

# MONTHLY UPDATE

August 2018

## Performance as at 31<sup>st</sup> August 2018

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.60	3.59	0.86	5.73	6.82	5.74
Catholic Values Trust	1.26	3.76	2.03	11.40	7.35	7.13

All returns are net of fees and yearly returns are annualised

### Investment Market Review

The positive start to the new financial year continued for equity markets across the globe. The Australian share market, as measured by the S&P/ASX 200 Accumulation Index, gained 1.42% for the month, while global shares, as measured by the MSCI World ex Australia Index (unhedged), experienced a very strong month and returned 4.14% for August.

### Domestic Economy

Australian's unemployment rate remained unchanged at 5.3% in August, as the number of people looking for work increased. Employment increased by 44,000 over the month, with full-time positions creating 33,700 jobs and part-time jobs climbing by 10,300. Unemployment remains at its lowest level since November 2012.

The Reserve Bank of Australia (RBA) kept interest rates on hold at its August meeting, extending the longest ever streak without a change to two years. While the official cash rate remained at 1.5%, we saw Westpac, followed by ANZ and CBA, increase their variable home loan rates out of cycle. According to the banks, an increase in their wholesale funding costs was behind the rate hike.

Business confidence in Australia dropped from 6.6 points in July, to 4.0 points in August, according to the Business Confidence Index produced by NAB. Despite the drop, the index was above the zero-point threshold and indicates that businesses are largely optimistic regarding economic conditions. The Construction and Mining sectors were the most optimistic, while manufacturing and transport were the least optimistic, although all sectors remained in positive territory.

### U.S. Update

The U.S. economy continued its growth and added a further 201,000 jobs in August, extending the record consecutive month of jobs growth to 95 months. The unemployment rate remained unchanged at 3.9% in August, while the participation rate dropped from 62.9% to 62.7%. Employment increased in Professional and Business Services as 53,000 new jobs were added, Health Care and Social Assistance with 33,000 jobs created, Transportation rose by 20,000 positions and mining increased by 6,000 new jobs.

### CCI Asset Management Update

#### Looking to make a new or additional investment?

For further information on investing with CCI Asset Management, please contact our Business Development Manager, David Smith on (03) 9934 3077.

If you have any feedback or suggestions for the Monthly Update, please email [david.smith@cciassetmanagement.org.au](mailto:david.smith@cciassetmanagement.org.au)

### China Update

Industrial production in China expanded 6.1% annually in August, slightly above July's figure. This reflected an acceleration in electricity generation and mining output, while manufacturing production edged down.

Retail sales grew 9.0% in August, above the 8.8% registered in July. This was driven by stronger sales of household appliances and construction materials, while car sales contracted for the month.

Trade tensions between China and the U.S. continue, as both countries apply tariffs on billions of dollars' worth of goods. U.S. President Trump continues to apply tariffs as a method to reduce the trade deficit with China.

### Eurozone Update

The European Central Bank (ECB) left its main interest rates unchanged at its 13 September monetary policy meeting, and continued its commitment to reducing asset purchases related to its quantitative easing (QE) program by the end of the year.

Unemployment remained unchanged in July, with the unemployment rate steady at 8.2%, the lowest rate since November 2008. Cyprus, Ireland, Italy, the Netherlands and Spain all saw their unemployment rate drop, while most of the remaining economies remained unchanged.

# Income Trust

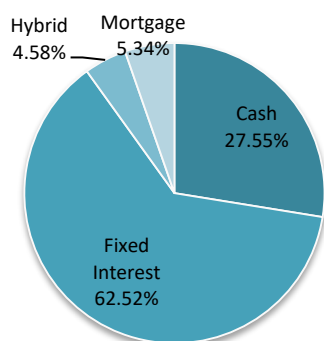
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees) <sup>#</sup>	0.66	3.75	0.97	6.38	7.47	6.39
Income Trust (Net of Fees) <sup>#</sup>	0.60	3.59	0.86	5.73	6.82	5.74
Benchmark	0.17	0.51	0.36	1.85	1.94	2.20
<b>Objective:</b> AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.94	

<sup>#</sup>All yearly returns are annualised

## Monthly Performance Commentary

The Income Trust continued to exceed its objective and delivered a positive return for August, with Hybrids the best performing asset class. National Income Securities reversed last month's performance and was the top contributor for the month, while ANZ Floating Rate Note was the top detractor for the month.

## Asset Allocation



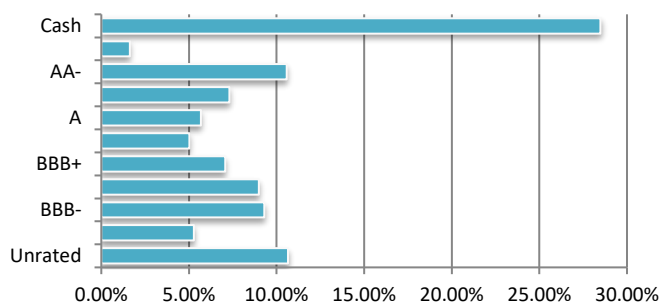
Top Contributors	Asset Class	Return %	Portfolio Contribution %
National Income Securities	Fixed Interest	4.670	0.260
Seven Group Holdings CPS	Fixed Interest	16.121	0.077
Qube Subordinated Note	Fixed Interest	1.315	0.047
CBA FRN	Fixed Interest	0.345	0.021
Mortgage	Mortgage	0.625	0.019

Top Detractors	Asset Class	Return %	Portfolio Contribution %
ANZ FRN	Fixed Interest	-0.007	-0.001

## Portfolio Credit Rating Allocation

Below is the credit composition of the Income Trust Portfolio.



Unrated securities largely consist of unrated retail issues including Suncorp Group Ltd, Seven Group Holdings Ltd and Westpac Hybrid securities. Together these unrated securities represent 1.91% of the Income Trust Portfolio as at 31 August 2018. These securities have not been issued a credit rating by any rating agency in accordance with ASIC regulation regarding credit ratings on retail issues.

Credit ratings as classified by Standard & Poor's

## Fixed Interest

Fixed Interest outperformed the index for the month of August and was the main contributor to the overall performance of the portfolio in absolute terms. At the security level National Income Securities was the top contributor for the month, followed by Qube Subordinated Note and CBA Floating Rate Note. ANZ Floating Rate Note was the sole detractor for the month.

## Hybrid Securities

Hybrid Securities also outperformed the index this month, and in relative terms was the top contributor. For the second month running all securities added value to the portfolio with Seven Group Holdings Convertible Preference Shares the standout performer, followed by NAB Subordinated Notes 2, Suncorp Capital Notes and CBA Perls IX.

## Hybrid Portfolio

Security	Issuer Margin
CBA Perls VII Capital Notes	BBSW 90 Day + 2.80%
CBA Perls IX Capital Notes	BBSW 90 Day + 3.90%
NAB Capital Notes	BBSW 90 Day + 3.50%
NAB Subordinated Notes 2	BBSW 90 Day + 2.20%
Seven Group Holdings Ltd Convertible Preference Share	BBSW 180 Day + 4.75%
Suncorp Group Capital Notes	BBSW 90 Day + 4.10%
Westpac Capital Notes 3	BBSW 90 Day + 4.00%

## Franking Credit Income

<sup>#</sup>FYTD: 0.00%

## Fund Distribution History (cents per unit)

30 September 2017:	0.24
31 December 2017:	0.51
31 March 2018:	0.51
30 June 2018:	2.34

# Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) <sup>#</sup>	1.32	3.94	2.14	12.10	8.05	7.83
Catholic Values Trust (Net of Fees) <sup>#</sup>	1.26	3.76	2.03	11.40	7.35	7.13
Benchmark	1.68	5.13	3.06	12.75	8.58	8.63
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.65	4.80

<sup>#</sup>All yearly returns are annualised

## Monthly Performance Commentary

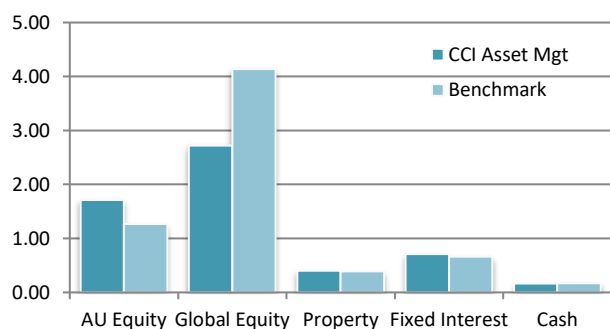
The Catholic Values Trust has continued to exceed its objective of outperforming CPI by 3% p.a. over rolling 3 and 5 year periods, and delivered another positive return of 1.26% (net of fees) for the month of August.

All asset classes delivered positive returns, with Australian Equities and Fixed Interest the top contributors and outperforming the benchmark for the month. Global Equities generated a positive return however underperformed the benchmark, while Property was in-line with the benchmark.

## Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	32.08%	35.00%
Global Equity	25.34%	25.00%
Property	3.03%	5.00%
Fixed Interest	20.04%	25.00%
Cash	19.51%	10.00%

## Asset Class Return

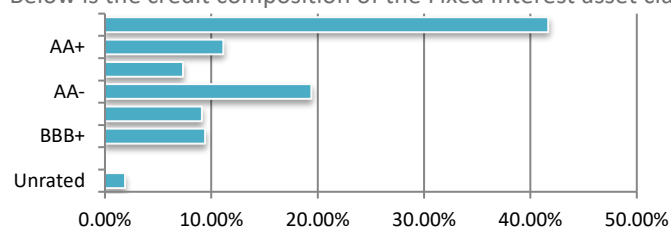


## Fixed Interest

The Catholic Values Trust is underweight in Fixed Interest, and continues to maintain the majority of its exposure to semi-government securities. Fixed Interest outperformed the benchmark for the month.

## Fixed Interest Credit Rating Allocation

Below is the credit composition of the Fixed Interest asset class.



Credit ratings as classified by Standard & Poor's.

## Australian Equities

Australian Equities continued its positive run into the new Financial Year and delivered a positive return for August. The strongest sectors within the asset classes were Health Care and Telecommunications. At the stock level, there was a mix of sectors prominent, with CSL, Telstra, Wesfarmers and Macquarie Group all in the top five. CSL continues to deliver and it was a full year profit increase of 28%, reported in August, which saw its share price climb and make CSL Australia's fourth largest company by market capitalization. At the other end of the scale, detractors this month included BHP, Origin Energy, Westpac Banking Corporation and Woolworths, with BHP dropping after announcing a fall in profit.

## Franking Credit Income

#FYTD: 0.00%

Top Contributors	Return %	AU Contribution %
CSL	15.615	0.300
Telstra Corporation Ltd	14.618	0.108
Wesfarmers Ltd	7.464	0.092
Macquarie Group Ltd	5.357	0.045
QBE Insurance Ltd	11.534	0.040

Top Detractors	Return %	AU Contribution %
BHP Billiton Ltd	-4.733	-0.113
Origin Energy Ltd	-18.628	-0.070
Westpac Banking Group	-3.123	-0.065
Woolworths Ltd	-5.949	-0.051
Rio Tinto Ltd	-5.626	-0.039

## Global Equities

### Manager: Perpetual Investments

The fund generated a positive return, however underperformed the benchmark for the month. At security level, the top contributors were Chip-design software manufacturer Synopsys, IT and Telecommunications company, Softbank Group and video game and console developer Nintendo. Synopsys and Softbank Group rallied on positive earnings, while Nintendo finished the month higher on the back of updated details surrounding the launch of their new gaming platform, the Nintendo Switch. Top detractors to the portfolio were Chinese social-media platform YY inc. and dental solutions company Dentsply Sirona, as both announced disappointing earnings results.

## Fund Distribution History (cents per unit)

30 June 2017:	6.19
31 December 2017:	1.42
30 June 2018:	9.01

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For any queries in relation to this CCI Asset Management Monthly Update please contact

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