

# MONTHLY UPDATE

December 2018

## Performance as at 31<sup>st</sup> December 2018

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.16	0.01	1.39	5.12	6.17	5.31
Catholic Values Trust	-0.05	-3.61	-2.35	1.22	5.47	4.95

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 100 Accumulation Index, returning 0.27% for the month, while global shares, as measured by the MSCI World ex Australia Index (unhedged), continued its recent slide and returned -4.27% for December. For the 2018 calendar year, these returns were reversed with Australian shares down 2.35%, while global shares were up 1.52%.

## Domestic Economy

Looking back at the year that was, we saw Australian's unemployment rate begin 2018 at 5.5%, reach a low of 5.0% in September and October, and finish November at 5.1%. As a result 180,200 full-time positions were created and 105,500 part-time jobs to the end of November. The Reserve Bank of Australia left interest rates on hold at 1.5% at its December meeting, extending its record period of policy inaction beyond two years, with the last rate change back in August 2016. The Australian dollar began the year at 78cents against the U.S. dollar, climbed above 80cents early in the year, before declining throughout the year to finish December at 70.49cents.

## U.S. Update

The U.S. economy added 312,000 jobs in December, easily exceeding the expected jobs growth of 180,000, although the unemployment rate rose to 3.9% as the participation rate increased to 63.1%, with more people looking for jobs. The strong finish to the year saw a total of 2.6 million new jobs created in 2018, the highest since 2015 and well above last year's number of 2.2 million. Health care led the way in new jobs, adding 50,000 for the month and 346,000 for the year, while Construction added 38,000 jobs in December and 280,000 for the year and Manufacturing surged with 284,000 jobs for the year, a 37% rise from the previous year. On top of the strong jobs growth, wages jumped 3.2% for the year and 0.4% for the month, results not seen since April 2009.

The U.S. Government shutdown on December 22, after the Congress and President Trump were unable to agree on funding for a U.S. – Mexico border wall. This is the longest U.S. government shutdown in history and continues today, as around 800,000 government employees go without pay.

## 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 2018  
Cents Per Unit: 0.58

### Catholic Values Trust

1st July to 31st December 2018  
Cents Per Unit: 2.93

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

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## China Update

With the trade war continuing, December started to feel the impact, with exports contracting 4.4% from this time last year. This was the lowest performance in two years and a contrast to the 3.9% expansion in November, while signalling that the front-loading of shipments that inflated export growth in the previous months is coming to an end. Manufacturing also dipped in December on the back of a decline in new orders and weaker output growth.

## Eurozone Update

The European Central Bank (ECB) confirmed on 13 December that the quantitative easing program would finish at the end of the month. The program which was designed to stimulate the Eurozone's economic recovery, has accumulated over EUR 2.6 trillion in assets and allowed the ECB to get back on its feet and strengthen over the past two years.

The "British exit" (Brexit) from the European Union is still very unclear after UK Prime Minister Theresa May's plan was defeated in parliament with a crushing margin of 432 votes to 202. With the UK scheduled to leave the European Union on 29 March this year and no deal yet reached, the terms and conditions are uncertain and could create harsh economic and humanitarian consequences.

# Income Trust

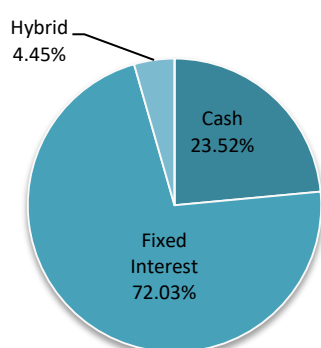
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees) <sup>#</sup>	0.21	0.17	1.72	5.77	6.82	5.96
Income Trust (Net of Fees) <sup>#</sup>	0.16	0.01	1.39	5.12	6.17	5.31
Benchmark	0.15	0.48	0.99	1.92	1.91	2.15
<b>Objective:</b> AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.91	

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

## Monthly Performance Commentary

The Income Trust continued to exceed its objective and delivered a positive return for December, with Hybrids the best performing asset class. Qube Holdings Floating Rate Note was the top contributor for the month, while National Income Securities was the top detractor for the period.

## Asset Allocation



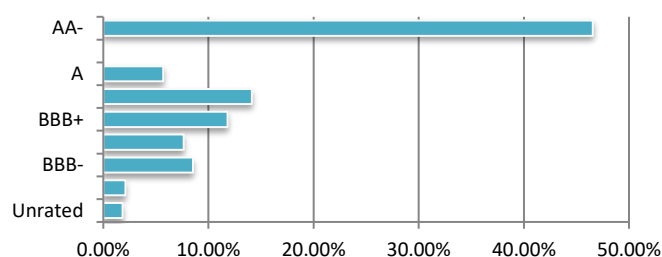
Top Contributors	Asset Class	Return %	Portfolio Contribution %
Qube Holdings Ltd FRN	Fixed Interest	1.673	0.059
Westpac Capital Notes 3	Hybrid	2.019	0.016
UBS AG FRN	Fixed Interest	0.196	0.015
CBA Perls IX Capital Notes	Hybrid	1.540	0.013
AMP Bank FRN	Fixed Interest	0.195	0.011

Top Detractors	Asset Class	Return %	Portfolio Contribution %
National Income Securities	Fixed Interest	-0.322	-0.018
New Terminal Finance FRN	Fixed Interest	-0.398	-0.007
NAB Subordinated Notes 2	Hybrid	-0.856	-0.004
West Links Financial FRN	Fixed Interest	-0.041	-0.001
ANZ FRN	Fixed Interest	-0.024	-0.000

## 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 1.84% of the Income Trust Portfolio as at 31 December 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 December and was the main contributor to the overall performance of the portfolio in absolute terms. At the security level Qube Holdings Floating Rate Note was the top contributor, followed by UBS Floating Rate Note and AMP Floating Rate Note, while the top three detractors were National Income Securities, New Terminal Finance Floating Rate Note and West Links Financial Floating Rate Note.

## Hybrid Securities

Hybrid Securities outperformed the index for the month of December and was the best performing asset class. Westpac Capital Notes 3 reversed last month's underperformance to be the top contributor for the month, followed by CBA Perls IX Capital Notes. On the other side, NAB Subordinated Notes 2 was the sole detractor for the month. ANZ Capital Notes 1 was a new entry to the portfolio.

## Hybrid Portfolio

Security	Issuer Margin
ANZ Capital Notes 1	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 Capital Notes 3	BBSW 90 Day + 4.00%

## Franking Credit Income

<sup>#</sup>FYTD: 0.01%

## Fund Distribution History (cents per unit)

31 December 2017:	0.51
31 March 2018:	0.51
30 June 2018:	2.34
30 September 2018:	0.54
31 December 2018:	0.55

# Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) <sup>#</sup>	0.01	-3.43	-2.00	1.92	6.17	5.65
Catholic Values Trust (Net of Fees) <sup>#</sup>	-0.05	-3.61	-2.35	1.22	5.47	4.95
Benchmark	-0.65	-4.96	-2.35	1.47	6.08	6.35
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.69	4.70

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

## Monthly Performance Commentary

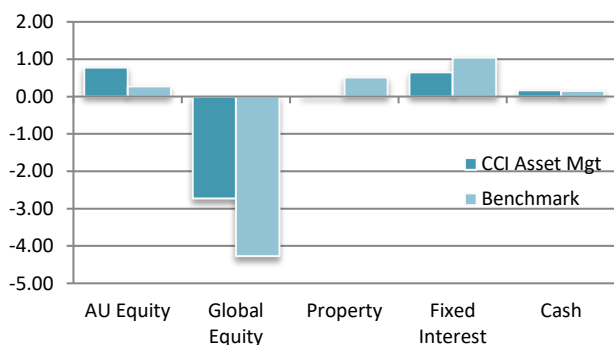
The Catholic Values Trust continued to exceed its objective of outperforming CPI by 3% p.a. over rolling 3 and 5 year periods, and also outperformed the benchmark for the month, however produced a slight negative return after fees as global equity markets continued to drag performance down.

At the asset class level Australian and Global equities outperformed their benchmarks, however in absolute terms Global equities was the biggest detractor for the month. Property was flat, while Fixed Interest underperformed in relative terms.

## Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	32.51%	35.00%
Global Equity	25.23%	25.00%
Property	3.38%	5.00%
Fixed Interest	19.13%	25.00%
Cash	19.75%	10.00%

## Asset Class Return

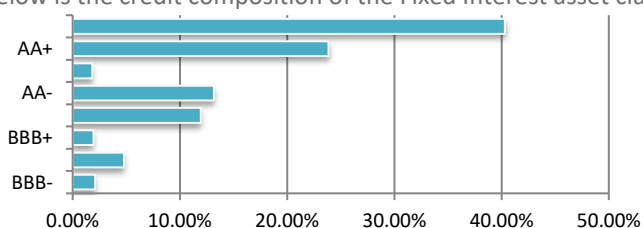


## Fixed Interest

The Catholic Values Trust is underweight in Fixed Interest, and continues to maintain the majority of its exposure to semi-government securities. Fixed Interest 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 reversed the recent underperformance to deliver a positive return for the month. Spurred on by the BHP buy-back, Materials was the top sector followed by Health Care and Consumer Staples, while Financials and Telecommunications were the top detractors. At the security level, the successful off-market buy-back by BHP saw them as the top contributor for the month, with CSL, Rio, CBA and Transurban rounding out the top five contributors. Financials continued their recent up and down performance, with December a down month and resulting in ANZ, Westpac, Macquarie and NAB all in the top detractors for the period.

## Franking Credit Income

#FYTD: 0.25%

Top Contributors	Return %	AU Contribution %
BHP Billiton Limited	19.75	0.46
CSL Limited	4.37	0.08
Rio Tinto Limited	7.08	0.05
CBA	1.63	0.05
Transurban Group	4.84	0.03

Top Detractors	Return %	AU Contribution %
ANZ	-8.73	-0.16
Westpac Banking Corp	-3.58	-0.08
Macquarie Group Ltd	-5.04	-0.04
QBE Insurance Group	-10.78	-0.04
NAB	-2.31	-0.04

## Global Equities

### Manager: Perpetual Investments

The fund posted a negative return for the month, however outperformed the benchmark. Performance varied throughout the sectors, with Consumer Discretionary the standout performer, while Information Technology and Health Care also added value. Financials and Consumer Staples were the top detractors. At the security level fast food chain operator Telepizza Group SA spiked after a U.S. private equity fund initiated a tender offer to acquire the company. Chinese automotive website company Bitauto climbed on the back of positive third quarter earnings and telecommunications provider Vivendi added value after reports of its intention to bid for part of Indonesia's largest media company. On the down side, postage and freight company FedEx was the top detractor following an earnings downgrade by the company.

## Fund Distribution History (cents per unit)

31 December 2017:	1.42
30 June 2018:	9.01
31 December 2018:	2.93

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

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