JAMIESON COOTE BONDS

Fund Update as at 31 October 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]	-2.43%	-1.14%	0.43%	5.92%	-1.51%	-1.49%	0.84%	0.79%
Benchmark Return[2]	-2.06%	-0.69%	0.77%	6.69%	-1.16%	-1.27%	1.11%	0.86%

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

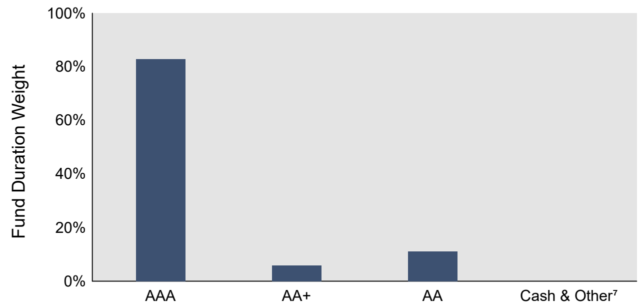
Investment Manager	JamiesonCooteBonds Pty Ltd
Structure	AAA or AA rated bond securities issued in Australian dollars
Inception Date	03 Aug 2016 [3]
Benchmark	Bloomberg AusBond Treasury 0+ Yr Index
Management Fee	0.45% p.a.[4]
Administration Fee	0.10% p.a.[4]
Buy / Sell Spread	0.05% / 0.05%
Distributions	Semi-annual
Fund Size	AUD $1,246 million [5]

Fund Characteristics

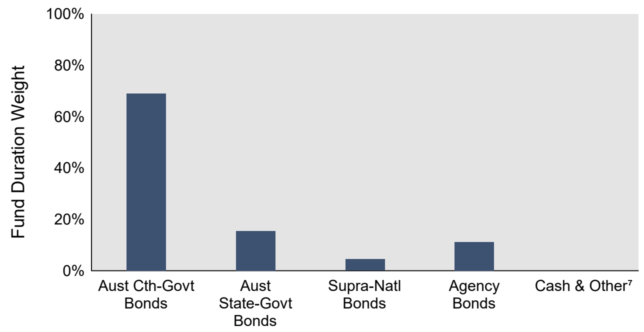
Characteristics[6]	Fund	Benchmark[2]
Modified Duration (yrs)	5.83	5.01
Yield to Maturity (%)	4.44	4.24
Weighted Ave. Credit Rating	AAA	AAA
Cash Weighting (%)	0.62	n/a

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

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[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.

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Market Review & Outlook

October was a challenging month for bond yields, with U.S. 10-year government bond yields rising from 3.77% to 4.34%. Central banks that had been cutting interest rates were caught off guard as uncertainty around the U.S. election and concerns about potential policy shifts added pressure. This led to a re-pricing of expected rate cuts by the U.S. Federal Reserve (US Fed). The term premium also increased, as measured by the Adrian, Crump, and Moench model, which rose by 30 basis points (bps). Other central banks, including the Bank of Canada, the European Central Bank (ECB), and the Reserve Bank of New Zealand (RBNZ), joined the interest rate-cutting trend in response to economic pressure.

In the U.S., the September Consumer Price Index (CPI) rose by 0.2% month-on-month and 2.4% year-on-year (YOY), marking the slowest annual increase since 2021. Despite a 50 bps interest rate cut by the U.S. Fed in September, persistent core inflation makes it difficult to balance their dual mandate of stable prices and full employment. While further rate cuts are expected, the strong labour market and ongoing inflation reduce the likelihood of additional 50-bps cuts, although further data deterioration could lead to cuts by year-end. The September U.S. employment report showed a gain of 254,000 jobs, although this doesn't fully reflect the impact of Hurricane Milton, which will likely affect future data. Election-related uncertainty over fiscal policy and control in Congress also weighed on market sentiment. Following the September interest rate cut, U.S. Federal Reserve officials signalled that further large cuts were not guaranteed, with some, like Federal Reserve official Williams, stating that such cuts wouldn't be the rule in the future.

In Australia, CPI decreased by 0.2% quarter-on-quarter and 2.8% YOY for the year ending September 2024. While inflation is decelerating, the Reserve Bank of Australia (RBA) continues to focus on achieving its inflation target. Australia's economy remains weak, with GDP growth below trend and per capita recession since Q1 2023. The labour market is loosening, but the RBA maintains that the economy is on a "narrow path." Retail sales, business confidence, and unemployment remain resilient, which has given the RBA some cover for now however JCB continue to focus on the bifurcated nature of the economy as the baby boomers continue to fly the consumption flag. The mortgage stress remains prevalent for a lot of Australians and we feel that will start to play out over the next few months.

Bond markets have suffered a material set back leading into the US presidential election, making significant room for potential higher US deficit spending in a quite unprecedented sell off after the beginning of an interest rate cutting cycle. 50 days after commencement of cutting cycles of 2019, 2007, 2001, 1998, and 1995, US 10-year bond yields were unchanged or lower in yield (higher in price) in acknowledgment that the cost of money was trending lower as the cutting cycle evolves, making fixed rate assets appealing into the future with the ability to lock in higher yielding cashflows. However, concerns around the ongoing deficit spending in the US, combined with touted inflationary tariff policy have pushed bond yields some 80 bps (0.8%) higher, affecting all global fixed income markets regardless of their individual issuance profiles or debt characteristics. Australian yields have risen more than US yields, which JCB believes will be self-correct in coming months as credit quality and deficit requirements are reconsidered by the markets after the event risk of the US election are behind us.

Looking ahead, markets will continue to face volatility as fiscal spending and central bank policies interact, particularly as central banks continue to address inflationary pressures that emerged during the pandemic. Bond volatility is likely to remain elevated in the near term, providing opportunities for active managers to capitalise on market movements.

Jamieson Coote Bonds

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Fund Review

For the month ending October, the CC JCB Active Bond Fund - Class A units (the Fund) returned -2.43% (after fees), underperfoming the Bloomberg AusBond Treasury (0+Yr) Index.

The portfolio began the month overweight duration following the much anticipated 50 basis point cut to the Fed Funds rate at the September Federal Open Market Committee (FOMC) meeting. Looking back at performance of bond markets following the first cut, significant performance has been generated for bond indices in the following months and we had conviction that this would play out over the next few months. This was not to be however, and bond markets sold off over the month of October to finish at their high in yields. The sell-off was driven by CTA momentum sellers who were encouraged by increased worries over the impact of tariff implementation on the back of a Trump victory in the US election, as well as a very unexpectedly strong US labour market data (254,000 jobs created which was much greater than the market was expecting). CTAs then pressured bond markets to higher yields for the rest of the month. Market pricing for the FOMC over the coming 12 month period has reduced by around 70 basis points to now pricing in 100 basis points over the next year. It must be noted that the magnitude of the sell-off is unprecedented in the aftermath of a 50 basis point cut by the FOMC.

The portfolio duration was entered from around 4.00% in the 10y Australian bond which was the 50 day moving average at the time which was assessed to be a good entry level. Upon breaching this level leading into the US employment number, the portfolio stopped out of part of the duration position as per our risk management process. The portfolio then added further duration around the 4.30% which was the next technical target for entry, however this level did not hold for any substantial period and the portfolio again stopped out at higher yields. We were very surprised that the Australian bond market underperformed the US Treasuries over the month. By the end of the month, the global bond market was at yield highs with the election shot-clock was counting down.

Looking forward, the portfolio begins the month cautiously long with the volatility of the election to be the main catalyst in the near term. Post the washout we have seen in global bond markets, JCB expects Australian securities to outperform as attractive value has been restored and maintains better credit qualities and a lower issuance profile than the US equivalents.

In spread product, the portfolio added some TCV 2040 and Housing Australia 10 year securities. Housing Australia operates as a government agency. The Government offers housing facilitate and deliver programs to access affordable housing, financing. These securities came at very attractive spreads and JCB expects these to be well sought by Japanese investors in particular.

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

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