

MONTHLY UPDATE

March 2018

Performance as at 31st March 2018

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.11	0.52	2.26	3.12	5.51	5.41
Catholic Values Trust	-1.16	-0.55	5.04	6.07	3.92	7.53

All returns are net of fees and yearly returns are annualised

Investment Market Review

Equity markets across the globe sold off in March, triggered by concerns of an impending trade war between the U.S. and China. The Australian share market, as measured by the S&P/ASX 200 Accumulation Index, declined -3.77% for the month, while global shares, as measured by the MSCI World ex Australia Index (unhedged), finished the month in negative territory and returned -0.53% for the month.

Domestic Economy

Australia's unemployment rate remained steady at 5.5% in March, with only 4,900 new jobs created. This was well down on the forecast of 20,000 new jobs and the average growth rate of 35,000 new jobs a month over the past year. There was a fall in full-time positions of 19,900 jobs, however this was offset by an increase of 24,800 part-time employment roles.

The Reserve Bank of Australia (RBA) continued to keep the official cash rate on hold at its record low of 1.50% at its April meeting. While maintaining a similar position, the communication from the Bank did state that the cash rate is more likely to rise than fall when the RBA finally adjust its stance. However with slow wage growth and spare capacity in the labour market, a change to the cash rate could still be some time away.

U.S. Update

After adding 313,000 jobs in February, the U.S. economy took a breath in March and only added 103,000 jobs. The unemployment rate remained at a 17 year low of 4.1% for the sixth straight month, while the participation rate fell from 63.0% to 62.9%. Changing weather conditions played its role, with employment in the weather sensitive construction sector declining by 15,000, while the retail sector lost 4,400 jobs. On the other side, manufacturing added 22,000 jobs, business services created 33,000 jobs and education and healthcare added 25,000 new roles.

The U.S. Federal Reserve raised interest rates by 0.25% at their latest meeting in March. With Jerome Powell chairing his first meeting, the Federal Funds Rate increased to between 1.50% and 1.75% and now means that for the first time in 17 years, the U.S. cash rate is higher than Australia's rate which remains at 1.5%.

CCI Asset Management Update

Income Trust Distribution

We are pleased to announce the March quarterly distribution payment was made on 17th April 2018 and the distribution rate was 0.509032 CPU.

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

China Update

Retail sales in China grew 10.1% year-on-year in March, increasing from the 9.7% recorded in the January-February period. Growth was across the board, with stronger sales of household and electrical appliances, which grew at the fastest rate in three years, and sales of clothing and accessories, which grew at the fastest rate in more than five years. After strong sales in February, car sales slowed in March.

Equity markets in China, as measured by the Hang Seng Index, retreated in March, as investors' fear of a trade war between the U.S and China rose.

Eurozone Update

Economic sentiment in the Eurozone fell for the third straight month in March, with the economic sentiment index dropping from 114.2 in February to 112.6 in March. Sentiment declined in the industry, services and retail trade sectors, while against the trend, sentiment rose in the construction sector. At a country level, economic sentiment eased in the majority of countries, with Cyprus, Greece and Luxembourg leading the way.

Industrial production also contracted for the third consecutive month, with the February result the worst since June 2017. On an annual basis, industrial production expanded 2.7% in February, down from January's increase of 3.7%. The largest contractions were recorded in Lithuania (-3.9%) and Estonia (-2.7%), while within the largest economies, Germany (-1.5%) and Italy (-0.5%) retreated, but France (1.3%) and Spain (1.4%) grew.

Income Trust

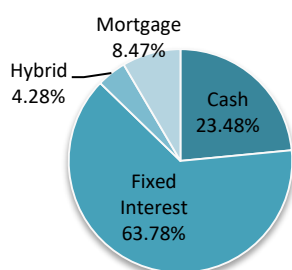
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.16	0.68	2.75	3.77	6.16	6.06
Income Trust (Net of Fees)#	0.11	0.52	2.26	3.12	5.51	5.41
Benchmark	0.14	0.43	1.29	1.73	1.97	2.28
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.97	

#All yearly returns are annualised

Monthly Performance Commentary

The Income Trust continued to exceed its objective and delivered a positive return for March. At the asset class level Fixed Interest/Mortgages were the strongest performing for the month, while Hybrids underperformed. National Income Securities was the top contributor, while Hybrids filled four of the top five detractors, with Seven Group Holdings Convertible Preference Share the top detractor for the month.

Asset Allocation

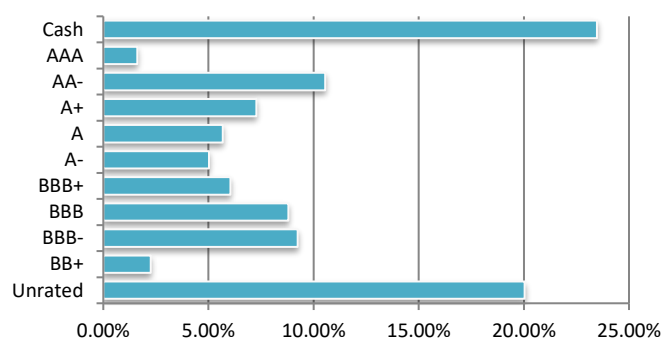


Top Contributors	Asset Class	Return %	Portfolio Contribution %
National Income Securities	Fixed Interest	1.027	0.052
National Australia Bank FRN	Fixed Interest	0.465	0.027
APA Sub. Note	Fixed Interest	0.447	0.025
Mortgage	Mortgage	0.579	0.019
Mortgage	Mortgage	0.625	0.018

Top Detractors	Asset Class	Return %	Portfolio Contribution %
Seven Group Holdings CPS	Hybrid	-5.672	-0.027
CBA Perls VII	Hybrid	-2.111	-0.013
CBA Perls IX	Hybrid	-1.228	-0.010
Suncorp Capital Notes	Hybrid	-1.536	-0.008
Westpac FRN	Fixed Interest	-0.108	-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 Qube Holdings Ltd, APA Group, Suncorp Group Ltd, Seven Group Holdings Ltd, CBA and NAB Hybrid securities. Together these unrated securities represent 11.58% of the Income Trust Portfolio as at 31 March 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 March and was the main contributor to the overall performance of the portfolio. At the security level, National Income Securities was the top contributor, followed by NAB Floating Rate Note and APA Subordinated Note, with all making positive contributions for the month. Westpac Floating Rate Note was the top detractor for the month, with West Links Floating Rate Note and CBA Floating Rate Note also detracting.

Hybrid Securities

Hybrid Securities underperformed the index this month, with all securities detracting from performance. Seven Group Holdings Convertible Preference Shares was the top detractor, followed by CBA Perls VII, CBA Perls IX and Suncorp Capital Notes. There were no positive contributors for the month, as Hybrids followed the downturn in the Australian equity market and retreated over the period.

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) [#]	-1.10	-0.37	5.57	6.77	4.62	8.23
Catholic Values Trust (Net of Fees) [#]	-1.16	-0.55	5.04	6.07	3.92	7.53
Benchmark	-1.33	-0.79	4.61	5.13	4.87	8.47
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.84	4.95

[#]All yearly returns are annualised

Monthly Performance Commentary

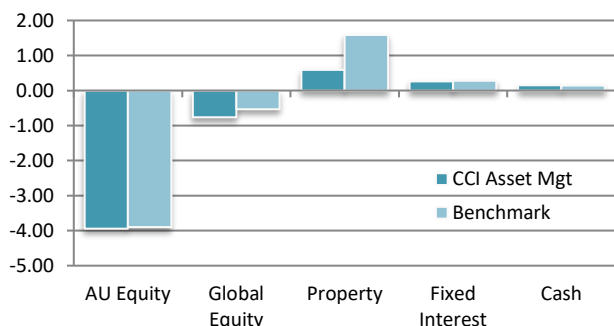
Volatility within equity markets remained high across March, with Australian equities in particular, dragging on performance. As a result the Catholic Values Trust produced its first negative return since July last year, although outperformed the benchmark for March.

All asset classes underperformed the benchmark for the month, with Australian Equities the top detractor in absolute terms after falling close to 4%. Global Equities also delivered a negative return and underperformed, while Property produced a positive return although underperformed the benchmark. Fixed Interest and Cash were in line with benchmark.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	31.20%	35.00%
Global Equity	24.77%	25.00%
Property	3.03%	5.00%
Fixed Interest	19.19%	25.00%
Cash	21.81%	10.00%

Asset Class Return

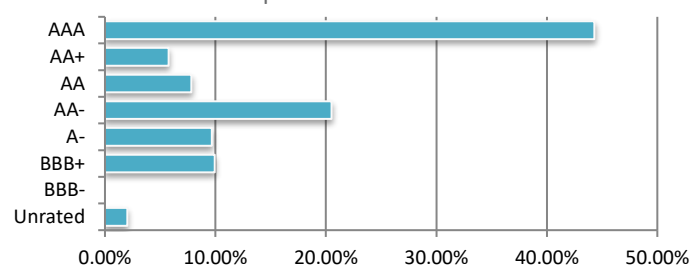


Fixed Interest

The Catholic Values Trust is underweight in Fixed Interest, and continues to maintain the majority of its exposure to semi-government securities. Fixed Interest marginally 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 delivered a negative return for March, with all sectors retreating. Telecommunications, Financials and Energy were the main detractors. At the stock level, Brambles, Goodman Group and Amcor bucked the trend and were the top contributors, with Brambles lifting off the back of an upgrade by Credit Suisse. At the other end of the scale, the banks were out of favour with the Big 4 (Westpac, CBA, ANZ and NAB) the top detractors for the month, as the Royal Commission into misconduct in the banking, superannuation and financial services continued.

Franking Credit Income

[#]FYTD: 0.3239%

Top Contributors	Return %	AU Contribution %
Brambles Ltd	5.74	0.06
Goodman Group	2.69	0.03
Amcor Ltd	1.92	0.02
Alumina Ltd	5.83	0.02
Sydney Airport	1.75	0.02

Top Detractors	Return %	AU Contribution %
Westpac	-7.04	-0.49
CBA	-5.36	-0.49
ANZ	-7.54	-0.44
NAB	-5.62	-0.31
BHP Billiton Ltd	-4.30	-0.29

Global Equities

Manager: Perpetual Investments

The fund generated a negative return and slightly underperformed the benchmark for the month, while continuing to outperform the benchmark since inception. At security level, biopharmaceutical company Shire Plc was the top contributor as the share price spiked following an announcement by Japanese pharmaceutical company, Takeda, of its intention to takeover Shire Plc. Securities exchange operator NASDAQ also rallied off the back of solid trade volumes and global payment service provider Qiwi Plc also contributed to performance. The top detractors for the month were headed by Chinese social media platform YY Inc, followed by technology company Oracle and Chinese automotive website company Bitauto Holdings. Both Oracle and Bitauto detracted as a result of disappointing earnings.

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

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