MONTHLY UPDATE

February 2017

Performance as at 28th February 2017

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.32	1.09	2.89	10.63	5.72	7.81
Catholic Values Trust	1.12	2.93	6.78	11.15	4.75	8.62

All returns are net of fees and yearly returns are annualised

Investment Market Review

After a slow start to 2017, both domestic and global equity markets enjoyed a positive February, with the Australian share market, as measured by the S&P/ASX 200 Accumulation Index, returning 2.25% for the month, and global shares as measured by the MSCI World ex Australia Index (unhedged), rebounding to finish the month up 1.45%.

Domestic Economy

Australia's economy rebounded in the December 2016 quarter, recording 1.1% growth and avoiding a recession (two consecutive quarters of negative economic growth) after the negative result in the September quarter. The economy was driven by a rise in household spending (food, recreation, insurance and financial services), while a rise in commodity prices helped exports improve 2.2%, with government investment jumping 7.7%.

The Australian economy lost over 6000 jobs in February, which saw the jobless rate rise to a 13-month high of 5.9%, up from 5.7% in January. The economy added 27,100 full-time jobs for the month, while the decline was a result of part-time employment decreasing by 33,500. This was the first decline in employment since September 2016, and left total employment at 11.99 million.

U.S. Update

The U.S. economy added 235,000 jobs in February, ahead of expectations of 190,000 jobs and this saw the U.S. unemployment rate decrease slightly to 4.7%, down from 4.8% in January. Jobs continued to increase across the board, with construction leading the way, growing by 58,000, the most in almost a decade, while manufacturing also posted strong gains with 28,000 new jobs. Other areas of job gains were professional and business services (37,000) and health care (27,000).

Retail sales saw little change in February, rising 0.1% and slowing sharply after big gains in the prior two months. Most of this was attributed to a delay in 2016 tax refunds, which have been sent out slower than past years. Other factors to hold down sales figures was a 0.2% drop in sales at auto dealers and petrol stations which posted a 0.6% decline, reflecting lower prices at the pump.

CCI Asset Management Updates

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

China Update

China's economy has got off to a strong start in 2017, with increased bank lending, a government infrastructure spree and a pick-up in private investment, all helping. Fixed-asset investment expanded stronger than expected in the first two months of the year as growth in private investment more than doubled from 2016, while surging demand for steel for new roads, bridges and homes lifted factory output. Along with industrial output expanding, real estate development grew 8.9% year on year in January and February, and retail sales rose 9.5% over the same period, although lower than expected and below 10% for the first time in 11 years.

Eurozone Update

The jobless rate in the Eurozone remained steady at 9.6% in January, the lowest unemployment rate since May 2009, as the number of unemployed persons fell by 56,000. Greece continues to have the highest unemployment rate (23.0%), followed by Spain (18.2%) and Cyprus (14.1%), while at the other end of the spectrum, Germany (3.8%), Malta (4.4%) and the Netherlands (5.3%) registered the lowest unemployment rates in January.

The European Central Bank (ECB) decided to hold interest rates steady and made no changes to its bond-buying program at its most recent meeting. The decision to keep rates on hold was largely attributed to an increase in energy prices and inflation remaining under control. Meanwhile, Greece is back in the news as it looks to negotiate a deal on the next stage of the country's €86bn bailout.

Income Trust

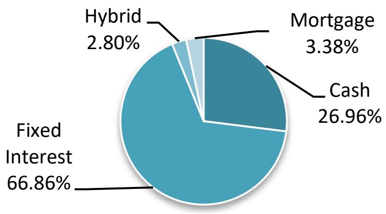
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.38	1.25	3.32	11.28	6.37	8.46
Income Trust (Net of Fees)#	0.32	1.09	2.89	10.63	5.72	7.81
Benchmark	0.13	0.44	1.22	1.98	2.32	2.69
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					3.32	

#All yearly returns are annualised

Monthly Performance Commentary

The Income Trust continues to exceed its objective and delivered a positive return of 0.32% for February. All asset classes outperformed, with Hybrids the strongest performing for the month. APA Subordinated Notes was the top contributor, followed by National Income Securities, while Qube Holdings Subordinated Notes was the top detractor to performance for the month.

Asset Allocation

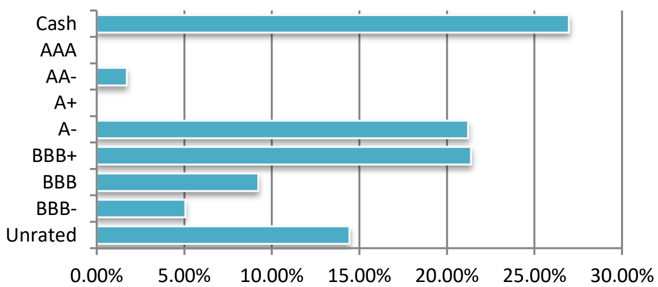


Top Contributors	Asset Class	Return %	Portfolio Contribution %
APA Sub. Note	Fixed Interest	0.860	0.049
National Income Securities	Fixed Interest	0.830	0.030
Seven Group Holdings Ltd	Hybrid	5.647	0.025
Westpac Sub. Note (WBCHB)	Fixed Interest	1.281	0.020
Westpac Sub. Note (WBCHA)	Fixed Interest	0.360	0.019

Top Detractors	Asset Class	Return %	Portfolio Contribution %
Qube Holdings Sub Note	Fixed Interest	-1.626	-0.061
Bendigo & Adelaide Bank	Fixed Interest	-1.629	-0.057
Genworth Financial FRN	Fixed Interest	-2.208	-0.038
Colonial Sub. Note	Fixed Interest	-0.237	-0.014
Caltex Sub. Note	Fixed Interest	-0.369	-0.009

Portfolio Credit Rating Allocation

Below is the credit composition of the Income Trust Portfolio.



Unrated securities largely consist of unrated retail issues including Qube Holdings Ltd, APT Pipelines Ltd, Suncorp Group Ltd, Seven Group Holdings Ltd and NAB Hybrid securities. Together these unrated securities represent 11.05% of the Income Trust Portfolio as at 28 February 2017. 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 February and in absolute terms, was the main contributor to the overall performance of the portfolio. At the security level, APA Subordinated Notes was the top contributor, followed by National Income Securities and Westpac Subordinated Notes (both WBCHB and WBCHA). On the downside Qube Holdings Subordinated Notes, Bendigo & Adelaide Bank Floating Rate Notes, Genworth Financial Floating Rate Notes and Colonial Subordinated Notes all detracted from performance for this period.

Hybrid Securities

Hybrid Securities outperformed the index this month and in relative terms was the main contributor to the overall performance of the portfolio. Seven Group Holdings Convertible Preference Shares was the top contributor for a second month in a row, followed by Suncorp Convertible Preference Shares, while Westpac Capital Notes 3 was the top detractor from performance.

The portfolio currently maintains an underweight position to Hybrids, while maintaining an overweight position to Cash.

Hybrid Portfolio

Security	Issuer Margin
CBA Perls VII Capital Note	BBSW 90 Day + 2.80%
NAB Convertible Preference Share	BBSW 90 Day + 3.20%
Seven Group Holdings Ltd Convertible Preference Share	BBSW 180 Day + 4.75%
Suncorp Group Subordinated Notes 3	BBSW 90 Day + 3.40%
Westpac Capital Notes 3	BBSW 90 Day + 4.00%

Franking Credit Income

#FYTD: 0.0249%

Fund Distribution History (cents per unit)

31 December 2015:	0.56
31 March 2016:	0.58
30 June 2016:	0.86
30 September 2016:	0.54
31 December 2016:	0.47

Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees)#	1.18	3.10	7.25	11.85	5.45	9.32
Catholic Values Trust (Net of Fees)#	1.12	2.93	6.78	11.15	4.75	8.62
Benchmark	1.26	3.42	7.19	12.62	7.00	9.86
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.62	5.03

#All yearly returns are annualised

Monthly Performance Commentary

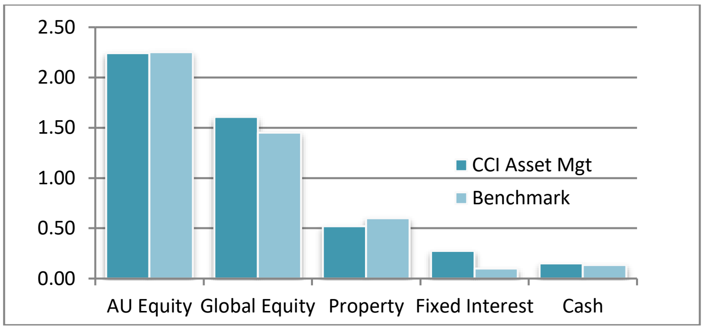
The Catholic Values Trust has continued to exceed its objective of outperforming CPI by 3% p.a. over rolling 3 and 5 year periods, and delivered a positive return for the month, however slightly underperformed the benchmark for February.

Australian Equities performed broadly in line with the benchmark and was the top contributor in absolute terms, while Global Equities outperformed this month along with Fixed Interest and Cash. Property was the top detractor amongst the asset classes.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	35.99%	40.00%
Global Equity	20.28%	20.00%
Property	3.15%	5.00%
Fixed Interest	19.71%	25.00%
Cash	20.88%	10.00%

Asset Class Return

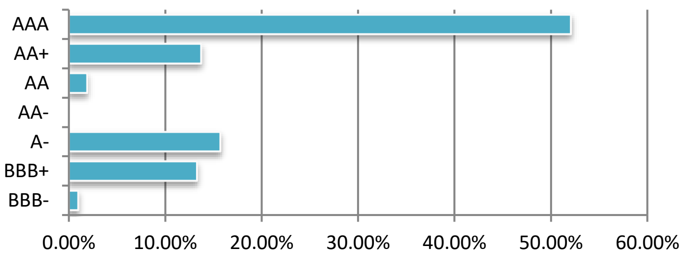


Fixed Interest

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 performed in line with the ASX 200 Accumulation Index for the month of February. At the sector level, Financials and Consumer Staples were standout performers and the top contributors, while Telecommunications and Materials were the main detractors. At the stock level, Financials led the way, with the Big 4 banks (Westpac, CBA, ANZ & NAB) the top contributors, along with Wesfarmers. The top detractors included large miners BHP, South32 and RIO, as commodity prices took a breath following recent strong returns. Brambles detracted following its recent profit downgrade and Telstra fell off the back of a disappointing first half result, with profit declining and competition increasing.

Franking Credit Income

#FYTD: 0.3530%

Top Contributors	Return %	AU Contribution %
Westpac Banking Corporation	6.28	0.47
Commonwealth Bank of Australia	4.23	0.42
ANZ Ltd	5.50	0.33
National Australia Bank Ltd	5.47	0.33
Wesfarmers Ltd	9.80	0.32

Top Detractors	Return %	AU Contribution %
BHP Billiton Ltd	-6.16	-0.52
South32 Ltd	-9.45	-0.22
Brambles Ltd	-10.57	-0.18
Telstra Corporation Ltd	-3.60	-0.16
Rio Tinto Ltd	-3.72	-0.08

Global Equities

Manager: AMP RIL International Share Fund

The Fund generated a positive return in February and outperformed the benchmark. Within the developed market managers, Lazard outperformed whilst Investec performed in line. At the stock level, a significant contributor to Lazard's performance came from Amgen, the largest and oldest biotech company in the world, as it rallied following a positive earnings result. Investec's performance was supported by consumer-related stocks, with Unilever climbing on strong earnings expectations, Colgate-Palmolive which rose on takeover speculation and Tiffany's which gained after the removal of its CEO. The emerging market exposure also contributed to February's positive performance, with Investec and Colonial First State both producing positive returns.

Fund Distribution History (cents per unit)

31 December 2015:	1.37
30 June 2016:	2.34
31 December 2016:	1.82

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

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