reading. Markets are now focused on how the interplay of slower growth will affect prices (and inflation) in the coming quarters, trying to calibrate the timing of central banks that have become unashamedly 'data dependent'. The significant failure of models used to calibrate policy through the COVID-19 period has made central bankers highly reactive, no longer willing to back their judgements on years of policy learnings and economic theory to move policy ahead of the cycle.

Fund Update as at 30 April 2024
CC JCB Active Bond Fund (APIR: CHN0005AU)

Ordinarily, as growth slowed, central bank policy levers would already be in motion to address the slowdown and expected cooling inflation outcomes associated with weaker demand, acknowledging that policy works with long lag times. Now, as data dependency is ‘policy de jour’, the danger is that economies may slow more than necessary before central banks act to curb a downturn. This delay could lead to more severe corrective measures, as central banks struggle to address a substantial loss of economic momentum.

We have heard various terms to describe economic trajectories, such as ‘hard,’ ‘soft’ and ‘no’ landing. If, like an aircraft, the economy hits stall speed, the pilots’ attempts at recovery will be a lot more severe than if they’d simply eased up a little ahead of time. Central bankers are often criticized for waiting until ‘’something breaks’’ before taking decisive action. This was evident during the Global Financial Crisis (GFC) over a decade ago when rates were held at similar levels to today until a catastrophic episode was unavoidable, prompting rates to be slashed by more than 5% to jump start economies and reverse the damage caused by overly restrictive rates from the pre-2008 period.

With this concept in mind, our baseline position at the start of the year was that central bankers would aim for a non-stimulatory rate cutting cycle in the back half of 2024. This was expected to be led by Europe or the US, commencing around the middle of the year. Such a strategy could help smooth the economic cycle, offer some relief to consumers and borrowers, and ideally avoid the negative consequences of keeping rates too high for too long. That is still seemingly on track for Europe, with the European Central Bank (ECB) likely leading the way, followed by Canada, the UK and New Zealand. However, the expected timing for the US to lead the rate-cutting cycle has shifted further out.

An interesting development is Sweden’s Riksbank, which just leapfrogged the pack by cutting rates from 4.00% to 3.75%, whilst observing similar economic outcomes to our own domestic data, weak growth, deeply negative retail sales and cooling (though still above mandate) inflation. Perhaps some central bankers are still moving ahead of the curve.

In the US, the trend has slightly reversed, with inflation moving from a low of 3.1% up to 3.5% over the last five months. Despite this uptick, the US Fed retained its easing bias and reduced the scope of its Quantitative Tightening program during its May meeting, helping solidify expectations around bond yields. A short covering rally followed thereafter, which all asset markets have enjoyed, lifting bonds and equities alike.

From prior communications, the US Fed indicated its intent to cut rates, retaining an easing bias. However, the slight increase in inflation has complicated the process, delaying market expectations for rate cuts to later in the year. While monetary policy is fighting the good fight against inflation with restrictive policy settings, US fiscal policy remains highly stimulatory, with public spending running at around ~6% of GDP. Much of the economic growth in the US has been fueled by this large public sector spend, which has been exceptional against other jurisdictions and looks to continue in an election year. As a result, this continued fiscal stimulus could create some friction in achieving normalisation of inflation.

JAMIESON COOTE BONDS

Fund Update as at 30 April 2024
CC JCB Active Bond Fund (APIR: CHN0005AU)

The RBA has found that recent surprises in our own inflation were predominantly due to education and insurance, which we think has heavy seasonal annual reset, and is unlikely to be repeated in following quarters. Calling the near-term inflation pathways remains difficult. Plenty of things can work sequentially against further progress in the near term, like a stimulatory federal budget, larger fair work outcomes on minimum wages, geopolitical flare ups driving energy prices higher or global shipping disruptions to name a few. On the other hand, there are reasons for optimism. Oil prices are well off their highs despite recent geopolitical tensions involving Israel and Iran. Slowing economic activity has tempered discretionary spending, as evidenced by deeply negative retail sales. We've also seen declines or stabilisations in rent and used car prices. In the 10 years prior to COVID-19, Australia's average quarterly inflation rate was 0.52%. If we assume that the next few quarters are much higher at 0.8%, inflation could fall to 3.2% by the end of the third quarter, against the RBA estimate of 3.8% by year end.

These contrasting forces create a complex landscape for policymakers, and while there is room for inflation to fall below the RBA's forecasts, data dependency will continue to drive monetary policy decisions. The uncertainty surrounding these various factors suggests that flexibility and careful analysis will remain critical as the RBA navigates the path ahead.

Fund Review

For the month ending April, the CC JCB Active Bond Fund - Class A units (the Fund) returned -2.12% (after fees), underperforming the Bloomberg AusBond Treasury (0+Yr) Index.

Bond yields continued to lift higher yields in the month of April as the market narrative maintains laser focus on the various pricing data points that came in broadly stronger, whilst for now at least looking through some of the weaker growth data that is bubbling away. The US 10-year Treasury yield finished the month around 45 basis points (bp) higher, which the 10-year Australian equivalent was around 40 bp higher. Bond volatility also picked up a little after trading to tighter ranges in March. Adding to the uncertainty in markets was the ongoing geopolitical uncertainty in the Middle East, however overall market direction was driven mainly by the macroeconomic backdrop.

The resilience of the US data releases, in particular US CPI, jobs, retail sales and wages sent yields higher and saw the pricing of US Federal Reserve (US Fed) interest rate cuts for 2024 went from 70 bp to the market pricing in just 30 bp of cuts.

Locally, the Australian data releases were mixed with a weaker than expected jobs number supporting bond markets in the middle of the month, before a hotter than anticipated quarterly CPI number saw the market take out rate cuts into the end of the year. Both headline and trimmed mean inflation came at 1.0% quarter on quarter (q/q) (higher than 0.8% q/q expectation), with services inflation proving stickier than hoped. The release saw yields rise 11-15 bp across the curve, with short-end yields faring worst given the data's implications for near-term Reserve Bank of Australia (RBA) interest rate cut expectations. Markets are now expecting a hawkish tone from Governor Bullock at the May RBA Board Meeting.

Semi Government bonds in Australia traded wider as a spread to the ACGB curve as worries grow ahead of potentially worrying State budgets. Queensland and New South Wales were the hardest hit. Late in the month NSW Treasury Corporation (NSWTC) announced they expected to need to issue an extra $4-5billion of bonds to meet client needs. Supranationals outperformed the Semi Government sector.

The portfolio duration was actively traded over the month, although was a little wrong footed in the sell off following the much higher than expected Australian CPI data. The portfolio also had an overweight to Treasury Corporation Victoria and SAFA semi government bonds which outperformed the Queensland Treasury Corporation and NSWTC issues, however was still detractive to portfolio alpha as the whole complex widened in sympathy with the negative headlines of Queensland and NSW.

JCB

Jamieson Coote Bonds

Fund Update as at 30 April 2024
CC JCB Active Bond Fund (APIR: CHN0005AU)

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.
Yield to Maturity - is the total return anticipated on the portfolio if the bond holdings were held until their maturity.
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.
Duration Weight - refers to the portion of the overall duration attributable to the segment (i.e. credit rating or sector), as a percentage of overall portfolio duration. Contribution to duration is calculated by multiplying an instruments duration by the percentage weight of the instrument in the portfolio. This calculation includes the contribution to duration by holding futures