JCB

JAMIESON COOTE BONDS

Fund Update as at 31 October 2020
CC JCB Dynamic Alpha Fund (APIR: CHN8607AU)

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 Manager	Charles Jamieson & Chris Manuell CMT
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 December 2019
Index	RBA Cash Rate Total Return Index
Management Fee#	0.58% p.a.
Administration Fee#	0.10% p.a.
Buy / Sell Spread	0.05% / 0.05%
Distributions	Semi-annual
Fund Size+	AUD $47 million

Fund Performance

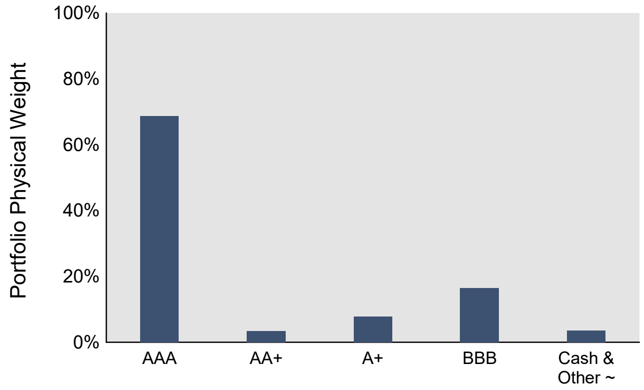
Returns (After fees)	Fund*	Index**	Excess
1 Month	0.21%	0.01%	0.19%
3 Months	0.72%	0.03%	0.69%
FYTD	1.35%	0.04%	1.31%
1 Year	-	-	-
2 Years p.a.	-	-	-
Inception	4.72%	0.24%	4.48%

Fund Overview

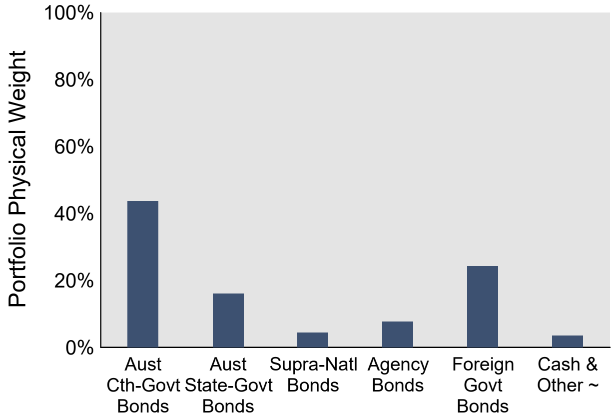
Characteristics	Fund
Modified Duration (yrs)	0.11
YTM + Hedging Effect	0.77
Weighted Ave. Credit Rating	AA+

Source: JamiesonCooteBonds Pty Ltd.
See Definition of Terms.

Asset Allocation by Credit Rating (Physical Weight)



Asset Allocation by Sector (Physical Weight)



Platform Availabilty

Ausmaq	Aust Money Market	HUB24 IDPS
Mason Stevens	Netwealth IDPS	Powerwrap

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 Dynamic Alpha Fund ARSN 637 628 918. * 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 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. ** Index refers to the RBA Cash Rate Total Return Index.

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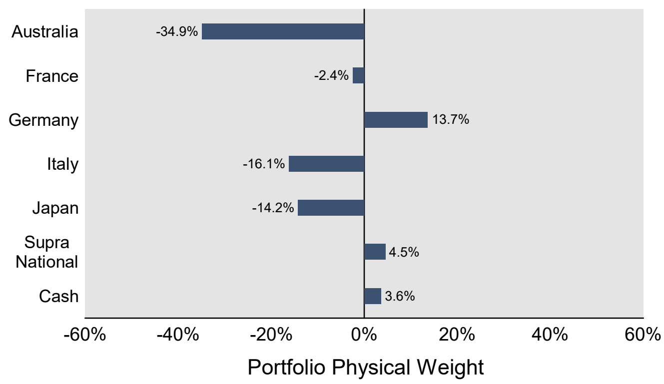
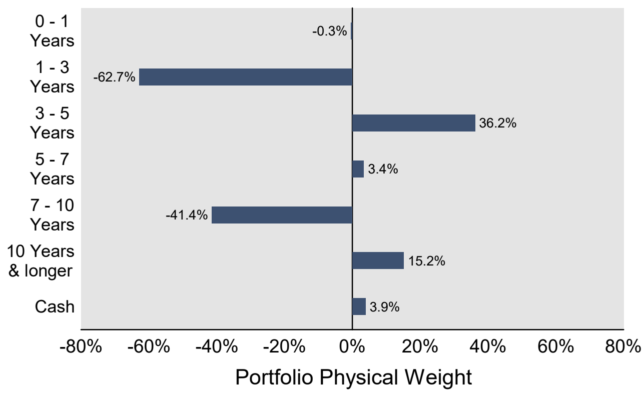
Asset Allocation by Country (Physical Weight)*

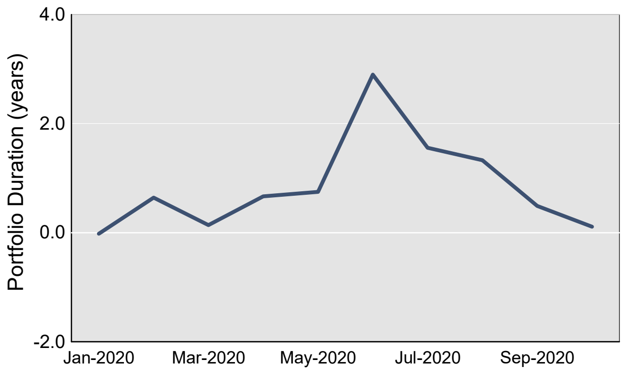


Asset Allocation by Duration Band (Physical Weight)*



*Asset allocation totals (Country and 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.

Historic Portfolio Duration



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Fund Review

For the month ending October, the CC JCB Dynamic Alpha Fund (the Fund) returned 0.21% (after fees), outperforming the RBA Cash Rate of 0.01%.

The Fund enjoyed positive performance capturing solid returns in a challenging month for investors.

The month started in volatile fashion as it was discovered President Trump had tested positive for Covid-19 which generated some concern with the election race close to the finish.

The thematic for October was marked with choppy price action in risk markets as the haggling over the US stimulus bill between the political parties, as they tried to counter the impending election with the uncertainty of the economy, left the markets vulnerable to any fresh developments.

The Australian rates market received a boost mid-month as Governor Lowe telegraphed further easing and more bond buying further out the curve, he also noted that Australia's 10-year yields are higher than "almost everywhere in the world.".

The USD received a boost into month end as spiking Covid-19 infections and more rigorous lockdowns in Europe scared risk markets.

European Central Bank left rates unchanged, however Christine Lagarde mentioned there is "little doubt" that officials were all on board for further stimulus at the December meeting with global central banks continuing to delve into their toolkit for answers to the secular disinflationary environment.

The portfolio will continue to benefit from the positive duration landscape as global central banks maintain their highly accommodative stance and look for tactical opportunities to generate alpha in the coming months with the spectre of quantitative easing (QE) in Australia and a divisive political scene expected in the US.

Market Review & Outlook

October market overview

October markets were dominated by two major themes, domestically the additional RBA stimulus, and US elections on the global stage. Covid-19 remains an ongoing concern in the background, with Northern Hemisphere numbers continuing to spike leading to lockdowns in Europe (but not yet in the US), whilst domestically as the warmth of summer approaches combined with material public sacrifice in Victoria, case numbers continue to abate.

More QE on the horizon

As Australian life ramps up into the summer months, adding Melbourne (roughly 25% of Australian GDP) back to the data - economic numbers will likely be turbo charged on a rate of change basis, whilst remaining lower than that of 2019 economy. The RBA is acutely aware of the damage that has occurred to the economy over 2020 and the difficulty in finding a stable platform into 2021, which will face sluggish growth after the slingshot of post lockdown Melbourne and an insolvency phase as public disaster relief funding programs, such as Job Keeper, are further wound down. The RBA's speeches over October suggest more stimulus to the economy via and additional rate cut to 0.10% and extension of the quantitative easing (QE) program. The timing of QE remains uncertain (November 2020 or February 2021), but the RBA acknowledged the need for additional programs to foster growth and employment, and have finally conceded that they must follow where other Global Central Banks have led with stimulus in the form of additional QE. These programs are designed to lower bond yields, and lower the AUD currency over time to make borrowing for governments, business and consumers cheaper, and make AUD assets less appealing to foreigners, driving the currency lower and helping Australia become more competitive on the global stage.

It is important to remember that countries that have started QE, have never successfully stopped. Once enacted and as traditional monetary policy becomes exhausted, these QE policies have remained in place the world over and there is no reason to suggest Australia will be any different over time. The RBA has made public comment on the unlikely nature of negative rates in Australia, maintaining a long recent history of public comment on expected policy that is later highly embarrassing (such as neutral rates are 3.00%, it won't go below 1.50%, 0.25% is lower bound, it won't do QE, etc).

In 2021 it is very likely that the Bank of England, Bank of Canada and Reserve Bank of New Zealand will have moved monetary policy to negative rates (as currently priced by markets and in keeping with their own commentaries), expect negative rates in Australia to be re-examined by the RBA and another round of backpedaling. By RBA edict bond markets will perform well into the future, at least for now. If we have learned anything from the last 10 years of policy response, it remains, investors should not fight the Central Banks.

Markets embrace a Biden victory

Turning to the US election, markets had embraced a “blue wave” Biden victory in expecting control of Congress (House and Senate) to also be delivered to the Democrats. JCB believes the contest will be far closer, with the makeup of the Senate a hard-fought race, which may well deliver a lame duck term for Biden until 2022 Senate re-elections. This matters greatly for any stimulus expectations and supply in the US Treasury Bond market as a result of a large fiscal needs to fund an additional stimulus program for the US, again suffering under a heavy Covid-19 case load. Once the election is complete and new Congress starts the process of governing under Biden, a huge stimulus bill will be tabled in the ‘progressive’ House of Representatives, which will likely remain firmly in control of the Democrats, but any passage through the Senate is not a simple rubber stamping exercise. Some of the Democratic Senate candidates are very centric in their politics, a few actually ran as Republicans in prior elections. So assuming the Democrats gain the Senate – which in itself is a big ‘if’, the ’progressive’ nature of the Senate (versus a ’moderate’ middle road Senate outcome) is critical and this can be the basis for a significant reversal in the size of expected stimulus as the package could be watered down significantly. This will impede stimulus delivery, and again make the US Federal reserve the major game for investors. A Biden presidency and ‘moderate’ Democrat or outright Republican Senate will likely cause continued financial repression. This manifests in large Central Bank balance sheets providing huge liquidity, low interest rates and bond yields, tight credit spreads and low volatility which all translates to high equities prices.

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.