

MONTHLY UPDATE

August 2019

Performance as at 31st August 2019

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	-0.03	0.81	0.49	3.21	4.39	5.00
Catholic Values Trust	-0.53	4.19	1.35	9.41	9.48	6.82

All returns are net of fees and yearly returns are annualised

Investment Market Review

After a positive start to the new financial year, the Australian share market, as measured by the S&P/ASX 100 Accumulation Index, retracted -2.09% in the month of August, while GDP forecasts for 2019 remain at 2.0%, indicating growth prospects are still positive. U.S. equities also declined during the month, although the fall was not as significant as other major markets.

Domestic Economy Update

Domestic growth has been losing pace this year, mainly attributed to high household debt, weak wage growth and falling house prices. Consumer confidence plunged to a two year low in July and remained relatively unchanged in August. In positive news, the trade balance strengthened with Australian exports rising 1.4% and imports falling 1.4% in Q2, on the back of rising foreign sales of commodities. As a result, Australia recorded its first current account surplus in Q2 since 1975.

In the medium term there are a number of upside factors that contribute to a more positive outlook. The housing market appears to have stabilised sooner than expected, which alongside higher fiscal spending and easing monetary policy should boost confidence and growth in the second half of the year. The recent income tax cuts, which have yet to make full impact on consumer spending, support the prospect of Australia reaching its growth target over the second half of the year.

At its 3rd of September monetary policy meeting, the Reserve Bank of Australia kept the cash rate at a record low of 1.00%, in line with analyst's expectations.

Global Economy Update

U.S. unemployment remained unchanged in August at 3.7%, in line with market expectations. The U.S. participation rate also remained relatively unchanged at 63.2%.

The ongoing trade war between the U.S. and China remains a key risk to growth in Australia. Although Australia is not directly affected by the ongoing trade war, it will be impacted to the extent that weaker growth in China, our major trading partner, will result in less demand for Australian exports. The effects of this trade war also poses a threat to consumer confidence, which contributes towards approximately 70% of economic activity.

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

Global Economy Update Cont...

Business investment has also been impacted by the ongoing negotiation, with lower investment particularly weighing on growth in the manufacturing sector. As a result of ongoing uncertainty, President Donald Trump has been calling for the Federal Reserve to lower rates, and consider additional tax cuts in order to keep economic expansion strong.

Catholic Values Policy

CCI Asset Management continues to develop its Catholic Values Investment Policy and invest in a socially responsible manner to reflect the values inherent in Catholic social teaching. Keeping in-line with this policy, CCI Asset Management excludes investment in companies whose core business comprise of Abortifacients, Contraceptives, IVF and Foetal Stem Cell Research, Armaments, Pornography, Gambling, Tobacco and alcohol. On top of this, we also exclude companies whose conduct contravenes the following standards: Child Labour, Discrimination, Corruption and Dictatorial Regimes, Wages and conditions below minimum standards, Lack of labour rights and have just introduced **Modern Slavery and Human Rights in Supply Chains** to our policy.

In another first for CCI Asset Management, the Catholic Values Trust recently purchased its first **Green Bond** into the portfolio. A Green Bond is a fixed income product which is created to fund projects that have a positive environmental/climate benefits. Proceeds from green bonds are earmarked for green projects and in this case the projects include Sydney Metro North West train line, Newcastle Light Rail and Lower South Creek Treatment Programme.

Income Trust

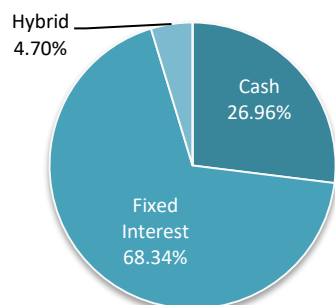
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.03	0.98	0.60	3.86	5.04	5.65
Income Trust (Net of Fees)#	-0.03	0.81	0.49	3.21	4.39	5.00
Benchmark	0.08	0.34	0.08	1.82	1.81	2.03
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.81	

#All yearly returns are annualised

Monthly Performance Commentary

The Income Trust underperformed for the month of August, the first time since November last year. Fixed Interest underperformed and given its 68.34% asset allocation to this sector, was the top detractor. Hybrid Securities was the top performing Asset Class in absolute terms, followed by cash.

Asset Allocation

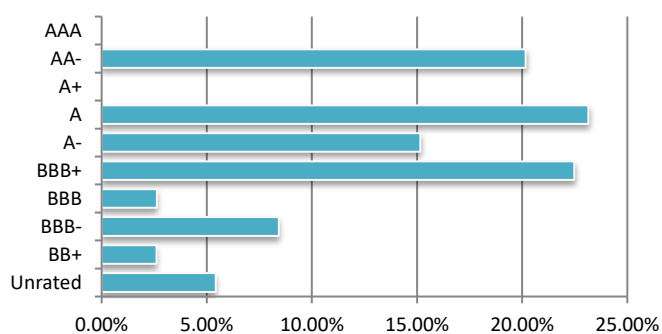


Top Contributors	Asset Class	Return %	Portfolio Contribution %
Commonwealth Bank FRN	Fixed Interest	2.716	0.147
Credit Union Australia FRN	Fixed Interest	1.541	0.049
Members Equity Bank FRN	Fixed Interest	0.839	0.044
Bendigo & Adelaide Bank FRN	Fixed Interest	1.001	0.030
CBA FRN	Fixed Interest	0.915	0.027

Top Detractors	Asset Class	Return %	Portfolio Contribution %
Toronto-Dominion Bank FRN	Fixed Interest	-0.569	-0.029
Qube Holdings Ltd FRN	Fixed Interest	-0.644	-0.020
Westpac Group FRN	Fixed Interest	-0.305	-0.009
Commonwealth Bank FRN	Fixed Interest	-0.280	-0.008
Westpac Group FRN	Fixed Interest	-0.342	-0.005

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 and Westpac Hybrid securities. Together these unrated securities represent 3.96% of the Income Trust Portfolio as at 31 August 2019.

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 underperformed the index for the month of August, primarily impacting the monthly return of -0.03% net of fees. At the security level, CBA Floating Rate Note was the top contributor for the month. The top detractors were higher yielding securities including Toronto Dominion Bank Floating Rate Note and Qube Holdings Floating Rate Note.

Hybrid Securities

Hybrid Securities outperformed the index this month, and in absolute terms was the top contributor. This had only a minor influence on the overall portfolio due to its small asset allocation of 4.70%. The top contributor was NAB Subordinated Notes 2, followed by CBA Perls VII Capital Notes and Westpac Capital Notes 3.

Hybrid Portfolio

Security	Issuer Margin
ANZ Bank Preference Shares	BBSW 90 Day + 3.40%
ANZ Capital Notes 6	BBSW 90 Day + 3.40%
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%
Suncorp Group Capital Notes	BBSW 90 Day + 4.10%
Westpac Group Capital Notes	BBSW 90 Day + 3.70%
Westpac Capital Notes 3	BBSW 90 Day + 4.00%

Franking Credit Income

#FYTD: 0.00%

Fund Distribution History (cents per unit)

30 June 2018:	2.34
30 September 2018:	0.54
31 December 2018:	0.55
31 March 2019:	0.49
30 June 2019:	0.69

Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) [#]	-0.47	4.37	1.46	10.11	10.18	7.52
Catholic Values Trust (Net of Fees) [#]	-0.53	4.19	1.35	9.41	9.48	6.82
Benchmark	-0.44	4.29	-0.44	8.14	9.23	8.07
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.84	4.65

[#]All yearly returns are annualised

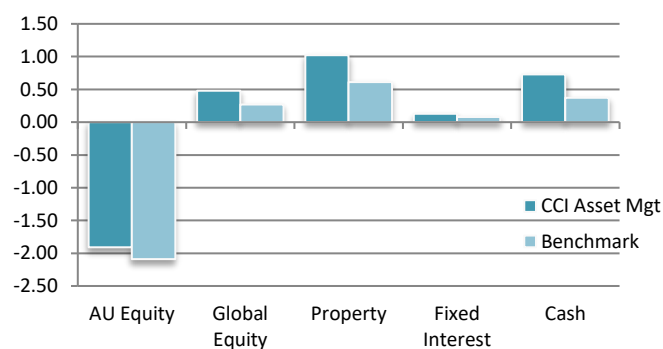
Monthly Performance Commentary

The Catholic Values Trust underperformed in August, with a negative return of -0.53% net of fees. Domestic Equities had the largest impact on the result, contracting by 1.91%, while Global Equities, Fixed Income, Cash and Property all provided small positive contributions, however not significant enough to counteract the detractor in domestic equity throughout August. Overall, the fund continues to exceed its objective of outperforming CPI by 3% p.a. over rolling 3 and 5 year periods.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	33.27%	35.00%
Global Equity	25.80%	25.00%
Property	2.97%	5.00%
Fixed Interest	20.81%	25.00%
Cash	17.15%	10.00%

Asset Class Return

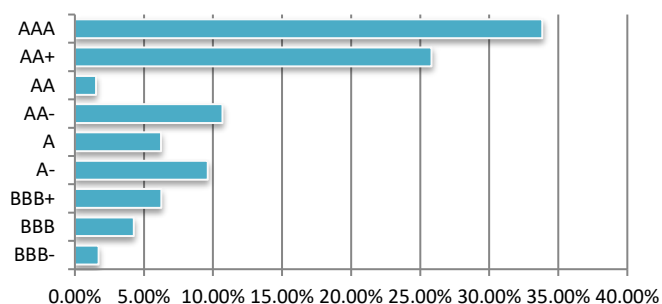


Fixed Interest

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 underperformed during August after a strong start to the new financial year. At the security level, CSL Limited and Woolworths Limited were the top contributors after delivering strong results in FY 2019 and sound forecasts. For the 12 months ended July 30, CSL posted an 11% increase in revenue, stretching its three year share price gain to 130%. The top detractors for the Catholic Values Trust in August were led by an underperformance of the Australian major banks, still in the spotlight since last year's royal commission. ANZ Limited and National Australia Bank's negative returns were the most significant on the domestic equity return for the month, amplified by their large market capitalisation in the index.

Franking Credit Income

[#]FYTD: 0.09%

Top Contributors	Return %	AU Contribution %
CSL Limited	4.899	0.108
Woolworths Limited	6.036	0.060
Lend Lease Corp Ltd	19.361	0.037
Wesfarmers Limited	2.614	0.025
Suncorp Metway Ltd	5.582	0.021

Top Detractors	Return %	AU Contribution %
ANZ Limited	-4.192	-0.072
National Australia Bank	-4.034	-0.067
Brambles Limited	-13.872	-0.063
A2 Milk Co Ltd	-20.853	-0.058
Woodside Petroleum	-5.146	-0.036

Global Equities

Manager: Vanguard Ethically Conscious International Shares Index Fund

The Vanguard Ethically Conscious International Share Index Fund outperformed the index for August. At the security level, Microsoft was the top contributor, with Nestle, Home Depot and Amgen all contributing strongly to an overall gain of 0.48% for the month. The Microsoft stock has now gone up 231% over the last five years, attributed to strong growth in the Intelligent Cloud business and rapidly expanding net margin. Overall, global growth is expected to ease this year, largely due to weaker momentum in China and other developed economies.

Fund Distribution History (cents per unit)

30 June 2018:	9.01
31 December 2018:	2.93
30 June 2019:	6.26

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. Investment in a Trust is only intended to attract investors whose primary purpose for making their investment is to support the Catholic Church and investors may be unable to get some or all of their money back when the investor expects or at all. Investment with CCI Asset Management is not comparable to investments that are issued by banks, finance companies or fund managers. ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813 Identification Statement can be found at www.cciassetmanagement.org.au/who-we-are/