

MONTHLY UPDATE

January 2019

Performance as at 31st January 2019

| | Month | Quarter | FYTD | 1 Year | 3 Years | 5 Years |
|-----------------------|-------|---------|------|--------|---------|---------|
| Income Trust | 0.33 | 0.33 | 1.73 | 5.15 | 6.45 | 5.35 |
| Catholic Values Trust | 3.18 | 2.27 | 0.75 | 4.31 | 7.53 | 6.00 |

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 3.66% for the month, while global shares, as measured by the MSCI World ex Australia Index (unhedged), reversed its recent slide and returned 4.08% for January.

Domestic Economy

Australian's unemployment rate edged lower to 5.0% in December from 5.1% in November, to match the six and a half year low that was also recorded in September and October. Employment rose by 21,600, with all of the increase coming from part-time employment which rose by 24,600, off-setting a 3,000 decline in full-time workers. By state, unemployment in Victoria fell by 0.3% to 4.2%, the lowest level in the country, Unemployment also fell in Queensland and WA, but increased in SA and Tasmania, while NSW remained steady at 4.3%.

The RBA left interest rates on hold at 1.5% at its last meeting in early February, with modest inflation, weakening economic activity and tighter credit conditions behind the decision. Inflation slowed from 1.9% in the third quarter to 1.8% in the fourth quarter and below the RBA's target of 2.0% to 3.0%.

U.S. Update

The Federal Open Market Committee (FOMC) met in late January and decided to keep its target for the federal funds at between 2.25% and 2.50%. On top of the decision, the statement following the meeting signalled further rate hikes were now unlikely in the year ahead.

The U.S. economy added 304,000 jobs in January even as the unemployment rate rose to 4.0%, driven in part by the weeks-long partial U.S. government shutdown. Employment increased in Leisure and hospitality (74,000 new roles), Construction (52,000 positions), Health Care (42,000 jobs) and Transportation and Warehousing (27,000 new jobs).

The U.S. Government shutdown, which began on December 22 2018 after the U.S. Congress and President Trump were unable to agree on funding for a U.S. – Mexico border wall, came to a temporary halt on January 25 2019, after President Trump endorsed a stopgap bill to reopen the government for three weeks to allow negotiations to continue.

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

Feedback

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

China Update

There was mixed data coming from China in January, as the manufacturing purchases managers index (PMI) moved up from 49.4% in December to 49.5% in January. Although this was an increase, it was the second consecutive month below the 50.0% threshold which indicates expansion or contraction. In contrast to this, exports expanded 9.1% over the same month last year and Chinese banks recorded USD 477 billion in new loans, the highest on record.

Eurozone Update

The labour market within the Eurozone was broadly unchanged in December, as the unemployment rate remained at 7.9%, the lowest rate since October 2008. At the country level Italy and Spain saw their unemployment rates drop, while Latvia, Lithuania and Netherlands had their unemployment rate go up. Overall Greece remains the economy with the highest unemployment rate (18.6%), followed by Spain (14.3%) and Italy (10.3%), while Germany (3.3%) has the lowest rate.

The "British exit" (Brexit) from the European Union is still very unclear, with no deal yet reached and the 29 March 2019 deadline approaching. Meanwhile Italy is officially in a recession following two successive quarters of economic contraction, after the December quarter contracted by 0.2%.

Income Trust

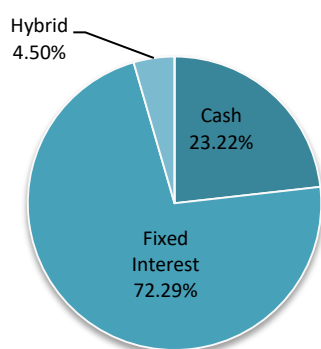
| | Month | Quarter | FYTD | 1 Year | 3 Years | 5 Years |
|---|-------|---------|------|--------|---------|---------|
| Income Trust (Gross of Fees) [#] | 0.39 | 0.49 | 2.11 | 5.80 | 7.10 | 6.00 |
| Income Trust (Net of Fees) [#] | 0.33 | 0.33 | 1.73 | 5.15 | 6.45 | 5.35 |
| Benchmark | 0.18 | 0.49 | 1.18 | 1.94 | 1.91 | 2.14 |
| Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs | | | | | 2.91 | |

[#]All yearly returns are annualised

Monthly Performance Commentary

The Income Trust continued to exceed its objective and delivered a positive return for January, with Fixed Interest the top contributing asset class. CBA Floating Rate Note was the top contributing security for the month, while Westpac Group Floating Rate Note was the sole detractor for the period.

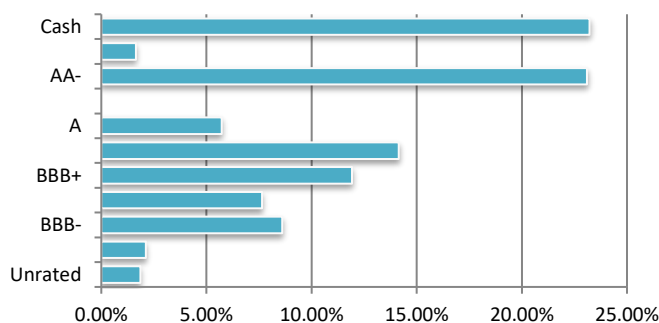
Asset Allocation



| Top Contributors | Asset Class | Return % | Portfolio Contribution % |
|----------------------------|----------------|----------|--------------------------|
| CBA FRN | Fixed Interest | 0.728 | 0.042 |
| National Income Securities | Fixed Interest | 0.666 | 0.036 |
| Bankwest Term Deposit | Cash | 0.213 | 0.023 |
| Bendigo & Adel Bank | Fixed Interest | 0.573 | 0.019 |
| UBS AG FRN | Fixed Interest | 0.227 | 0.016 |
| Top Detractors | Asset Class | Return % | Portfolio Contribution % |
| Westpac Group FRN | Fixed Interest | -0.701 | -0.011 |

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 1.86% 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

Fixed Interest

Fixed Interest outperformed the index for the month of January and was the main contributor to the overall performance of the portfolio in absolute terms. At the security level CBA Floating Rate Note was the top contributor, followed by National Income Securities, Bankwest Term Deposit, Bendigo and Adelaide Bank Floating Rate Note and UBS Floating Rate Note. On the down side, Westpac Group Floating Rate Note was the sole detractor for the month.

Hybrid Securities

Hybrid Securities also outperformed the index for the month of January and added value despite the small weighting we hold. Westpac Capital Notes 3 continued last month's performance to be the top contributor for the month, followed by NAB Capital Notes, ANZ Capital Notes 1 and CBA Perls IX Capital Notes. There were no detractors for the month.

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

[#]FYTD: 0.03%

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) [#] | 3.24 | 2.44 | 1.16 | 5.01 | 8.23 | 6.70 |
| Catholic Values Trust (Net of Fees) [#] | 3.18 | 2.27 | 0.75 | 4.31 | 7.53 | 6.00 |
| Benchmark | 2.52 | 0.62 | 0.11 | 3.65 | 7.87 | 7.14 |
| Objective: CPI + 3%p.a. rolling 3 & 5 yrs | | | | | 4.80 | 4.71 |

[#]All yearly returns are annualised

Monthly Performance Commentary

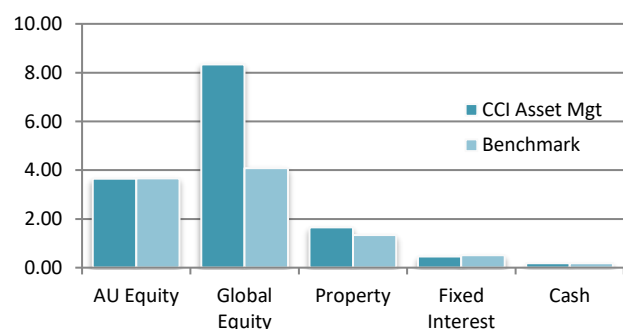
The Catholic Values Trust bounced back from the gloom of the last four months to deliver 3.18% (net of fees) in January, while it continued to exceed its objective of outperforming CPI by 3% p.a. over rolling 3 and 5 year periods, and also outperformed the benchmark for the month.

Global Equities was the standout asset class, as it spiked by over 8% for the month and along with Australian Equities contributed most to the portfolio's outperformance. Property also outperformed, while Fixed Interest marginally underperformed and cash was in-line.

Asset Allocation

| | CCI Asset Management | Benchmark Allocation |
|----------------|----------------------|----------------------|
| AU Equity | 33.48% | 35.00% |
| Global Equity | 26.70% | 25.00% |
| Property | 3.32% | 5.00% |
| Fixed Interest | 18.73% | 25.00% |
| Cash | 17.77% | 10.00% |

Asset Class Return

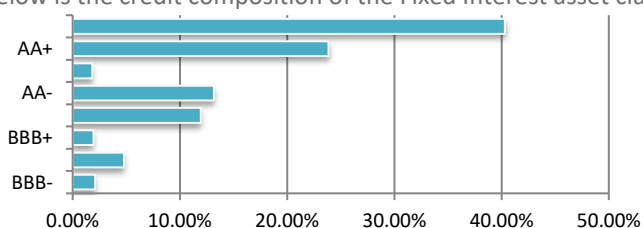


Fixed Interest

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 positive return for the month, with materials again leading the way. Energy, Real Estate and Health Care were other positive performing sectors, while Financials was the sole detractor. At the security level, the top three securities were the same as last month – BHP, CSL and Rio. BHP and Rio have benefitted from their recent successful off-market buy-backs and also from a rise in the iron ore price, which is a major part of their business. The pending findings from the Royal Commission had investors nervous and saw Financials as the sole detracting sector, with CBA and Westpac the top two detractors.

Franking Credit Income

#FYTD: 0.75%

| Top Contributors | Return % | AU Contribution % |
|-----------------------------|----------|-------------------|
| BHP Billiton Limited | 7.953 | 0.187 |
| CSL Limited | 5.175 | 0.105 |
| Rio Tinto Limited | 10.879 | 0.077 |
| Telstra Corporation Limited | 9.119 | 0.074 |
| Woodside Petroleum | 9.581 | 0.068 |

| Top Detractors | Return % | AU Contribution % |
|------------------------|----------|-------------------|
| CBA | -3.426 | -0.104 |
| Westpac Banking Corp | -1.952 | -0.040 |
| Resmed Inc | -17.907 | -0.037 |
| Challenger Limited | -23.717 | -0.034 |
| Qantas Airways Limited | -6.056 | -0.015 |

Global Equities

Manager: Perpetual Investments

The fund rose over 8% for the month and easily outperformed the benchmark. It has also returned over 6% since inception and clearly outperformed for the period. Consumer Discretionary continued its recent strong run and along with Communication Services, were the top contributors, followed by Financials and Consumer Staples. At the security level Chinese online retailer Vipshop Holdings Ltd. was the top contributor, as it rallied sharply on the back of increased stimulus spending within China. Home entertainment developer Nintendo had a strong month to be a top contributor, while IT and Telecommunication company SoftBank Group Corp added value after announcing a capital raising to reduce debt levels. Chinese automotive website company Bitauto Holdings was the top detractor for the month as China's automotive industry outlook weakened.

Fund Distribution History (cents per unit)

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

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

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