



JAMIESON COOTE BONDS

CC JCB Dynamic Alpha Fund (APIR: CHN8607AU) Fund Update as at 31 December 2023

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	0.53%	0.98%	1.73%	1.73%	3.43%	2.17%	1.73%	2.55%
Benchmark Return ²	0.34%	1.06%	2.09%	2.09%	3.90%	2.55%	1.71%	1.34%
Active Return (After fees)	0.19%	-0.08%	-0.36%	-0.36%	-0.47%	-0.38%	0.02%	1.21%

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 \$168 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.

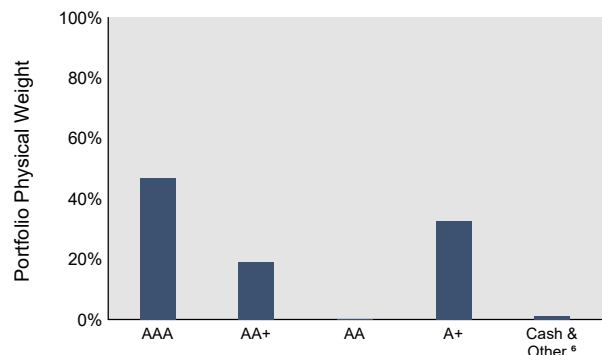
Fund Characteristics

Characteristics	Fund
Modified Duration (yrs)	0.17
YTM + Hedging Effect	4.31
Weighted Ave. Credit Rating	AA+

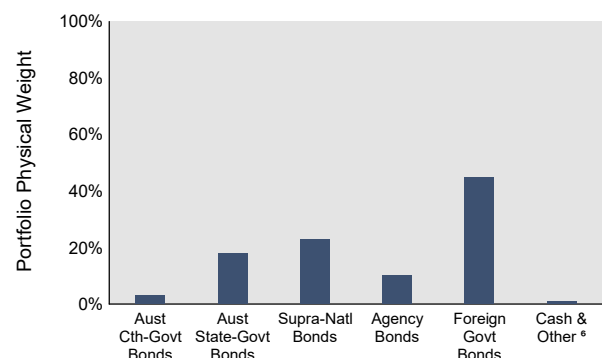
Source: JamiesonCooteBonds Pty Ltd.

See Definition of Terms.

Asset Allocation by Credit Rating (Physical Weight)



Asset Allocation by Sector (Physical Weight)

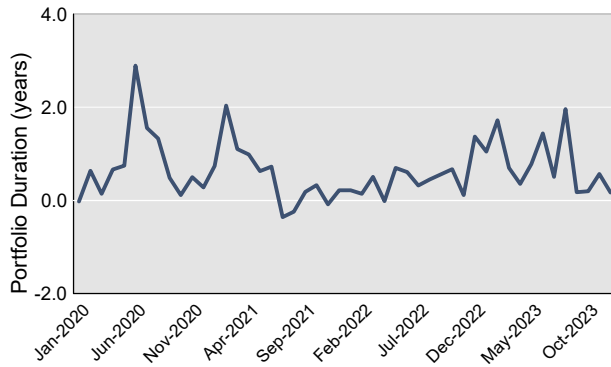




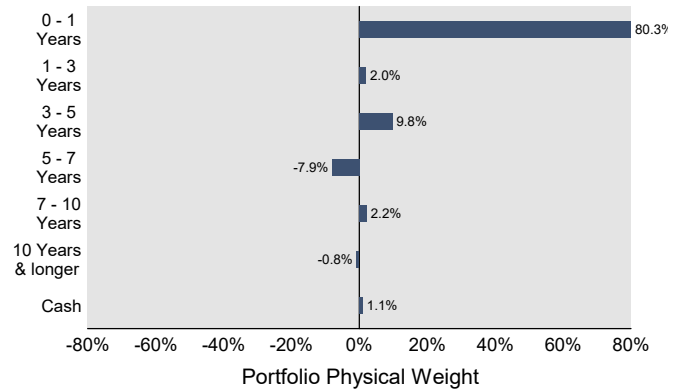
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Historic Portfolio Duration#



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.



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Fund Review

For the month ending December, the CC JCB Dynamic Alpha Fund – Class A units (the Fund) returned 0.53% (after fees), outperforming the RBA Cash Rate Total Return Index.

Bond markets finished the 2023 year with a strong performance for the month of December, with the 10 y US Treasury finishing the year at 3.88%, which was almost identical to the closing yield of 2022. This was quite remarkable considering we were sitting above 5% in late October. The Australian bond market was led by the US market which also saw a rally of over 100 basis points in the last two months of the year.

During November, much of the rally was driven by optimism of slowing inflation which was coming through both hard data and the survey data released, as well as positioning. For December, the key catalyst was the 'dot plot' released at the FOMC meeting which surprised the market by signalling the Fed members expectation of 75 basis points of rate cuts to the Fed Funds rate in 2024. The market was already pricing cuts for 2024, but this new information resulted in up to six rate cuts being priced for the 2024 calendar year. The incredible part of the Fed 'pivot' was that it was only two weeks prior that Fed Chair Jay Powell noted that any talk of rate cuts was 'premature', adding to the market performance.

In other major markets, both the European Central Bank and Bank of England held respective cash rates at their meetings, and both with a mild hawkish bias, pushing back on market pricing of rate cutting profiles.

Locally, the RBA held the cash rate at 4.35% as expected by market participants. The path of inflation has been following the US and Europe, albeit with a 6-month lag, with a large peak and then consistent slowing. The accompanying RBA statement noted that the Board will be in a 'wait and see' mode with upcoming data to decide whether further rate hikes will be required to bring inflation down quicker from the most recent print of 4.9% YoY in the monthly data series. The RBA retained the language from its November meeting Statement: "Whether further tightening of monetary policy is required to ensure that inflation returns to target in a reasonable timeframe will depend upon the data and the evolving assessment of risks." At JCB, we believe that the rate hiking cycle is over, and the RBA can look to ease from their restrictive stance sometime around the middle of 2024.

From a duration point of view, the portfolio began the month with a long tilt, driven by momentum factors, however as the month went on into the aggressive rally, value factors meant the portfolio did not participate in the rally in totality. Adding to portfolio performance was sector positioning in inflation linked securities and overweight semi government bonds which were aided by the expectations of rate cuts in 2024.

The portfolio maintains long exposure in the short end of markets including Australia, New Zealand, the UK and Japan.

As flattening exposure is retained in Japan which will benefit from the expected normalisation of Bank of Japan policy. Steepening has been added in the UST market in expectation of a FOMC interest rate cutting cycle commencing in early 2024.

In duration exposure a long is maintained and dynamically managed in AUD 10years against a combination of both Canadian and UST markets which are underweight. A small long position is also retained in the UK long end.



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Market Review & Outlook

US recessionary indicators are all signaling a code red alert. An inverted yield curve persisting for 18 months, coupled with a 19-month sequential decline in the Leading Indicator Index, has an infallible record in predicting a US recession. In a soft-landing scenario, the US Fed will need to make approximately a 300 basis points cut just to reach a neutral rate setting. However, in the event of a full-blown recession, we are anticipating a need for around 500 basis points of easing.

The December US Fed meeting validated the end of the hiking cycle in short term rates with US Fed Chairman, Powell commenting that “you want to cut rates well before inflation is at 2%” otherwise it would be too restrictive. The US Fed also downgraded its inflation forecast and alluded to three cuts in 2024 as Powell showed concern over keeping rates too high for too long.

The inflation trajectory continues a downward path and heading into 2024 this is expected to persist – we still have some hefty inflation prints dropping out of the index so we should get inflation falling on a year-on-year basis for the first five months of the year if we continue to print similar numbers that have been recorded lately. Continued weakness in energy prices and lower wage growth through a deteriorating employment market would also be supportive of the slowing inflation period. The picture in Australia is also encouraging with the inflation story lagging the global softening prices thematic. Given the transmission mechanism of Australian interest rates, we would anticipate this to play catch up in the first quarter of next year.

As the new year commences, 2024 is ripe for geopolitical developments with 40 national elections on the calendar from Taiwan at the start of the year through to the US presidential election in November. The potential for a changing of the guard in foreign policy heightens the chances of an escalation or aggravation amongst countries and should fly in the face of the complacency that currently prevails in risk markets and encourage a flight-to-quality demand for sovereign bonds.

After an extended period of ultra-low bond yields, followed by some painful years of adjustment higher, bonds are arguably in better shape now than they have been in several years, offering a sense of stability and optimism for investors in the current financial landscape.

Further Information

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Platform Availability

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.

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.