

# MONTHLY UPDATE

July 2020

## Performance as at 31st July 2020

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.56	1.51	0.56	1.81	4.18	5.56
Catholic Values Trust	0.53	3.85	0.53	0.33	7.68	5.94

All returns are net of fees and yearly returns are annualised

### Investment Market Review

Equity markets in general, began the financial year on a positive note. The Australian share market, as measured by the S&P/ASX 100 Accumulation Index, continued to rally and returned 0.50% for July, while global shares, as measured by the MSCI World ex Australia Index (unhedged), returned 0.60% in July.

### Domestic Economy Update

Australia's unemployment rate climbed to 7.5% in July, up from 7.4% in June, as the number of unemployed increased by 15,700 to the highest jobless rate since November 1998, as a result of the COVID-19 crisis. At the same time employment rose by 114,700 as full-time employment gained 43,500 positions and part-time employment added 71,200 new roles, while the participation rate rose to a four month high of 64.7%.

The Reserve Bank of Australia (RBA) decided to keep interest rates unchanged at an all-time low of 0.25% at its meeting on 4 August. The RBA also confirmed that it will keep the target for three-year government bond yields at 0.25%.

The biggest impact on the economy at the moment is COVID-19 and the stage 4 restrictions currently in play across parts of Victoria. Unfortunately the second wave has hit harder than the first and Australia has now recorded 450 deaths, up from 113 last month. Victoria has recorded the majority of these, with 363 deaths and 17,446 confirmed cases. The stage 4 restrictions has severely limited people's movements and how businesses operate and the government estimates that Gross Domestic Product (GDP) will shrink by between \$7 billion and \$9 billion in the quarter ending September. Of this economic cost, 80%, or \$6 billion to \$7 billion, is expected to come directly from affected industries and businesses in Victoria.

Further evidence that the stage 4 restrictions are taking their toll, came in the way of the consumer sentiment index which fell from 87.9 in July to 79.5 in August. The results showed that the views on the economy in the 1 to 5 year period have turned more pessimistic, along with household's attitude to their finances and willingness to spend on big tickets items.

## CCI Asset Management Update

### Distributions

We are pleased to announce that the June Quarter/Bi-Yearly distributions were paid and the distribution statements were sent on the 5th August 2020.

Catholic Values Trust 3.1413cpu  
Income Trust 0.3007cpu

Taxation statements were sent on the 6th August 2020.

If you have any feedback or suggestions for the Monthly Update, please email me at [david.smith@cciassetmanagement.org.au](mailto:david.smith@cciassetmanagement.org.au)

### Global Update

While the coronavirus remains present in Australia, worldwide the death toll has reached over 784,000 deaths and 22.3 million confirmed cases. The United States has now recorded over 175,000 deaths from 5.61m confirmed cases, while Brazil has recorded over 111,000 deaths from 3.46 million confirmed cases, up from around 76,000 deaths just one month ago.

The impact of the coronavirus is evident across most countries via their unemployment rate. In the U.S. the unemployment rate dropped to 10.2% in July, down from June's figure of 11.1%. While this saw 1.8 million jobs added in the month, there are still 12.9 million fewer jobs than before the pandemic hit. The Euro Area unemployment rate increased to 7.8% in June, up from 7.7% the previous month and the highest jobless rate since February last year. The highest rates were recorded in Spain (15.6%), Italy (8.8%) and France (7.7%), while the lowest rate was recorded in Germany (5.8%).

The U.S. presidential election will take place on 3 November, with President Trump and his vice president Mike Pence, taking on Joe Biden and his Vice President selection Kamala Harris. The winner will be a former reality TV star or 78 year old Democrat – yes, that is the best a country with a population of over 330 million can offer.

# Income Trust

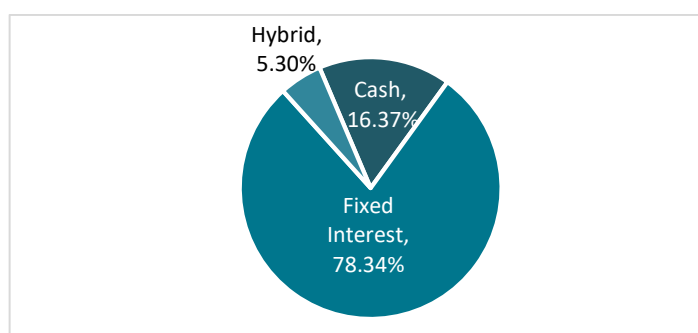
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees) <sup>#</sup>	0.62	1.56	0.62	2.46	4.83	6.21
Income Trust (Net of Fees) <sup>#</sup>	0.56	1.51	0.56	1.81	4.18	5.56
Benchmark	0.01	0.03	0.01	0.73	1.49	1.70
<b>Objective:</b> AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.49	

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

## Monthly Performance Commentary

The Income Trust began the financial year on a positive note and registered 0.56% net of fees for the month of July. All asset classes outperformed for the month and the Trust continues to outperform the investment objective. Fixed Interest was again the top contributor for the month, followed by Hybrids, and Cash.

## Asset Allocation

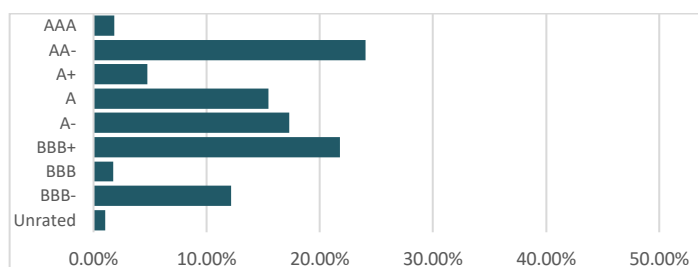


Top Contributors	Asset Class	Return %	Portfolio Contribution %
Toronto-Dominion Bank FRN	Fixed Interest	1.420	0.074
ANZ FRN	Fixed Interest	0.911	0.056
Bank of Queensland FRN	Fixed Interest	1.401	0.053
Canadian Imperial Bank FRN	Fixed Interest	0.974	0.044
QUB Subordinated Notes	Fixed Interest	1.296	0.041

Top Detractors	Asset Class	Return %	Portfolio Contribution %
West Links FRN	Fixed Interest	-0.782	-0.025
CBA Perls VII Capital Notes	Hybrid	-0.313	-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 Suncorp Group Ltd. Together these unrated securities represent 1.01% of the Income Trust Portfolio as at 31 July 2020.

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 delivered a positive return in July and as a result of its large asset allocation of 78.34%, the outperformance of this asset class had a large impact on the portfolio return and ensured it was the top contributor. Toronto-Dominion Bank Floating Rate Note was the top contributor, followed by ANZ Floating Rate Note, Bank of Queensland Floating Rate Note and Canadian Imperial Bank Floating Rate Note, while on the other side of the coin West Links Floating Rate Note and CBA Perls VII Capital Notes were the two detractors for the month.

## Hybrid Securities

Hybrid Securities also delivered a positive return and outperformed the benchmark to begin the new financial year on a bright note. CBA Perls XII Capital Notes and CBA Perls IX Capital Notes were the top contributors for the month, followed by ANZ Capital Notes 6 and Suncorp Capital Notes, while CBA Perls VII Capital Notes was the sole detractor for the period.

## 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%

## Fund Distribution History (cents per unit)

30 June 2019:	0.69
30 September 2019:	0.38
31 December 2019:	0.32
31 March 2020:	0.32
30 June 2020:	0.30

# Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) <sup>#</sup>	0.59	3.90	0.59	1.03	8.38	6.64
Catholic Values Trust (Net of Fees) <sup>#</sup>	0.53	3.85	0.53	0.33	7.68	5.94
Benchmark	0.43	3.53	0.43	-0.83	6.84	5.87
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					3.82	4.09

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

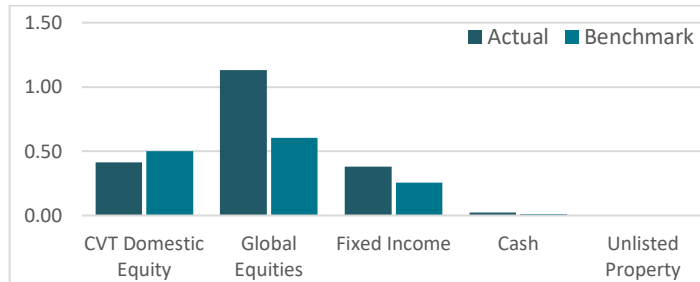
## Monthly Performance Commentary

The Catholic Values Trust experienced a positive month in July and returned 0.53% net of fees for the month. The outperformance for the month was driven by Global Equities, followed by Fixed Interest and Australian Equities. There were no valuations for Property at the stage of writing this Monthly Update.

## Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	33.81%	35.00%
Global Equity	23.99%	25.00%
Property	2.69%	5.00%
Fixed Interest	18.73%	25.00%
Cash	20.79%	10.00%

## Asset Class Return

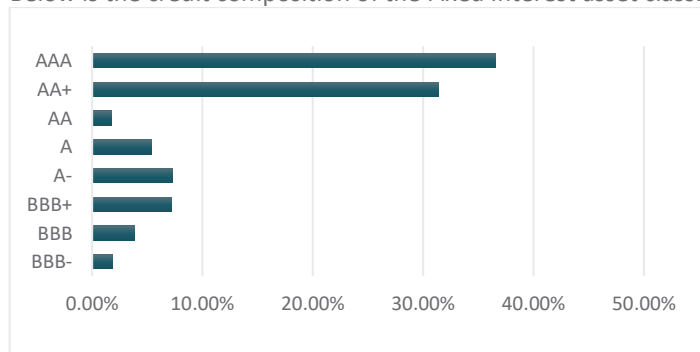


## Fixed Interest

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 continued to rally in July, although at more modest levels compared to the previous two months. Materials was the best performing sector for the month, which was reflected in the top contributing securities, with three of the top five in the Materials sector – Fortescue Metals, Newcrest Mining and BHP. CBA and Goodman Group were the other top contributors for the month. On the downside Financials declined in July, with Westpac, ANZ and NAB in the top five detractors, along with CSL and Woodside Petroleum. Fortescue Metals share price climbed over 25% for the month, as the demand for iron ore saw the price continue to stay above \$100 per tonne for the commodity. BHP also benefitted from the strength of iron ore.

Top Contributors	Return %	AU Contribution %
Fortescue Metals Group	25.696	0.145
CBA	2.567	0.081
Goodman Group	14.010	0.080
Newcrest Mining Limited	11.572	0.071
BHP Group Limited	2.599	0.067

Top Detractors	Return %	AU Contribution %
CSL Limited	-5.891	-0.177
Westpac Banking Corporation	-4.767	-0.070
ANZ Limited	-3.641	-0.045
NAB Limited	-3.066	-0.041
Woodside Petroleum Limited	-7.576	-0.037

## Global Equities

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

The Vanguard Ethically Conscious International Share Index Fund produced another positive return of just over 1.0% net of fees for July. Continuing on their recent strong performance, Apple, Amazon and Tesla were the top contributors for the month, followed by Facebook and Pfizer, while the top detractors for the period included Intel, Microsoft, Eli Lilly, Toyota and Visa. Apple's share price rose 16.5% in July and is now up 41.5% since the start of the year, while Tesla was up 32.5% in July after announcing strong fourth quarter results. Intel fell 20.2% in July after announcing its new technology was 12 months behind schedule, while Microsoft shares fell after the market was disappointed with its cloud-computing and office software results.

## Fund Distribution History (cents per unit)

30 June 2019:	6.26
31 December 2019:	1.37
30 June 2020:	3.14

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

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