



# MONTHLY UPDATE

January 2020

## Performance as at 31<sup>st</sup> January 2020

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.23	0.57	1.25	3.11	4.10	5.04
Catholic Values Trust	3.26	4.69	7.43	17.44	10.48	7.49

All returns are net of fees and yearly returns are annualised

### Investment Market Review

It was a positive start to the new calendar year for equity markets across the globe, with the Australian share market, as measured by the S&P/ASX 100 Accumulation Index, returning 5.07% for the month, while global shares, as measured by the MSCI World ex Australia Index (unhedged), also bounced back and returned 4.35% for January.

### Domestic Economy Update

Australia's employment finished the year on a positive note, with the unemployment rate falling for the second consecutive month to end 2019 at 5.1%, the lowest level since March 2019. The improvement was off the back of almost 29,000 new jobs created, however this was entirely due to part-time opportunities, with full-time jobs falling by 300 positions.

The first Reserve Bank of Australia (RBA) meeting for the year saw interest rates remain unchanged at its record low of 0.75%. Following three cuts last year, this was to be expected, however the RBA signalled further easing could be possible in the coming months, saying "an extended period of low interest rates will be required" to reduce unemployment and bring inflation to its target range.

The Australian summer begun with deadly bushfires, tragically killing at least 34 people, 18 million hectares burnt so far, over 5,900 buildings destroyed and an estimated 1 billion animals killed. This was followed by floods hitting NSW and Queensland, with Sydney getting its heaviest rain in 30 years. On top of this the world has experienced the Coronavirus – a deadly respiratory outbreak first reported in mainland China that has taken close to 1900 lives worldwide. The RBA expects these events to have a short-term impact on economic activity, however the tourism industry looks to be one of the hardest hit and is set to lose hundreds of millions of dollars.

### Global Economy Update

China plans to cut tariffs on 1,717 goods it imports from the U.S. as the country faces the fresh challenge of the Coronavirus. Officials said tariffs on some goods would be cut from 10% to 5%

## CCI Asset Management Updates

### Need to update any details?

Have you moved, changed bank details or had a change of personnel? If any of these changes or others have occurred, then you may need to update your account details with CCI Asset Management.

Let us know of any change by completing the Change of Details Form via the below address:

[www.cciassetmanagement.org.au/forms](http://www.cciassetmanagement.org.au/forms)

### Feedback

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

[david.smith@cciassetmanagement.org.au](mailto:david.smith@cciassetmanagement.org.au)

### Global Economy Update continued...

and others from 5% to 2.5%. China's economy is under added pressure from the Coronavirus as factories across the country remain closed and its manufacturing sector faces a severe drop in production.

The U.S. unemployment rate increased from its near 50-year low of 3.5% in December to 3.6% in January, off the back of a higher participation rate. There were 225,000 jobs created for the month, exceeding expectations of 160,000 new jobs. Job gains for January occurred in construction (44,000 jobs), health care (36,000 jobs) and transportation and warehousing (28,000 positions), while employment in manufacturing declined by 12,000 jobs.

The UK left the European Union (EU) on 31 January 2020 and has now entered an 11 month transition period. During this period the UK and EU need to negotiate a new free trade agreement which will allow goods to move around the EU without checks or extra charges. With no trade agreement in place, the UK faces the prospect of taxes on UK goods travelling to the EU and other trade barriers.

# Income Trust

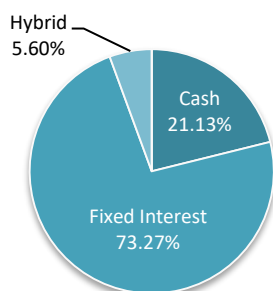
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.28	0.74	1.47	3.76	4.75	5.69
Income Trust (Net of Fees)#	0.23	0.57	1.25	3.11	4.10	5.04
Benchmark	0.08	0.24	0.61	1.40	1.70	1.88
<b>Objective:</b> AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.70	

#All yearly returns are annualised

## Monthly Performance Commentary

The Income Trust continued to produce a positive yield throughout January, registering a return of 0.23% net of fees. Fixed Interest was the top performing asset class in absolute terms, with Hybrids and Cash providing a small positive contribution. The fund outperformed the benchmark for the month net of fees and continues to outperform over all other rolling periods.

## Asset Allocation



## Fixed Interest

Fixed Interest performed well during January, providing a positive contribution. Due to its large asset allocation of 73.27%, the positive performance of this asset class had a large impact on the portfolio return. Toronto-Dominion Floating Rate Note was the top contributor for the month, reversing last month's underperformance, while other contributors were West Links FRN, Bank of Queensland FRN and AMP and ANZ FRN's. Bendigo and Adelaide Bank Floating Rate Note was the sole detractor for the month.

## Hybrid Securities

Hybrid Securities were relatively flat this month, contributing only 0.03%. Since there is only a slight exposure to Hybrids of 5.60%, this had minor influence on the overall portfolio movement. CBA Perls XII Capital Notes and CBA Perls IX Capital Notes were the top contributors, while the sole detractor was Westpac Capital Notes 3 for a second straight month.

Top Contributors	Asset Class	Return %	Portfolio Contribution %
Toronto-Dominion Bank FRN	Fixed Interest	0.837	0.044
West Links FRN	Fixed Interest	0.557	0.017
Bank of Qld FRN	Fixed Interest	0.412	0.016
AMP Bank FRN	Fixed Interest	0.299	0.016
ANZ Limited FRN	Fixed Interest	0.254	0.016

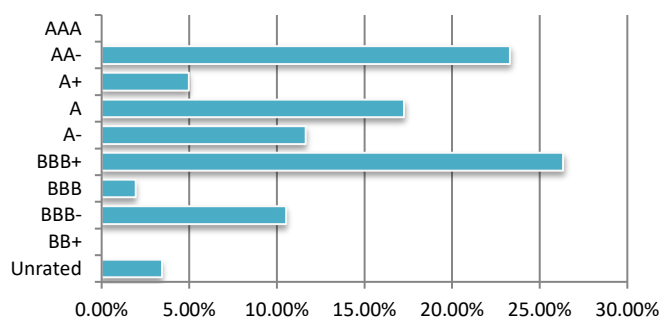
Top Detractors	Asset Class	Return %	Portfolio Contribution %
Bendigo & Adelaide Bank	Fixed Interest	-0.048	-0.001
Westpac Capital Notes 3	Hybrids	-0.049	-0.001

## 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 XII Capital Notes	BBSW 90 Day + 3.00%
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%

## 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 2.72% of the Income Trust Portfolio as at 31 January 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

## Fund Distribution History (cents per unit)

31 December 2018:	0.55
31 March 2019:	0.49
30 June 2019:	0.69
30 September 2019:	0.38
31 December 2019:	0.32

# Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) <sup>#</sup>	3.32	4.86	7.67	18.14	11.18	8.19
Catholic Values Trust (Net of Fees) <sup>#</sup>	3.26	4.69	7.43	17.44	10.48	7.49
Benchmark	3.25	4.64	7.19	17.79	10.24	8.25
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.87	4.77

<sup>#</sup>All yearly returns are annualised

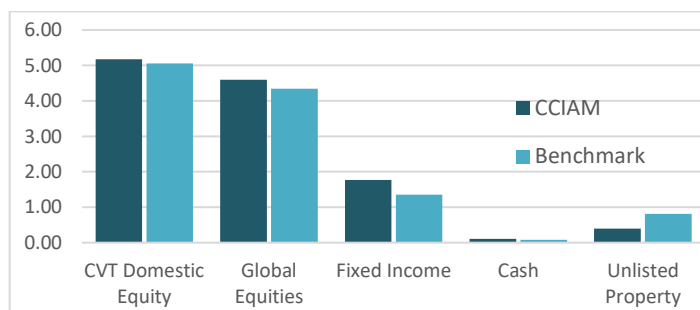
## Monthly Performance Commentary

The Catholic Values Trust delivered a positive return in January, gaining 3.26% net of fees. Equity markets bounced back from December with both domestic and global equities the top contributors to performance over the month as trade tensions continued to ease and investors looked for higher returns. The fund continues to perform well above its Objective of CPI + 3% per annum over the rolling 3 and 5 year periods.

## Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	35.75%	35.00%
Global Equity	25.39%	25.00%
Property	3.18%	5.00%
Fixed Interest	18.63%	25.00%
Cash	17.04%	10.00%

## Asset Class Return

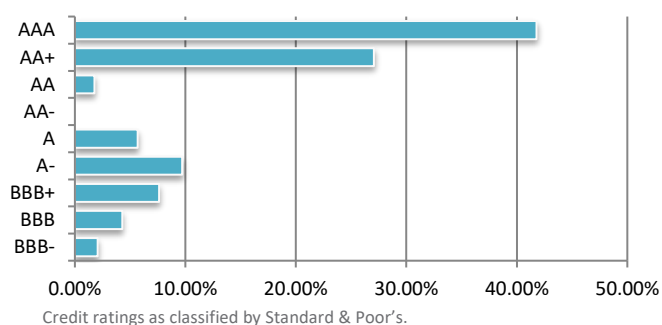


## Fixed Interest

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.



## Australian Equities

Australian Equities posted a positive return January, with Financials and Health Care the top contributors to performance. At the security level the big names rose to the top with CSL, CBA, Woolworths, Wesfarmers and Telstra the top contributors. The CSL share price continued higher and surged through \$300.00 following the release of another strong half year result. The CBA share price hit a new 52-week high and continues to be the favourite of the big four banks. On the downside Treasury Wines was the top detractor, followed by Insurance Australia Group and Qantas. Treasury Wines slumped by close to 20% for the month after it downgraded its guidance for the year ahead, while Insurance Australia Group also downgraded its expected results for the year following the recent hailstorms in Melbourne, Canberra and Sydney.

Top Contributors	Return %	AU Contribution %
CSL Limited	13.177	0.351
Commonwealth Bank of Australia	6.779	0.203
Woolworths Limited	15.731	0.160
Wesfarmers Limited	9.198	0.093
Telstra Corporation	8.461	0.076

Top Detractors	Return %	AU Contribution %
Treasury Wine Estates Limited	-19.774	-0.051
Insurance Australia Group	-7.462	-0.028
Qantas Airways Limited	-9.692	-0.023
Newcrest Mining Limited	-2.530	-0.013
Rio Tinto Limited	-1.580	-0.012

## Global Equities

### Manager: Vanguard Ethically Conscious International Shares Index Fund

The Vanguard Ethically Conscious International Share Index Fund delivered a strong return for January. The fund returned 4.60% net of fees, as the market began the financial year on a high. The top contributors included Microsoft, Apple, Amazon, Alphabet, Visa and Tesla, while Wells Fargo, Dupont De Nemours, Phillips and Target were amongst the top detractors for the period. Microsoft shares hit an all-time high after the software giant beat profit and revenue targets for the second quarter, while Wells Fargo (U.S. bank) was the top detractor following a decline in earnings reported during January.

## Fund Distribution History (cents per unit)

31 December 2018:	2.93
30 June 2019:	6.26
31 December 2019:	1.37

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

**1300 655 220**

[www.cciassetmanagement.org.au](http://www.cciassetmanagement.org.au)

**David Smith**

Business Development Manager

**03 9934 3077**

[david.smith@cciassetmanagement.org.au](mailto:david.smith@cciassetmanagement.org.au)

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