JCB

JAMIESON COOTE BONDS

Fund Update as at 31 March 2021
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	Quarterly
Fund Size+	AUD $187 million

Fund Performance

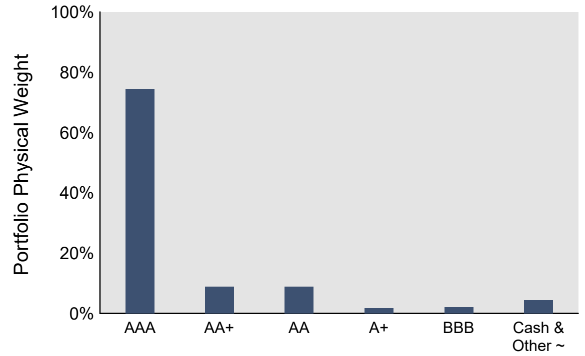
Returns (After fees)	Fund*	Index**	Excess
1 Month	0.25%	0.00%	0.25%
3 Months	0.40%	0.01%	0.39%
FYTD	2.12%	0.06%	2.06%
1 Year	3.27%	0.10%	3.17%
2 Years p.a.	-	-	-
Inception p.a.	4.38%	0.21%	4.17%

Fund Overview

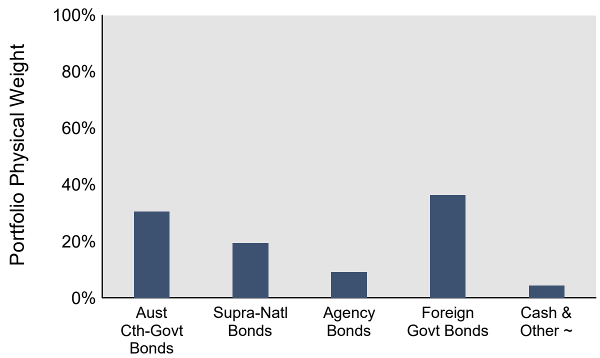
Characteristics	Fund
Modified Duration (yrs)	1.11
YTM + Hedging Effect	1.04
Weighted Ave. Credit Rating	AA+

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	BT Panorama
BT Wrap	Colonial First Wrap	HUB24 IDPS & Super
Implemented Portfoli	Macquarie Wrap	Mason Stevens
Netwealth IDPS	Powerwrap	Praemium
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 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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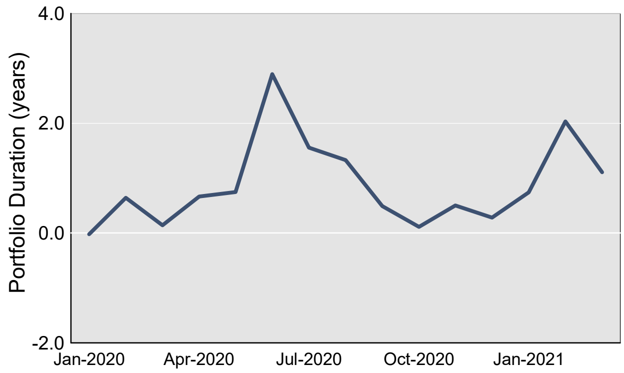
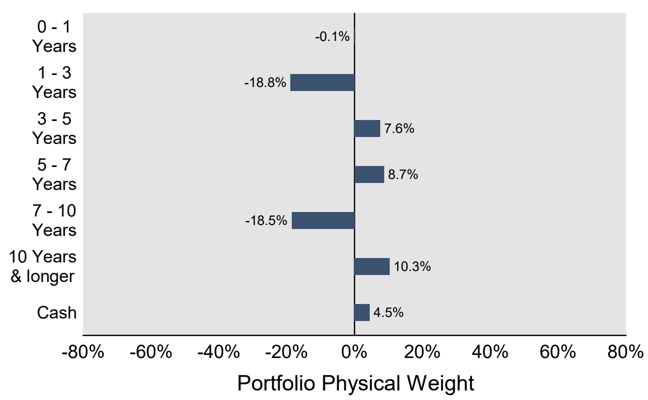
Historic Portfolio Duration



Asset Allocation by Duration Band (Physical Weight)*



*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 March, the CC JCB Dynamic Alpha Fund (the Fund) returned 0.25% (after fees), outperforming the RBA Cash Rate Total Return Index.

The Fund delivered another month of positive returns as the portfolio demonstrated resilience and maintained its rigid risk-controlled investment framework. The portfolio continued to harvest alpha exploiting inefficiencies in high grade bonds on a very low risk load – the Fund performed in what was a rangebound and different environment from the month of February.

US Treasuries underperformed for the month as yields drifted higher albeit on diminishing momentum from the prior month. The Federal Open Market Committee (FOMC) meeting was eagerly awaited with interest from investors with regards to the Fed's thoughts and its potential action on the rising long-end Treasury yields. Fed Powell remained sanguine on the back up in yields and reconciled the move with an improving economic landscape. The heavily scrutinised dot plot highlighted that the majority of FOMC members still see rates at zero through to 2023 and Powell confirmed that they would not react "pre-emptively on forecasts" but wanted to achieve sustainable improvement of their economic goals. Despite the success of the US vaccination program economic data for the month was a mixed bag – employment handsomely beat expectations whilst industrial production and retail sales were below consensus.

The Covid-19 infection count was a different story across the pond as Europe continued to deal with another wave which instigated further lockdowns and the vaccine rollout suffered some hiccups. This allowed European rates to continue their outperformance which was also underscored at the European Central Bank (ECB) meeting where they declared that they would increase their buying program in coming months to offset any increase in yields. ECB President Lagarde suggested that the ECB would "see through" the transitory inflation uplift in inflation over coming months.

Domestically, the Australian rates market reasserted its outperformance against the US following on from the stark underperformance in February. The RBA left the cash rate and the 3-year yield target unchanged at 0.1% and reaffirmed its commitment to keep rates on hold until 2024. The Australian 10yr yield stabilised despite better than expected Q4 GDP data at 3.1% quarter on quarter and a fall in the unemployment rate to 5.8%. The expected return to the market of the Japanese investors as their fiscal year commences and negative net supply narrative provided a solid framework for a consolidation period in Australian rates.

Going forward, the Fund will be looking to exploit bond market anomalies on a risk adjusted basis as the market overshoots from the expected transitory pick-up in global inflation and the misalignment in pricing from the pandemic snapback in global data.

Market Review & Outlook

March market review

After large moves in global and Australian fixed income markets in February, bond markets calmed considerably in March. Australian Government Bonds performed strongly over the month after being a large underperformer in February's recalibration of the global rates complex. Whilst data continues to impress in the near term as certain economies enjoy re-openings combined with President Bidens large fiscal support package, bond markets have remained broadly range bound albeit at higher yields on the year. Locally the rebound narrative is already well received with high commodity prices and better employment data, combined with strong housing markets suggesting much of this narrative is well priced already by fixed income markets. However, there are still issues ahead as JobKeeper has now expired over the month and winter is approaching for a population frustrated by slow vaccine roll outs and concerns over blood clotting.

Fixed income markets remain primarily focused on the upcoming rise in inflation data - so far most bond market moves have been on expectation rather than realisation of inflation which will print higher in coming months driven by transitory factors such as the base effect of data calculation and one time supply disruptions due to Covid-19 lockdowns. JCB believes this remains the major focus of markets which are still not fully responding to volatile economic data prints but remain focused on the evolution of the known rise in inflation outcomes.

Over the inflation hill

Given the importance of this transitory inflation 'base effect' and no doubt the media obsession with higher 'inflation' in the coming months we will publish a comprehensive white paper titled "Over the inflation hill" that considers the how, why and when of this rise in inflation (or reflation) which is primarily mechanical, remembering all markets had a hugely deflationary period in Q2, 2020 due to global lockdowns and negative oil prices (much of this is the year on year data give back). The paper will outline how we have arrived at this place, consider the secular drivers of disinflationary forces that have been evident over the last few decades leading into Covid-19 and consider if these drivers will be persistent in a post Covid-19 world. It will also explain the base effect and look at possible expected inflation pathways, examine if inflation is likely persistent or transitory in nature, whilst also considering the autonomy of bond market sell- offs and the likely performance for both bond markets and other asset classes thereafter.

"It is easier to go down the hill than up, but the view is from the top.'' Arnold Bennett

Due to the base effect of inflation, which is essentially data rotation, we are all going "over the inflation hill", and that journey is sure to provide plenty of volatility, lower expected returns from some assets, lots of powerful arguments amongst asset allocators and some badly misguided narratives from 24/7 news media. It is certainly a market episode that requires careful navigation, as the reflexive feedback loops can be problematic in the fragile algorithmic dominated global financial markets. Even the most prolific of inflation forecasters has a "hill" in their forecasts where inflation rises (due to base effect) and then falls away thereafter. The transitory nature of inflation (rather than persistent) is not in question, just the magnitude of that ''hill'' and where longer run trend inflation will settle thereafter as that base effect falls away. These are material questions which will guide bond market performance in both directions, to compensate for the coming lift in inflation (expectations and realised) and then to re-price the normalisation to trend thereafter.

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.