JCB

JAMIESON COOTE BONDS

CC JCB Dynamic Alpha Fund (APIR: CHN8607AU)
Fund Update as at 31 August 2021

Fund Performance

Returns	1 month	3 months	6 months	FYTD	1 year	3 years p.a.	Since inception p.a. (30-Dec-2019)
Fund Net Return*	0.12%	0.45%	0.92%	0.27%	2.10%	-	3.67%
Benchmark Return**	0.00%	0.01%	0.02%	0.01%	0.05%	-	0.16%
Active Return (After fees)	**0.12%**	**0.44%**	**0.90%**	**0.26%**	**2.05%**	**-**	**3.51%**

^ 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. Gross performance is calculated excluding all fees, costs and taxation. Net performance is calculated after administration fees and fund expenses. 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.
* Benchmark refers to the RBA Cash Rate Total Return Index. All data is the property of MSCI. No use or distribution is permitted without written consent. Data provided "as is" without any warranties. MSCI assumes no liability for or in connection with the data.

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

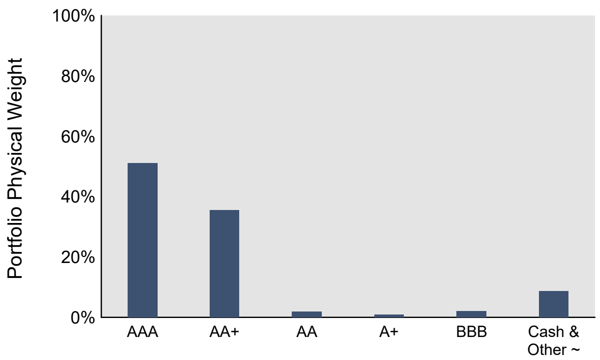
Investment Manager	JamiesonCooteBonds Pty Ltd
Portfolio Manager	Charles Jamieson & Chris Manuell CMT
Style	Global absolute return bond fund - concentrating on actively managing global high grade sovereign bonds
Objective	Outperform the RBA Cash Rate by 2.50% p.a. (after fees) over rolling 3 year periods.
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 $374 million

Fund Characteristics

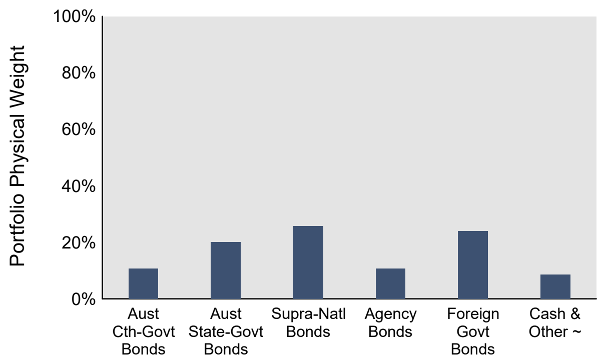
Characteristics	Fund
Modified Duration (yrs)	-0.24
YTM + Hedging Effect	0.65
Weighted Ave. Credit Rating	AA+

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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Platform Availabilty

Ausmaq	Aust Money Market	BT Panorama
BT Wrap	Colonial First Wrap	HUB24 IDPS & Super
Implemented Portfolios	Macquarie Wrap	Mason Stevens
Netwealth IDPS	Powerwrap	Praemium
Xplore Wealth		

Further Information

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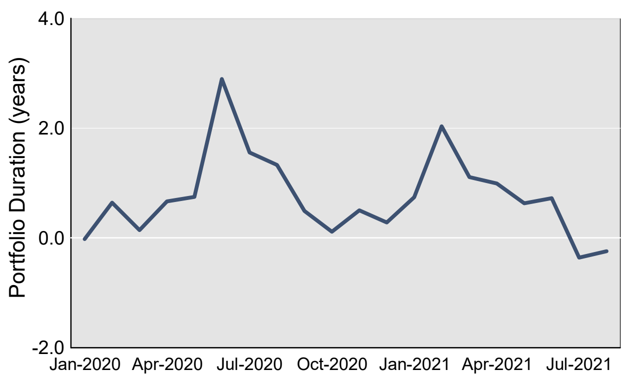
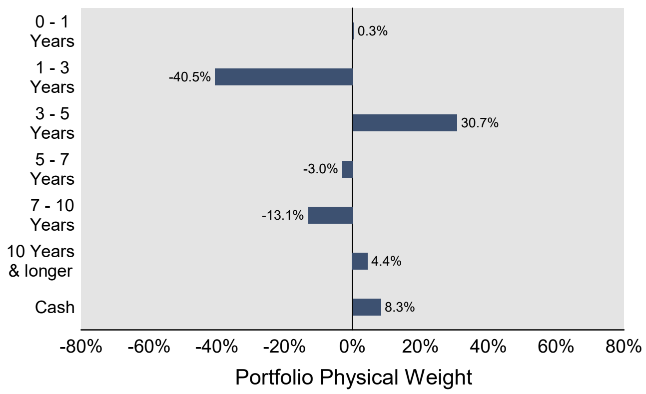
All figures disclosed include the net effect of GST and RITC. ^ Inception Date for performance calculation purposes. + Fund size refers to the CC JCB Dynamic Alpha Fund ARSN 637 628 918. * Performance is for the CC JCB Dynamic Alpha Fund (APIR: CHN8607AU), also referred to as Class A units, and is based 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.

Historic Portfolio Duration



Asset Allocation by Duration (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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CC JCB Dynamic Alpha Fund (APIR: CHN8607AU) Fund Update as at 31 August 2021

Fund Review

For the month ending August, the CC JCB Dynamic Alpha Fund (the Fund) returned 0.12% (after fees), outperforming the RBA Cash Rate Total Return Index.

The Fund recorded another month of positive returns as it remained on process to navigate through a period of change as global markets await direction from global Central Banks as the pandemic appears to be entering its final stage, yet the economic outcomes still loom large.

Global Rates markets oscillated in a well-defined range for the month after starting off defensively with US Fed Clarida suggesting conditions needed to hike rates would be achieved "by year-end 2022" clearing the way for a hike in 2023 - which sparked an aggressive spike higher in yields. The US employment number for July was the highest for the year which raised expectations that the economy was back on track and moving towards the US Fed's goals of "substantial further progress" which is required for the commencement of tapering their balance sheet. The optimism around economic data stalled following moderate inflation numbers and the release of consumer sentiment which recorded its lowest reading since 2011 – which gave bonds a cause to rally and provided a salient reminder of the concerns of the Delta virus infections and its impact on growth. Later in the month US Fed Chairman Powell provided a relief rally in fixed income as the much-awaited Jackson Hole symposium failed to deliver any expedited tightening message as he remained on point with his dovish inflation narrative. This was also in contrast to earlier Fed speakers who communicated a hawkish tone and underscored the division within the Federal Reserve with regards to future monetary policy actions.

European rates underperformed through the month as the strong rally from the previous month was reversed with economic data holding up and the inflation number coming in stronger than expected into month end. The Bank of England met early in the month and chose to keep the Bank Rate and asset purchases unchanged. The first COVID-19 case in 6 months the day before the Bank of New Zealand meeting scuppered an August rate hike which had been priced in, although rates were held steady, they maintained a hawkish stance and RBNZ could continue to be a litmus test for potential tightening paths of other Central Banks.

Domestically, the RBA meeting early in the month was uneventful, as they signalled their intention to stick with the September plan of tapering bond purchases to 4 billion a week and passing the baton to governments although the RBA minutes released later in the month showed that the Board had considered delaying the tapering. The continued climb in COVID-19 cases in the two most populous states and requisite lockdowns continued to weigh on sentiment through the month however leading into the end of the month the market appeared to start looking forward and pricing in an escape as vaccination rates picked up their velocity as the governments appeared to alter their virus strategy. This was evident in the sharp rally of the AUD and the subtle underperformance of Australian 10yr rates against US 10yr rates into month end which had performed well through the month as markets started to price in some loosening in the vigilant lockdown settings.

Since inception, JCB has been committed to the pragmatic and methodical consideration of ESG as part of its investment management process. As part of this approach to ESG, JCB seeks to proactively invest in ESG positive securities where possible. To this end, at the end of August 2021, it held A$443m in several social and green bond securities in its commingled funds (up from A$97m in August 2020). Notably JCB participated in the National Housing Finance and Investment Corporation (NHFIC) Jun 2032s, as well as the Asian Development Bank (ASIA) gender bond Nov 2025s.

JCB remains focused on driving continuous improvement in its approach to ESG and has recently appointed Talieh Williams as Strategic Advisor – ESG to further enhance its approach and capabilities in this regard.

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Market Review & Outlook

Bond markets remained range bound over the month of August, pausing after the strong performance since March. Global markets remained focused on three key areas; the slowdown in growth momentum and how this can impact the US Federal Reserve's tapering program (reducing the amount of bonds bought under Quantitative Easing (QE)), the Delta Covid-19 variant and its impact on global mobility, and geo-political events (including the future of American power post Afghanistan withdrawal and China's continued regulation of certain industries).

Whilst the above support the rates complex, there are some counter balancing themes developing. The return of Debt Capital Markets flows after the northern hemisphere summer break often sees bond supply lift considerably, which can bring some seasonal drift to yields. In addition, forward internet search activity looks to have turned higher, which may see the floor in the consistent loss of momentum in global economies as viewed by surprise indices (which measures the degree to which economic data is either beating or missing expectations) and which have been trending lower for many months. Domestically, a turn in the government narrative from 'pandemic' to 'endemic' also changes the markets' expectation of the length of the lockdown and delivers a pathway back to quasi-normalised economic activity into the Christmas period. These competing forces are likely to produce more market volatility, but we expect markets to remain largely range bound in this process as the RBA continues to keep short-end rates anchored in the foreseeable future.

As markets remain firmly forward looking, JCB believes some of the 2022 themes are worth consideration. Looking ahead into 2022, the impending fiscal cliff faced by many economies continues to look daunting. The US faces historical reductions in deficit spending from 13.4% of GDP estimated for 2021, towards estimated 4-5%. This pace of deficit reduction has never occurred, not even after WW2. With the severe magnitude of the fiscal cliff, Washington will be scrambling ahead of mid-term elections to provide a smoothed pathway for economic growth, as a material slowdown would potentially shift voter preferences in an administration currently on the ropes over its handling of the Afghanistan withdrawal.

The declining estimates of economic activity must therefore be cause for concern. In 2020-2021, after US$13 trillion of stimulus and investment, US Q3 GDP estimates have reduced to 3-4% from 8-11%, and August US jobs creation collapsed lower at 243k vs. 798k in July with fiscal spending on track to come down sharply in 2022. Should the US Federal Reserve also be tapering it's QE purchases at this time in an effort to reduce emergency policy accommodation, this could generate a powerful combination for markets which have enjoyed positive economic outcomes in post lockdown combined with the most generous liquidity conditions of modern times.

JCB believes markets remain finely balanced with the global economy still struggling under economic restrictions and dealing with ongoing global supply chain issues. Policy makers are universally talking about removing emergency stimulus programs designed to hold back the economic hell of March/April 2020, which now looks generous as economies and health outcomes in the northern hemisphere have stabilised. Leaving policy overly accommodative can be the source of significant future instability. However policy makers are caught in a negative feedback loop, where an overreach into a slowing economy could generate substantial volatility which they have successfully suppressed since that time of crisis. Central Bankers improved transparency this year with their guidance on the potential removal of accommodation should limit any "sticker shock" within bond markets, as they say - forewarned is forearmed.

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.

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