



## Fund Update as at 30 June 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.

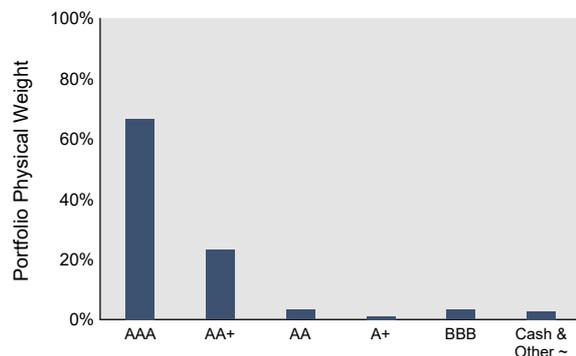
##### Diversification and Income

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 Performance

Returns (After fees)	Fund*	Index**	Excess
1 Month	0.18%	0.00%	0.18%
3 Months	0.40%	0.01%	0.39%
FYTD	2.52%	0.07%	2.45%
1 Year	2.52%	0.07%	2.45%
2 Years p.a.	-	-	-
Inception p.a.	3.91%	0.18%	3.73%

#### Asset Allocation by Credit Rating (Physical Weight)



#### Platform Availability

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		

# 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.

#### Fund Facts

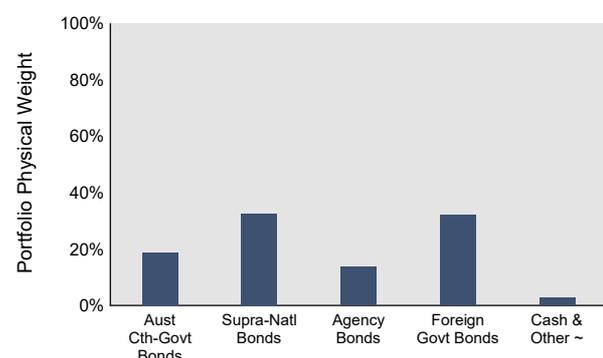
Investment Manager	JamiesonCooteBonds Pty Ltd
Portfolio Manager	Charles Jamieson & Chris Manuell <small>CMR</small>
Style	Global absolute return bond fund - concentrating on actively managing global high grade sovereign bonds
Objective	Outperform the RBA Cash Rate by 2.50% p.a. (after fees) over rolling 3 year periods.
Inception Date <sup>^</sup>	30 December 2019
Index	RBA Cash Rate Total Return Index
Management Fee <sup>#</sup>	0.58% p.a.
Administration Fee <sup>#</sup>	0.10% p.a.
Buy / Sell Spread	0.05% / 0.05%
Distributions	Quarterly
Fund Size <sup>+</sup>	AUD \$297 million

#### Fund Overview

Characteristics	Fund
Modified Duration (yrs)	0.73
YTM + Hedging Effect	0.92
Weighted Ave. Credit Rating	AA+

Source: JamiesonCooteBonds Pty Ltd.  
See Definition of Terms.

#### Asset Allocation by Sector (Physical Weight)



#### Further Information

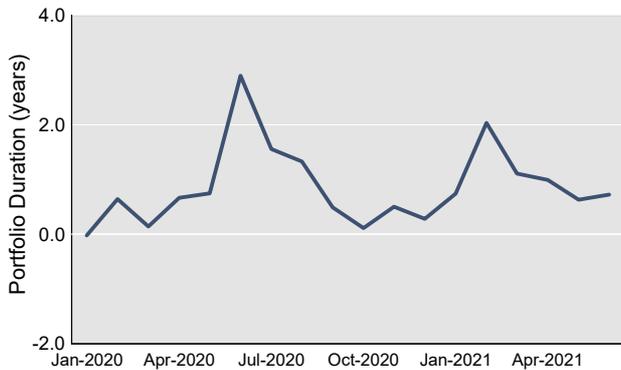
Phone:	1800 940 599
Email:	distribution@channelcapital.com.au
Web:	www.channelcapital.com.au



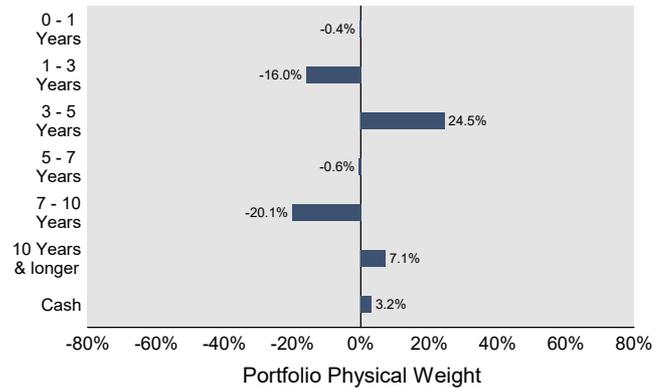
JAMIESON COOTE BONDS

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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.

## Fund Review

For the month ending June, the CC JCB Dynamic Alpha Fund (the Fund) returned 0.18% (after fees), outperforming the RBA Cash Rate Total Return Index.

The Fund continued to deliver risk-adjusted returns in what was a month of two halves. The U.S. Fed meeting mid-month caught global financial markets off guard and stalled the 20 bp rally in Australian rates, although the global rates rally continued into month end defying the bearish rates consensus and positioning.

The U.S. Fed meeting on 16 June triggered volatility through markets although the U.S. Fed kept the target range at 0-0.25% it altered the pathway of projections with the FOMC dots projecting 2 hikes in 2023 and comments from U.S. Fed Chairman Powell suggested that the U.S. Fed was more hawkish than what the market had priced in. Powell suggested that the economy has “clearly made progress” and mentioned that the U.S. Fed had commenced tapering discussions. This caused reverberations through the markets with the reflation style trades all coming under pressure and the flattening of the yield curve in particular reacting strongly to the switching U.S. Fed narrative. Mixed messaging from U.S. Fed officials dripped out for the rest of the month with U.S. Fed Williams emphasising that rates hikes were still “way off in the future”. U.S. Economic data for the month continued to be mixed with employment disappointing with an increase of 559k against consensus of a 675k gain.

Domestically, early in the month the RBA announced its decision to keep rates and its 3-year yield target on hold – underscoring that wages and inflation are unlikely to warrant a rate hike “until 2024 at the earliest”. The yield curve flattened sharply mid-month in sympathy with the U.S. following the U.S. Fed meeting and late in the month Australian rates outperformed as fresh restrictions were imposed as the Covid-19 Delta strain emerged in the community.

JCB maintains that the transitory nature of inflation and the uncertainty over the progression of Covid-19 will continue to provide a solid backdrop for bonds as we enter the seasonally bullish period for fixed income in July-August window.

## Market Review & Outlook

Bond markets continued to perform in June, finishing a strong second quarter of performance across both domestic and global markets. Markets continue to remain focused on inflation, with much discussion around the length of “transitory” inflation (JCB thinks longer than a few months but shorter than years) and how that may affect Central Bank policy looking forward.



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The U.S. Federal Reserve (U.S. Fed) surprised markets over the month by indicating some members now believe removing emergency stimulus is warranted sooner, with the Board now talking about when to taper bond purchases. This surprise actually electrified the long maturity points in global bond markets generating strong absolute performance of many indexes as investors scrambled to exit “reflation” trades often structured around term structure of interest rate curve steepening (overweight short dated bonds, underweight long dated bonds). This combined with investor expectations that any U.S. Fed move to remove the emergency stimulus programs would halt growth and future inflation expectations.

Domestically, Australia continues to suffer an early winter outbreak of Covid-19 related lockdowns with restrictions currently in much of the country. Our long term expectation has continued to remain that Covid-19 is a perfect virus, whilst hotel quarantine is an imperfect system. As the majority of the Northern Hemisphere battled Covid-19 throughout its recent winter, it would be arrogant to assume Australia will not suffer its own Covid-19 problems throughout the colder winter months, causing episodic lockdowns, delays and disruption to daily lives and the economy. For now, this should be a speed bump on the road to economic recovery, however the situation requires careful monitoring if lockdowns drag on longer than expected. Government support structures are far less generous this time around meaning the private sector will carry a larger burden. Much anticipation remains around the RBA upcoming meeting in July, as Central Bankers the world over acknowledge improved outlooks and taking baby steps towards less accommodative policy as a response. The RBA has promised the markets repeatedly that rates will “likely” remain on hold at 0.10% until 2024 – but remember this is the same Central Bank that suggested previously that rates would never likely move below 1.50% and that QE was highly unlikely. JCB expects a mild change in rhetoric only, as the early winter Covid-19 outbreak is hardly the time to be congratulating ourselves for defeating the perfect viral enemy, as much as the economic war has been progressing previously. Although this is the same Central Bank that launched its “highly unlikely” QE program the day before a U.S. Presidential election and wondered why the markets didn’t respond. Buckle up folks – everything is possible.

#### 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](http://www.channelcapital.com.au).