JAMIESON COOTE BONDS

CC JCB Dynamic Alpha Fund (APIR: CHN8607AU)
Fund Update as at 30 April 2024

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]	0.64%	1.42%	2.81%	3.68%	3.70%	3.68%	2.18%	2.81%
Benchmark Return[2]	0.39%	1.07%	2.17%	3.58%	4.28%	3.30%	2.20%	1.58%
Active Return (After fees)	**0.25%**	**0.35%**	**0.64%**	**0.10%**	**-0.58%**	**0.38%**	**-0.02%**	**1.23%**

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

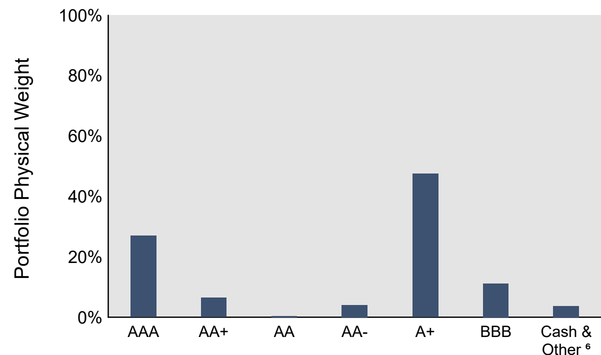
Investment Manager	JamiesonCooteBonds Pty Ltd
Portfolio Managers	Charles Jamieson & Chris Manuell
Style	Global absolute return bond fund - concentrating on actively managing global high grade sovereign bonds
Objective	Outperform the RBA Cash Rate by 2.50% p.a. (after fees) over rolling 3 year periods
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 $136 million [5]

Fund Characteristics

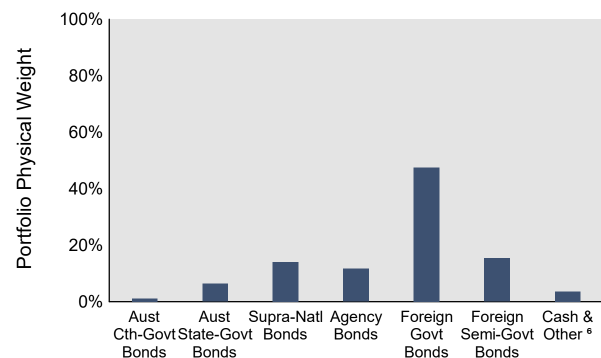
Characteristics	Fund
Modified Duration (yrs)	1.5
YTM + Hedging Effect	4.55
Weighted Ave. Credit Rating	AA-

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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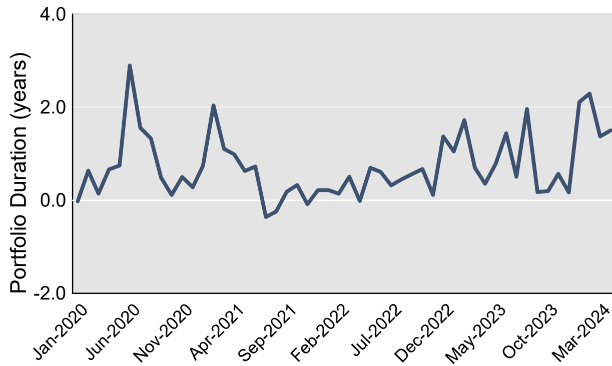
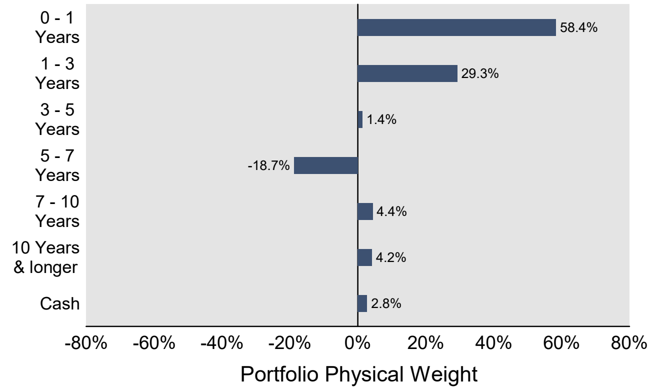
Historic Portfolio Duration#



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 April, the CC JCB Dynamic Alpha Fund – Class A units (the Fund) returned 0.64% (after fees), outperforming the RBA Cash Rate Total Return Index.

The Fund completed a decent month despite the weakness experienced in the global fixed income market. US economic data continued to surprise to the upside as US exceptionalism continued unabated and which set the tone for lower bond markets globally. In particular the strength in CPI and retail sales presented some downside price action and caused rate cut expectations to be pushed back. Domestically the Australian data came in on the strong side with better than expected employment data and a hawkish CPI print which was 3.5% versus 3.4% expected watered down hopes of any imminent Reserve Bank of Australia easing and resulted in an underperformance in the Australian bond market. The portfolio added alpha through the month with tactical duration positioning in US Treasuries, European Rates and Australian bonds. The Fund tilted its outright New Zealand Government Bonds holdings and its Japanese curve in and around respective central bank meetings in New Zealand and Japan. Spread risk was reduced early in the month as credit markets continued to appear vulnerable into the geopolitical concerns and spectre of softening risk markets.

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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.

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.

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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.

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.

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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.