

MONTHLY UPDATE

May 2018

Performance as at 31th May 2018

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.16	0.54	2.70	3.00	5.52	5.28
Catholic Values Trust	0.69	1.30	7.66	7.17	4.58	7.37

All returns are net of fees and yearly returns are annualised

Investment Market Review

Both domestic and global equity markets continued the positive theme into May. The Australian share market, as measured by the S&P/ASX 200 Accumulation Index, gained 1.09% for the month, while global shares, as measured by the MSCI World ex Australia Index (unhedged), finished the month in positive territory and returned 0.37% for the month.

Domestic Economy

Australia's unemployment rate dropped from 5.6% in April, to 5.4% in May, despite weaker than expected jobs growth. This was the lowest rate since November last year and was achieved despite the loss of full-time jobs. Full-time positions fell by 20,600, while part-time employment created 32,600 new roles. These figures continue to show that the labour market has slowed in recent months, with jobs growth averaging just above 12,000 a month since the start of the year, well down on the 34,000 new jobs created each month last year.

Following the June 5 monetary policy meeting, the Reserve Bank of Australia (RBA) kept interest rates on hold at its record low of 1.50%, the same position it has held since August 2016. The RBA's decision was off the back of recent data that showed inflation had remained slightly below the RBA's 2-3% target range.

U.S. Update

The U.S. Federal Reserve decided to raise its target range for the Federal Funds Rate by 25 basis points, to between 1.75% and 2.00% at their latest meeting in June. This was the second rate rise this year and has markets now expecting a further two rate hikes this year. The decision was off the back of strong economic growth, highlighted by a tightening labour market.

The U.S. economy added a further 223,000 jobs in May, taking it to the 92nd consecutive month of jobs growth, and its longest streak on record. This saw the unemployment rate drop from 3.9% in April to 3.8% in May, the lowest level since April 2000. While the jobs growth contributed to the lower rate, the participation rate fell from 62.8% to 62.7% as less people looked for work. Employment grew across a range of sectors, with construction adding 25,000 new positions, professional and business services (31,000), education and healthcare (39,000) and the hospitality industry adding 21,000 jobs in May.

CCI Asset Management Update

End of Financial Year

Distributions

The June Quarter/Bi-Yearly distributions are scheduled to be paid in early August. Distribution Statements and Taxation Statements will also be sent around this period.

If you have any feedback or suggestions for the Monthly Update, please email me at david.smith@cciassetmanagement.org.au

China Update

Fixed asset investment in China, which tracks investment in or capital expenditures on assets such as buildings, plant equipment and machinery, expanded 6.1% annually in the first five months of the year, the softest growth since early 1996.

Retail sales in China grew 8.5% year-on-year in May, down from the 9.4% recorded in April and the weakest growth since June 2003. There was a decline in car sales, along with weaker sales for food and clothing, footwear and accessories.

Eurozone Update

Italy, the Eurozone's third largest nation has plunged into political and economic crisis and has been without a proper government since the March elections resulted in a hung assembly. With no leader still in place at the end of May, the country has one of the largest debt - around 2.3 trillion euro - and has had a double digit unemployment rate since 2012. Fears of its collapse or exit from the Eurozone has markets on watch.

Economic sentiment in the Eurozone fell slightly in May to 112.5 points, down from 112.7 points in April, driven by declines in the manufacturing and services sectors. Meanwhile employment conditions remained steady across the Eurozone for April, as the number of unemployed fell by 53,000 and the unemployment rate stayed at 8.5% - the lowest rate since December 2008.

Income Trust

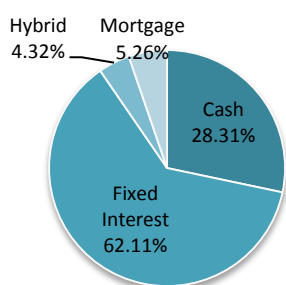
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.21	0.70	3.29	3.65	6.17	5.93
Income Trust (Net of Fees)#	0.16	0.54	2.70	3.00	5.52	5.28
Benchmark	0.17	0.47	1.63	1.77	1.95	2.24
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.95	

#All yearly returns are annualised

Monthly Performance Commentary

The Income Trust continued to exceed its objective and delivered a positive return for May. At the asset class level Fixed Interest/Mortgages were the strongest performing for the month, while Hybrids detracted from performance. CBA Floating Rate Note was the top contributor for the month, followed by National Income Securities, while AMP Limited Floating Rate was the top detractor for the month.

Asset Allocation

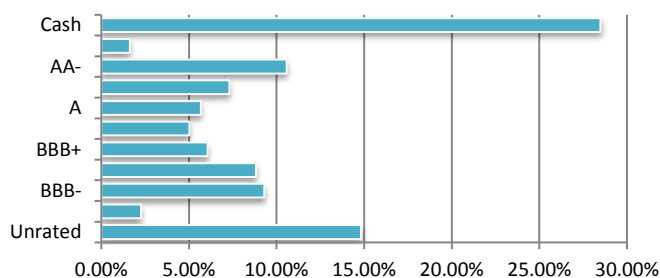


Top Contributors	Asset Class	Return %	Portfolio Contribution %
CBA FRN	Fixed Interest	1.226	0.071
National Income Securities	Fixed Interest	1.013	0.052
Mortgage	Mortgage	1.020	0.033
Mortgage	Mortgage	0.625	0.018
Seven Group CPS	Hybrid	3.512	0.016

Top Detractors	Asset Class	Return %	Portfolio Contribution %
AMP Limited FRN	Fixed Interest	-0.139	-0.008
Westpac Capital Notes 3	Hybrid	-0.603	-0.005
NAB Sub. Note 2	Hybrid	-0.956	-0.005
CBA Perls IX	Hybrid	-0.462	-0.004
Goldman Sachs FRN	Fixed Interest	-0.084	-0.003

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, Suncorp Group Ltd, Seven Group Holdings Ltd, CBA and NAB Hybrid securities. Together these unrated securities represent 6.34% of the Income Trust Portfolio as at 31 May 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 May and was the main contributor to the overall performance of the portfolio in absolute terms. At the security level, CBA Floating Rate Note led the way, with National Income Securities continuing to be amongst the top contributors. Other contributors were USB Floating Rate Note and NAB Floating Rate Note. AMP Floating Rate Note was still suffering from that fall out at the Royal Commission and was the top detractor for the month, followed by Goldman Sachs Floating Rate Note.

Hybrid Securities

Hybrid Securities underperformed the index this month and were the main detractor to the overall performance of the portfolio. Seven Group Holdings Convertible Preference Shares and NAB Capital Notes bucked the trend to be the top contributors, while Westpac Capital Notes 3, NAB Subordinated Note 2 and CBA Perls IX Capital Notes were the top detractors.

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

#FYTD: 0.0054%

Fund Distribution History (cents per unit)

31 March 2017:	0.55
30 June 2017:	0.82
30 September 2017:	0.24
31 December 2017:	0.51
31 March 2018:	0.51

Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) [#]	0.75	1.48	8.30	7.87	5.28	8.07
Catholic Values Trust (Net of Fees) [#]	0.69	1.30	7.66	7.17	4.58	7.37
Benchmark	0.57	1.31	7.40	6.85	5.76	8.41
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.73	4.92

[#]All yearly returns are annualised

Monthly Performance Commentary

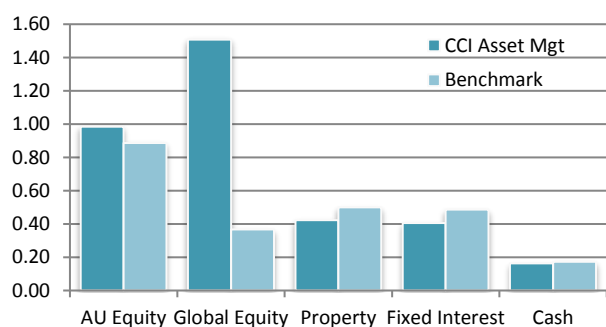
Equity markets across the globe consolidated in May and this saw the Catholic Values Trust deliver a solid 0.69% (net of fees) for the month and outperform the benchmark.

All asset classes delivered positive returns, however Global Equities was the standout performer and comfortably outperformed the benchmark for the month. Australian Equities contributed positively, while Property and Fixed Interest delivered positive returns, although marginally underperformed their benchmarks for the month.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	32.09%	35.00%
Global Equity	25.37%	25.00%
Property	3.02%	5.00%
Fixed Interest	20.06%	25.00%
Cash	19.46%	10.00%

Asset Class Return

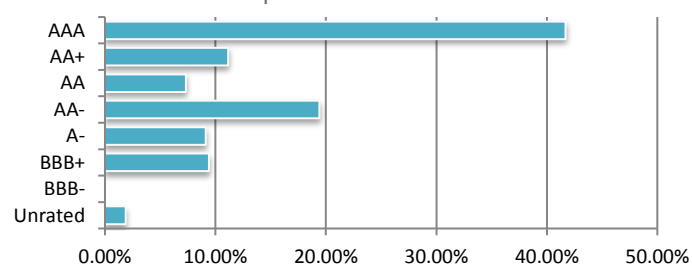


Fixed Interest

The Catholic Values Trust is underweight in Fixed Interest, and continues to maintain the majority of its exposure to semi-government securities. Fixed Interest underperformed 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 lead from April and delivered another positive return. The strongest sectors within the asset class were Health Care, Financials, Materials and Consumer Discretionary, while Telecommunications was the top detractor. At the stock level, there was a mix of industries, with CSL the top contributor following an upgrade to its profit guidance. BHP, ANZ, Macquarie Group and Wesfarmers round out the top five contributors, while Telstra shares fell to their lowest level since August 2011, after UBS suggested their dividend could be cut. CBA and NAB continued to be out of favour with investors and detracted from performance, while Treasury Wines also fell after reports that there was an over-supply of low-end wines in China.

Franking Credit Income

[#]FYTD: 0.4662%

Top Contributors	Return %	AU Contribution %
CSL Ltd	9.09	0.47
BHP Billiton Ltd	5.95	0.39
ANZ Ltd	5.57	0.29
Macquarie Group Ltd	8.78	0.20
Wesfarmers Ltd	4.09	0.14

Top Detractors	Return %	AU Contribution %
Telstra Corporation Ltd	-11.95	-0.30
Commonwealth Bank of Australia	-3.51	-0.29
National Australia Bank Ltd	-2.67	-0.13
Treasury Wine Estate Ltd	-13.06	-0.12
Brambles Ltd	-8.51	-0.09

Global Equities

Manager: Perpetual Investments

The fund generated a positive return and outperformed the benchmark for the month, while continuing to outperform the benchmark since inception. At security level, Chinese social-media platform YY Inc. rose 20.6% after announcing the price for its upcoming initial public offering. Vehicle components manufacturer Aptiv Plc. also contributed to the portfolio after its stock rallied following the release of the company's first quarter financial results, which was a similar story for UK soft drinks producer Britvic. On the down-side, Chinese online retailer Vipshop Holdings detracted from performance after an earnings down-grade and global payment service provider Qiwi Plc. also detracted following financial results for the first quarter.

Fund Distribution History (cents per unit)

31 December 2016:	1.82
30 June 2017:	6.19
31 December 2017:	1.42

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

1300 655 220

www.cciassetmanagement.org.au

David Smith

Business Development Manager

03 9934 3077

david.smith@cciassetmanagement.org.au

Important Notice: CCI Asset Management Limited ABN 65 006 685 856 is a wholly owned subsidiary of Catholic Church Insurance Limited ABN 76 000 005 210. This product commentary is provided for information purposes only and CCI Asset Management and Catholic Church Insurance does not accept responsibility for error or misstatements in this document, negligent or otherwise. Past performance is not a reliable indicator of future performance. Net performance is based on redemption price for the period and assumes that all distributions are reinvested.

