JCB

JAMIESON COOTE BONDS

Fund Update as at 31 October 2024
CC JCB Global Bond Fund - Hedged Class (APIR: CHN4711AU)

Fund Benefits

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

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	Channel Investment Management Ltd
Underlying Fund Investment Manager	JamiesonCooteBonds Pty Ltd or JCB (Portfolio Manager: Charles Jamieson)
Structure / Underlying Fund	The Fund invests into the CC JCB Active International Bond SP (in USD)
Inception Date^	25 February 2019
Benchmark	Bloomberg Global G7 TRI Value Hedged AUD
Management Fee#	0.15% p.a.
Administration Fee#	0.10% p.a.
Indirect Costs#	0.34% p.a.
Buy / Sell Spread	0.05% / 0.05%
Distributions	Semi-annual
Fund Size+	AUD $43.5 million

Fund Performance

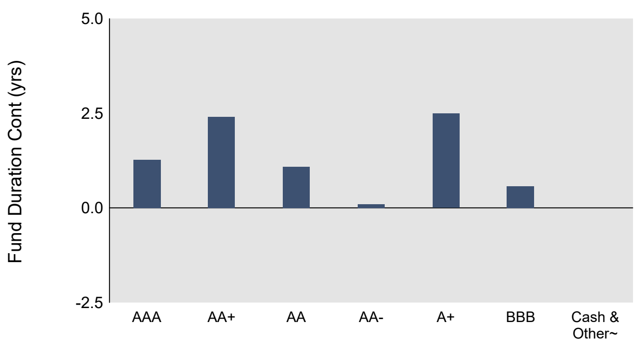
Returns (After fees)	Fund*	Benchmark**
1 Month	-1.75%	-1.67%
3 Months	0.44%	0.34%
FYTD	2.32%	2.11%
1 Year	6.70%	6.44%
2 Years p.a.	2.46%	2.29%
3 Years p.a.	-2.47%	-2.74%
Inception p.a.	-0.01%	-0.15%

Fund Overview

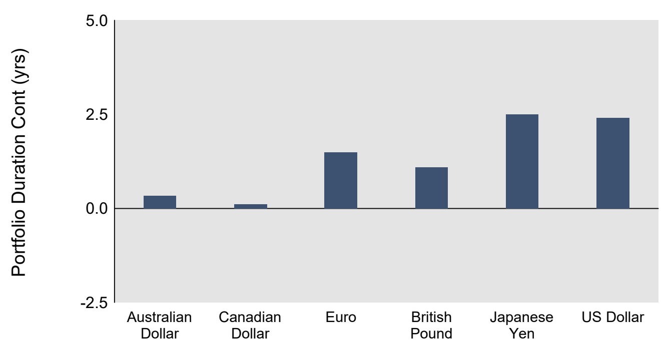
Characteristics	Fund	Benchmark
Modified Duration (yrs)***	7.93	7.2
YTM + Hedging Effect^^	4.30	4.22
Weighted Ave. Credit Rating***	AA-	AA-

^^ Data refers to CC JCB Global Bond Fund - Hedged Class (APIR: CHN4711AU) and Bloomberg Global G7 TRI Value Hedged AUD.
Source: JamiesonCooteBonds Pty Ltd.
See Definition of Terms.

Asset Allocation by Credit Rating (Duration Contribution)***



Asset Allocation by Currency (Duration Contribution)***



Platform Availabilty

Asgard	Ausmaq	Aust Money Market
BT Panorama	HUB24	Implemented Portfolios
Mason Stevens	Netwealth	Powerwrap
Praemium	uXchange	Xplore Wealth

Further Information

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All figures disclosed include the net effect of GST and RITC. ^ Inception Date for performance calculation purposes. + Fund size refers to the CC JCB Global Bond Fund ARSN 631 235 553. * Performance is for the CC JCB Global Bond Fund - Hedged Class (APIR: CHN4711AU), 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. ** Benchmark refers to the Bloomberg Global G7 TRI Value Hedged AUD. *** Data refers to Underlying Fund, CC JCB Active International Bond Segregated Portfolio (in USD); and where applicable, Underlying Benchmark, Bloomberg Global G7 TRI Value Hedged USD. ~ 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.

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Fund Review

For the month ending October, the CC JCB Global Bond Fund – Hedged Class returned -1.75% (after fees), underperforming the Bloomberg Global G7 Total Return Index Value Hedged AUD.

The Underlying Fund had a challenging month and got caught offside by the global duration sell-off however managed to mitigate the drawdown with active management around some core positions that dragged on the Underlying Fund.

The month of October for bond yields was a resounding slap in the face to the Central banks that were adopting rate cutting action as US 10-year government bond yields started the month at 3.77% and ended at 4.34%. Over the month, uncertainty was influenced by the US election in November, raising concerns about potential policy shifts and their implications on inflation, interest rates, and the 'Trump trade'. Resilience of the US economy and uncertainty surrounding potential post-election policy changes prompted a more gradual re-pricing of the anticipated US Federal Reserve's (US Fed) interest rate cuts. Term premium resumed as a contributing factor as one proxy of that metric , the Adrian , Crump and Moench model rose 30 basis points (bps) over the month. The Bank of Canada, European Central Bank and Reserve Bank of New Zealand all joined the interest rate cutting party through the month as restrictive rates continued to put pressure on their economies.

Bloombergs global bond Index posted its worst monthly performance since September 2022 – the irony is that back then inflation was hot and the US Fed was hiking by 75 bps per meeting as opposed to the slowing inflation picture currently and the Fed rate cut of 50 bps. Negative influences over the month included heightened concerns over fiscal policy in several countries. Along with the prospect of a clean sweep in the US expansionary fiscal policy in the UK with their budget announcement saw a sharp underperformance in their bond market.

An overweight in Australian rates was the main detractor through the month. Tactical duration management in Europe and US Treasuries generated alpha.

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.
Duration Contribution - refers to the portion of the overall duration attributable to the segment (i.e. credit rating or sector) in years. 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 contracts.

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