JAMIESON COOTE BONDS

CC JCB Dynamic Alpha Fund (APIR: CHN8607AU)
Fund Update as at 31 October 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]	-0.12%	0.50%	1.67%	0.99%	4.52%	3.78%	2.62%	2.86%
Benchmark Return[2]	0.37%	1.10%	2.21%	1.50%	4.43%	4.05%	2.94%	1.87%

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

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

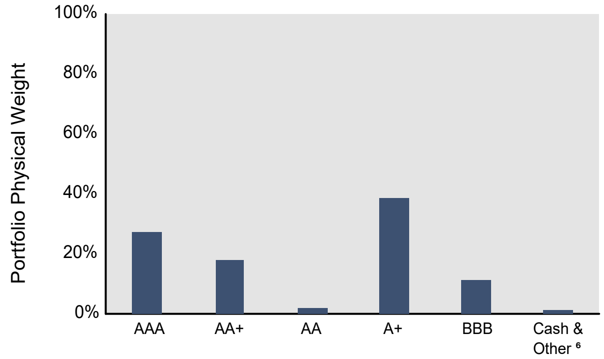
When bonds are held as part of a broader portfolio of different asset classes, diversification may assist in managing market volatility. Bond securities in general are considered a defensive asset class.The income generated by bond

Fund Characteristics

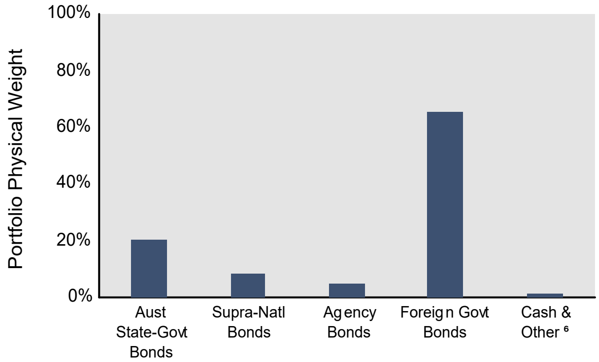
Characteristics	Fund
Modified Duration (yrs)	0.25
YTM + Hedging Effect	4.45
Weighted Ave. Credit Rating	AA-

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 $128 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.

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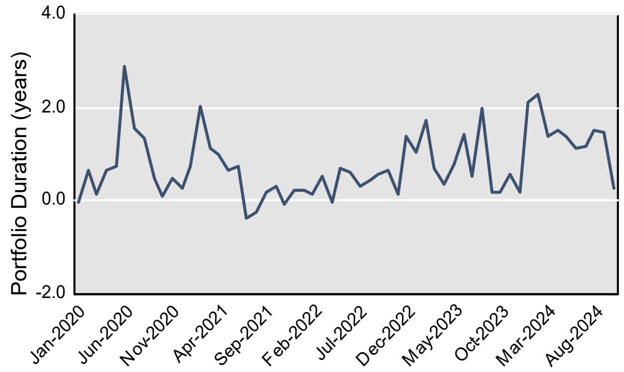
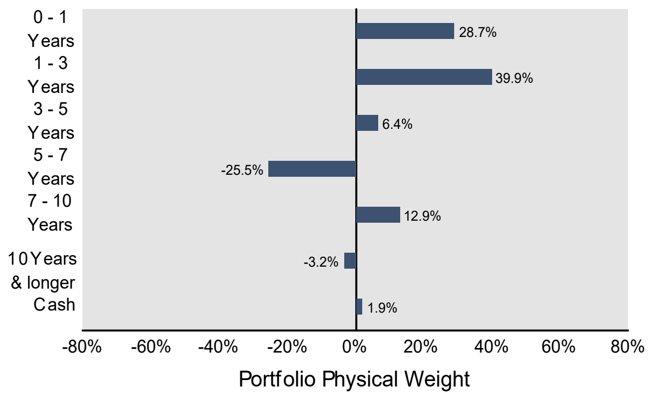
Historic Portfolio Duration#



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

The portfolio started the month with an overweight duration position, anticipating a 50 basis point (bps) cut to the U.S. Federal Reserve's (US Fed) Funds interest rate at the September Federal Open Market Committee (FOMC) meeting. Israel and Iran continued to trade geopolitical moments. Historically, bond indices have performed well after interest rate cuts, and we expected a similar outcome over the next few months.

However, bond markets sold off in October, pushing yields higher. This decline was driven by Commodity Trading Advisors (CTAs) momentum traders reacting to concerns over the impact of U.S. tariff implementation following the Trump election win and unexpectedly strong U.S. labour data (254,000 jobs added). As a result, CTAs pushed yields higher for the rest of the month. Market expectations for US Fed interest rate cuts over the coming 12-month period have decreased by about 80 bps, now pricing in 100 bps over the next year. Notably, the sell-off was unusually large for a post-rate-cut environment.

The portfolio initially entered a position with a 4.00% duration on 10-year Australian bonds, based on the 50-day moving average, the technical market of a bull market and a noted risk reward point for additional exposure. In response to geopolitical factors and ahead of the Non-Farm Payroll (NFP) data, that came in much stronger than expected, part of the position was reduced according to our risk management process. The portfolio later added to its duration at 4.32% which was the next technical target for entry, but yields soon rose past this level, causing another exit. By month-end, yields were at their highest, with the portfolio maintaining a structure favouring rate cuts. It expressed semi-government exposure through the belly of the curve targeting Green Queensland Treasury Corporation (QTC) and New South Wales Treasury Corporation (NSWTC) paper. An overweight New Zealand position versus underweight Japan along with US Treasury steepeners was additive to alpha.

Looking ahead, the portfolio begins the month awaiting opportunities to res-establish long duration exposure, hoping election volatility can offer up appealing opportunities. After the global bond market sell-off, JCB expects Australian bonds to outperform due to better value, stronger credit quality, and lower issuance compared to U.S. equivalents, we expect significant buying interest to emerge from global community once the event risk of the US election has passed.

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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.

JCB

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Further Information

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

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.