

MONTHLY UPDATE

December 2017

Performance as at 31st December 2017

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.31	0.85	1.73	3.98	5.53	6.81
Catholic Values Trust	0.52	4.51	5.62	8.90	5.94	8.69

All returns are net of fees and yearly returns are annualised

Investment Market Review

We saw mixed returns between domestic and global equity markets in December, with the Australian share market, as measured by the S&P/ASX 200 Accumulation Index, continuing its recent run and returning 1.81% for the month, while global shares, as measured by the MSCI World ex Australia Index (unhedged), retreated -1.71% for the month. Over the six months to 31 December 2017, domestic and global equity market returns are almost identical, with 8.37% and 8.49% achieved respectively.

Domestic Economy

Australia's economy added 34,700 new jobs in December, to take the total for the past 12 months to around 400,000 new jobs. However the unemployment rate in December increased from 5.4% to 5.5% as more people looked for work, pushing the participation rate up to a seven year high of 65.7%. Of the 34,700 new positions, this was split between 15,100 full-time and 19,500 part-time jobs, although over the year 300,000 full-time jobs were created compared to 100,000 part-time positions.

Retail sales jumped 1.2% in November, up from October's 0.5% to record the fastest rise since January 2013 and see annual sales climb from 1.8% to 2.9%. The increase in sales was seen across household goods and clothing, with the release of the iPhone X and Black Friday sales contributing factors.

U.S. Update

The U.S. economy added a further 148,000 jobs in December (2.06 million for the year) as the unemployment rate remained at a 17 year low of 4.1%. It was the 87th straight month in which employers hired more people than they fired, the longest on record. The retail sector disappointed, losing 20,000 jobs as bricks and mortar stores continue to struggle against increasing competition from online retailers. On the positive, job growth continued in the goods-related sectors, with construction up 30,000 jobs and manufacturing adding 25,000 new jobs.

House prices continued to grow through October, lifted by low inventories of existing homes, low unemployment, low interest rates and economic growth. On an annual basis, home price growth was 6.4% in October, the highest since July 2014 and just above September's 6.2% increase. Seattle and Las Vegas led the way with double-digit growth, while Washington recorded the weakest annual growth of 3.1%.

CCI Asset Management Updates

Distributions

The December Quarter/Bi-Yearly distributions are scheduled to be paid next week.

Income Trust

1st October to 31st December 2017
Cents Per Unit: 0.51

Catholic Values Trust

1st July to 31st December 2017
Cents Per Unit: 1.42

If you have any feedback or suggestions for the Monthly Update, please email

david.smith@cciassetmanagement.org.au

China Update

In December exports rose 10.9% from a year ago, while imports rose by 4.5%, the lowest level of growth since December 2016. For the year, exports saw a 7.9% increase, the fastest rate since 2013 and imports jumped 15.9%, the best since 2011, driven by Chinese demand for commodities. Coal and natural gas imports were up, while iron ore imports for the year hit a record high of 1.075bn tonnes.

Eurozone Update

The European Central Bank (ECB) decided to maintain its policy rates at their current levels on 14 December. The main refinancing rate was kept at 0.00% and the marginal lending rate and deposit facility rate at 0.25% and minus 0.40%, respectively. The Bank also confirmed that it will reduce the pace of its monthly bond purchases under the Quantitative Easing program from EUR 60 billion to EUR 30 billion, starting in January 2018.

Inflation in the Eurozone was 1.5% in November, up from October's figure of 1.4%. While this was in line with expectations, it is below the European Central Bank's target of just below 2.0%. Prices for fuel had the largest upward impact, while prices from telecommunication and clothing had the greatest downward impact.

Income Trust

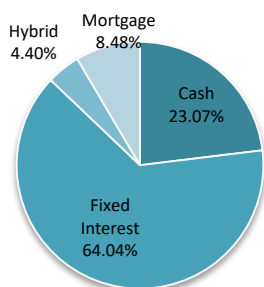
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees) [#]	0.36	1.01	2.06	4.63	6.18	7.46
Income Trust (Net of Fees) [#]	0.31	0.85	1.73	3.98	5.53	6.81
Benchmark	0.14	0.42	0.86	1.75	2.05	2.34
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3 yrs					3.05	

[#]All yearly returns are annualised

Monthly Performance Commentary

The Income Trust continued to exceed its objective and delivered a positive return for December. All asset classes produced positive returns, with Hybrid Securities the strongest performing for the month. Qube Holdings Subordinated Note was the top contributor, followed by National Income Securities and CBA Perls IX, while APA Subordinated Notes was the sole detractor for the month.

Asset Allocation

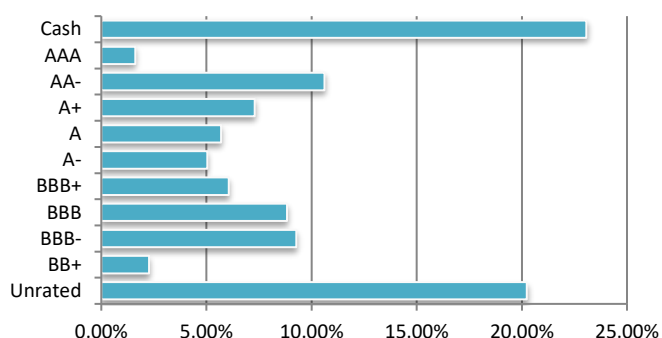


Top Contributors	Asset Class	Return %	Portfolio Contribution %
Qube Holdings Sub Note	Fixed Interest	1.180	0.042
National Income Securities	Fixed Interest	0.512	0.026
CBA Perls IX	Hybrid	2.482	0.020
Mortgage	Mortgage	0.579	0.018
Suncorp Capital Notes	Hybrid	3.516	0.018

Top Detractors	Asset Class	Return %	Portfolio Contribution %
APA Sub. Note	Fixed Interest	-0.069	-0.002

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 11.75% of the Income Trust Portfolio as at 31 December 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 December and in absolute terms, was the main contributor to the overall performance of the portfolio. At the security level, APA Subordinated Note was the sole detractor for the month, while the top five contributors were Qube Holdings Subordinated Note, National Income Securities, CBA Floating Rate Notes, UBS Floating Rate Notes and West Links Floating Rate Notes.

Hybrid Securities

Hybrid Securities also outperformed the index this month and in relative terms was the main contributor to performance. CBA Perls IX and Suncorp Capital Notes were the top contributors, while there were no detractors for the month.

Following recent maturities within Fixed Interest, Cash is currently overweight while a rebalance takes place as opportunities present. We have also taken this opportunity to increase our exposure to Mortgages.

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 December 2016:	0.47
31 March 2017:	0.55
30 June 2017:	0.82
30 September 2017:	0.24
31 December 2017:	0.51

Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) [#]	0.58	4.69	5.97	9.60	6.64	9.39
Catholic Values Trust (Net of Fees) [#]	0.52	4.51	5.62	8.90	5.94	8.69
Benchmark	0.19	4.34	5.44	8.72	7.47	9.70
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.69	4.91

[#]All yearly returns are annualised

Monthly Performance Commentary

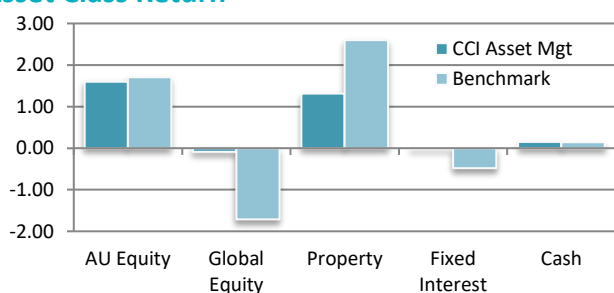
The Catholic Values Trust has continued to exceed its objective of outperforming CPI by 3% p.a. over rolling 3 and 5 year periods, and delivered another positive return of 0.52% (net of fees) for the month of December and 5.62% (net of fees) for the financial year to date (FYTD).

At the asset class level, Australian Equities had another solid month, returning 1.60% for the month, although marginally below the benchmark. Property also delivered a positive return, albeit below benchmark, while Global Equities and Fixed Interest delivered negative returns but outperformed the benchmark and contributed to the outperformance of the portfolio.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	31.11%	35.00%
Global Equity	24.37%	25.00%
Property	2.99%	5.00%
Fixed Interest	19.22%	25.00%
Cash	22.31%	10.00%

Asset Class Return

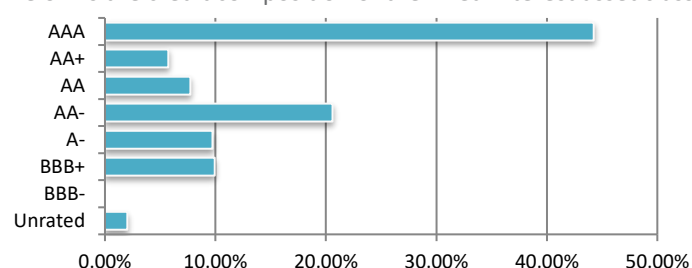


Fixed Interest

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 produced a positive return for December, with Materials and Energy the top performing sectors, while Utilities and Industrials were the main detractors. At the stock level, mining giants BHP and RIO continued their recent rally and were among the top contributors. Buoyed by a rise in commodities, Materials have also led the way for the FYTD, with BHP, South 32 and RIO the top three contributors for the period. Telstra reversed last month's performance to also be a top contributor for the month, while top detractors for the month included Qantas, CSL, APA Group and Aurizon.

Franking Credit Income

[#]FYTD: 0.2406%

Top Contributors	Return %	AU Contribution %
BHP Billiton Ltd	8.31	0.50
Telstra Corporation Ltd	5.83	0.17
Westfield Corporation	13.25	0.15
Rio Tinto Ltd	6.84	0.13
Woodside Petroleum Ltd	6.65	0.11

Top Detractors	Return %	AU Contribution %
Qantas Airways Ltd	-11.11	-0.08
CSL Ltd	-1.43	-0.07
APA Group	-8.59	-0.06
Aurizon Holdings Ltd	-5.89	-0.05
Suncorp Metway Ltd	-3.28	-0.04

Global Equities

Manager: Perpetual Investments has replaced AMP RIL International Share Fund

Over the month of December we transitioned our Global Equities portfolio from AMP to Perpetual Investments. This decision was made after months of careful deliberation, with the deciding factor our ability to have a direct mandate with Perpetual that would enable us to have full discretion over our screening process (Catholic Values Policy). The ability to screen out securities that do not meet our criteria is core to our values and important to our investors. Obviously, performance is also a key component and Perpetual Investments come to us with a proven track record of performance and a clear objective of what we require. As with all external Fund Managers, we will continue to monitor and work with Perpetual Investments to ensure the desired outcome for our investors. (Note, performance commentary will return for next month's update).

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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