



JAMIESON COOTE BONDS

## Fund Update as at 31 January 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	JamiesonCooteBonds Pty Ltd or JCB
Investment Manager	(Portfolio Manager: Charles Jamieson)
Structure / Underlying Fund	The Fund invests into the CC JCB Active International Bond SP (in USD)
Inception Date <sup>^</sup>	25 February 2019
Benchmark	Bloomberg Global G7 TRI Value Hedged AUD
Management Fee <sup>#</sup>	0.15% p.a.
Administration Fee <sup>#</sup>	0.10% p.a.
Indirect Costs <sup>#</sup>	0.34% p.a.
Buy / Sell Spread	0.05% / 0.05%
Distributions	Semi-annual
Fund Size <sup>+</sup>	AUD \$38.9 million

#### Fund Performance

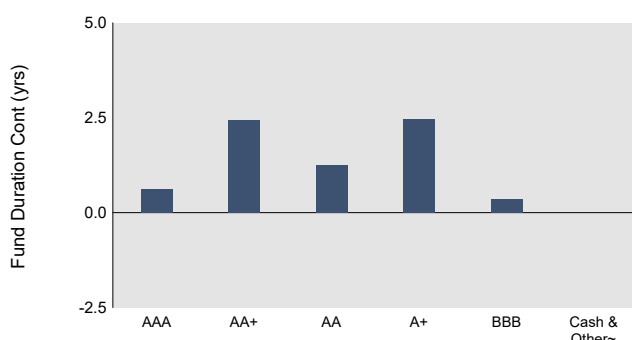
Returns (After fees)	Fund <sup>*</sup>	Benchmark <sup>**</sup>	Excess
1 Month	-0.36%	-0.60%	0.24%
3 Months	5.40%	5.24%	0.16%
FYTD	1.91%	1.55%	0.36%
1 Year	2.09%	1.82%	0.27%
2 Years p.a.	-3.63%	-3.99%	0.36%
3 Years p.a.	-3.47%	-3.59%	0.12%
Inception p.a.	-0.26%	-0.40%	0.14%

#### Fund Overview

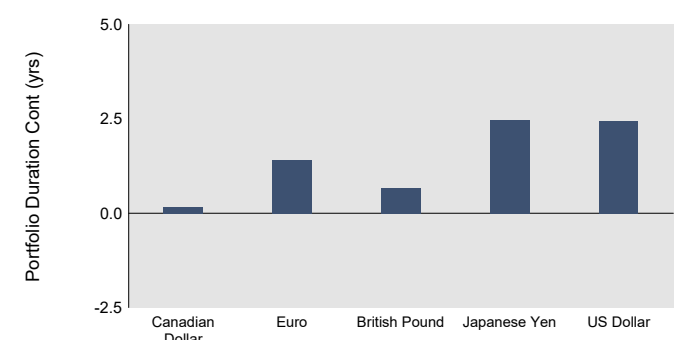
Characteristics	Fund	Benchmark
Modified Duration (yrs) <sup>***</sup>	7.12	7.41
YTM + Hedging Effect <sup>^^</sup>	3.38	3.64
Weighted Ave. Credit Rating <sup>***</sup>	AA	AA

<sup>^^</sup> 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)<sup>\*\*\*</sup>



#### Asset Allocation by Currency (Duration Contribution)<sup>\*\*\*</sup>



#### Platform Availability

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. <sup>^</sup> Inception Date for performance calculation purposes. <sup>+</sup> Fund size refers to the CC JCB Global Bond Fund ARSN 631 235 553. <sup>\*</sup> 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. <sup>\*\*</sup> Benchmark refers to the Bloomberg Global G7 TRI Value Hedged AUD. <sup>\*\*\*</sup> 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

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Investors will enjoy a non-stimulatory interest rate cutting cycle in 2024, with global interest rate cuts expected in most developed markets. The lowering of interest rates to match victories in bringing global inflation predominately to heel, helping to buoy many assets markets with improved financing conditions at a nominal interest rate level. Global central bankers have been explicit in their plans to turn the super tankers of interest rates policy in the rate cutting direction, a seismic change from the last few years of rate hikes, promising interest rates cuts to match the step downs in realised inflation outcomes.

With China continuing to experience outright deflation and excess capacity, global improvements in inflation outcomes can continue as China looks to export cheap goods and capacity to the world, and in the process generating significant ongoing global competition (good for lower price pressure). This suggests that peak interest rates are upon us (the terminal rate) and has knock on implications for asset allocation within fixed income, as history suggests that moving from floating to fixed interest rate exposures will outperform in the following multi year periods.

Whilst markets and commentators are obsessed about the timing and size of these interest rate cuts, oscillating around each economic data print as if it were totally binary, the reality is this should occur regardless of near-term data - likely in the second quarter led by the US Federal Reserve (US Fed) and the European Central Bank (ECB). The ECB need to cut, as their economies are faltering on recession, whilst the US Fed will want to get this done ahead of the election cycle to remain apolitical. Central bankers are also wanting to avoid the learnings of the Global Financial Crisis, being that if interest rates are left overly restrictive for too long, then economies can have a nasty accident. Preemptively cutting rates now by a slight margin (say 1.00% only after 5.00% of US rate hikes), can help elongate the cycle and avoid a harder economic landing later (like the mild cutting cycle of 1995). Should they let the economy stall by staying overly restrictive with interest rates in the nearer term, they risk a larger issue later which has historically required rates to be slashed by 3.00% to 5.00% to jump start the economic patient with the larger defibrillator.

Also on the minds of central bankers, is the pending credit cycle which grows in importance over the year. Corporations did a fantastic job of extending out their maturities on debt obligations during the pandemic, where the total cost of debt was tantalizingly cheap, and it was rational to lock in debt for longer time periods, however, there is a large amount of that corporate debt that is due for refinancing as we approach 2025 and beyond. Whilst the initial moves in markets repriced assets due to duration risk, the next leg of asset performance is hinged on the ability to refinance outstanding credit or debt. Bringing the total cost of debt down is certainly helpful and provides confidence that this can occur in an orderly manner. Corporate credit markets are highly contingent on confidence, tending to act in a pro cyclical manner, underperforming around economic weakness where credit availability is often reduced. We believe that helping to facilitate this credit refinancing process, which swings into full gear by the later part of this year, will be additional motivation for authorities to reduce interest rates assuming inflation remains contained near longer term targets.



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The US economy has enjoyed a strong start to the year, with a lift in activity and employment after waning momentum into late 2023. Conversely, the Australian economy has hit a rough patch, with recent data being extremely soft. Domestic retail sales were shockingly weak at -2.7% on a notional basis (remember including inflation at ~4% plus population growth at ~2% - nominal retail sales should be significantly positive, not -2.7% negative), full time employment (always a volatile number) dropped 106,600 jobs in December and inflation fell significantly faster than both the Reserve Bank of Australia (RBA) and the markets expectations. Whilst the media reported inflation number focuses on a Quarter-on-Quarter basis at 4.1% annualized, if we look at a Month-on-Month calculation (similar to other global markets) the domestic inflation rates is already at 3.4%. These developments lead us to believe that the RBA can join the global rate cutting party by the middle of the year, although we do not expect cuts of the same magnitude as that of Europe or the United States. This improvement in domestic inflation is likely to continue, green lighting a rate cutting bias to RBA policy in coming months, as Governor Bullock made this direct quote in last week's press conference after the RBA meeting, "There's a question that comes about when do we reduce the restrictiveness of monetary policy to neutral (rate cuts), and do we have to be in the band (on inflation) at 2.5% before we think about doing that? No, I don't believe we do."

With interest rate cuts suggested to be approaching, JCB expects that economies will continue to cool from the long and variable lags of monetary policy rate hikes that are still working their way into everyday life and business performance. Ironically capital markets can enjoy looking forward to more friendly financing rates than we are currently experiencing. With attractive term deposit rates now on the verge of decreasing, investors should consult their advisers and consider alternative asset allocations into a rate cutting world where credit risk is percolating as the economic cycle cools.

### Fund Review

For the month ending January, the CC JCB Global Bond Fund – Hedged Class returned -0.36% (after fees), outperforming the Bloomberg Global G7 Total Return Index Value Hedged AUD.

The Underlying Fund outperformed to start the year after the market retraced some of the year-end rally. The US 10-year yield traded between 3.88% and 4.19% for the month after aggressively retracing the fierce rally in bonds that was witnessed into year end. The start of the month witnessed decent data in the US with a strong employment and CPI report and some back tracking from US Federal Reserve's Waller who had instigated the sharp rally into year-end on dovish comments. He watered down his comments suggesting that the central bank should be "methodical and careful" with rate cuts. The Red Sea skirmishes also plagued the market with the potential supply chain issues clouding the disinflation narrative. As concerns surrounding a regional New York bank emerged and a flashback to the Silicon Valley Bank crisis ensued, the market recovered into the end of the month. The US Treasury announced their issuance schedule which was in line with expectations and allayed fears of another increase in the supply of bonds.

The portfolio benefited from an early underweight bias, US Treasury curve steepening trades and a mild underweight bias in the UK and Italy.

#### 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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Channel Investment Management Limited ACN 163 234 240 AFSL 439007 ('CIML') is the Responsible Entity and issuer of units in the CC JCB Global Bond Fund ARSN 631 235 553 ('the Fund'). The appointed Investment Manager is JamiesonCooteBonds Pty Ltd ACN 165 890 282 AFSL 459018 ('JCB'). The Fund invests into the CC JCB Active International Bond Segregated Portfolio ('Underlying Fund'). 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](http://www.channelcapital.com.au). A Target Market Determination for the Fund is available at [www.channelcapital.com.au](http://www.channelcapital.com.au)

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