

MONTHLY UPDATE

June 2019

Performance as at 30th June 2019

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.32	0.82	3.59	3.59	4.54	5.04
Catholic Values Trust	2.81	4.76	10.14	10.14	9.85	7.10

All returns are net of fees and yearly returns are annualised

Investment Market Review

Equity markets enjoyed another strong month across the globe in June and finished the financial year in a strong position. The Australian share market, as measured by the S&P/ASX 100 Accumulation Index, continuing on its way returning 3.97% for the month and 12.63% for the financial year, while global shares, as measured by the MSCI World ex Australia Index (unhedged), finished the month in positive territory and returned 5.27% for June and 11.95% for the financial year.

Domestic Economy

The Reserve Bank of Australia (RBA) cut interest rates for the second month in a row, to an all-time low of 1.00% at its meeting in early July, the first back-to-back cut since 2012. Following the 0.25% cut in June, RBA governor Phillip Lowe announced the cash rate would be slashed by a further 25 basis points and said the decision was made as part of a push to support employment growth and reinvigorate a slowing economy.

Australian's unemployment rate remained at 5.2% in June, despite the creation of just 500 new jobs. The positive outcome was that the creation of 21,100 full-time jobs outnumbering the decline of 20,600 in part-time positions. Over the course of the year we saw the unemployment rate start at 5.3%, drop down to 4.9% in February, before finishing at 5.2% in June.

The Australian dollar depreciated over the year. After starting the year at \$0.7406 against the US dollar, it headed south to finish at \$0.7020, as an interest rate cut and the talk of more to follow, dragged the dollar down. The strength of our commodities partially offset this decline.

U.S. Update

The U.S. labour market rebounded sharply in June and added 224,000 new jobs, the best gain since January and eased concerns the economy was heading for a recession after May's poor jobs data. Jobs were particularly strong within the professional and business services sector, adding 51,000, while healthcare, transportation and warehousing also delivered strong jobs growth. The unemployment rate edged up to 3.7% as the participation rose, while despite the strong job creation in June, wage growth was modest at 0.2%, keeping the annual rate at 3.1%.

CCI Asset Management Update

End of Financial Year

Distributions

The June Quarter/Bi-Yearly distributions are scheduled to be paid in early August. Distribution Statements and Taxation Statements will also be sent around this period.

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

China Update

The manufacturing Purchasing Managers' Index (PMI) for June, remained at the same reading as May, coming in at 49.4%. June's result reflected declines in output and new orders, while export orders fell further as the trade tensions between China and the United States continued.

On a positive note, President Trump and President Xi agreed to continue trade negotiations during their much anticipated meeting at the G-20 summit in Japan in late June.

Eurozone Update

The British pound continues to slide against the US dollar, falling below \$1.25, to its lowest levels since early January, and 15% below its value before the 2016 referendum. Concerns for the health of the UK economy continue, with the Brexit decision (or lack of) playing a major role. Former London Mayor Boris Johnson, is the front runner to become Britain's next prime minister, joined the argument by insisting he would take Britain out of the European Union.

Economic sentiment in the Eurozone fell close to a three-year low in June, reversing the gains delivered in May. Sentiment fell 1.9 points from May to 103.3 points. Services sector firms and consumers were lower, while employment plans for the industrial sector also deteriorated. On the bright side, sentiment in the construction sector rose.

Income Trust

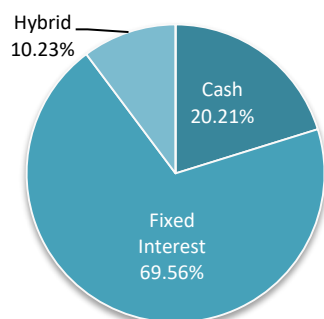
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.37	0.98	4.24	4.24	5.19	5.69
Income Trust (Net of Fees)#	0.32	0.82	3.59	3.59	4.54	5.04
Benchmark	0.13	0.45	1.97	1.97	1.86	2.08
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.86	

#All yearly returns are annualised

Monthly Performance Commentary

The Income Trust continued to exceed its objective and delivered a positive return for June, with Fixed Interest the top contributing asset class. Qube Holdings Subordinated Note was the top contributing security for the month, while AMP Bank Floating Rate Note was the top detractor.

Asset Allocation

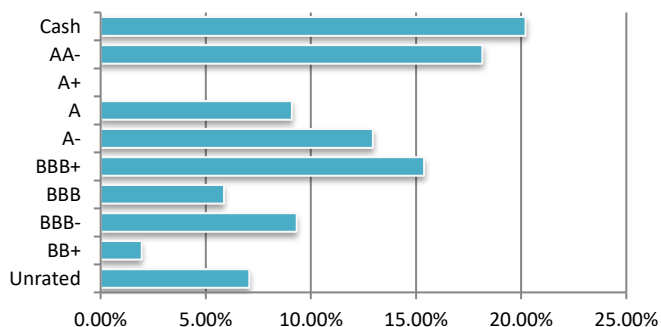


Top Contributors	Asset Class	Return %	Portfolio Contribution %
Qube Subordinated Note	Fixed Interest	0.981	0.032
CBA FRN	Fixed Interest	0.418	0.028
CBA Perls IX Capital Notes	Hybrid	2.348	0.018
West Links Financial FRN	Fixed Interest	0.525	0.016
Bendigo Adelaide Bank FRN	Fixed Interest	0.496	0.015

Top Detractors	Asset Class	Return %	Portfolio Contribution %
AMP Bank FRN	Fixed Interest	-0.483	-0.025

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 2.41% of the Income Trust Portfolio as at 30 June 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 June and was the main contributor to the overall performance of the portfolio in absolute terms. At the security level Qube Subordinated Note was the top contributor for the month, followed by CBA Floating Rate Note and West Links Financial Floating Rate Note. On the down side, AMP Bank Floating Rate Note was the sole detractor for the month, as its parent company continues to struggle from the fall-out of the banking royal commission.

Hybrid Securities

Hybrid Securities also delivered a positive return for the month, with all securities adding value and no detractors for the period. CBA Perls IX Capital Note was the top contributor, followed by CBA Perls VII Capital Notes, Westpac Capital Notes 3 and Westpac Capital Notes.

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 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%

Franking Credit Income

#FYTD: 0.03%

Fund Distribution History (cents per unit)

31 March 2018:	0.51
30 June 2018:	2.34
30 September 2018:	0.54
31 December 2018:	0.55
31 March 2019:	0.49

Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) [#]	2.87	4.94	10.84	10.84	10.55	7.80
Catholic Values Trust (Net of Fees) [#]	2.81	4.76	10.14	10.14	9.85	7.10
Benchmark	2.94	4.99	10.01	10.01	9.78	8.36
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.54	4.43

[#]All yearly returns are annualised

Monthly Performance Commentary

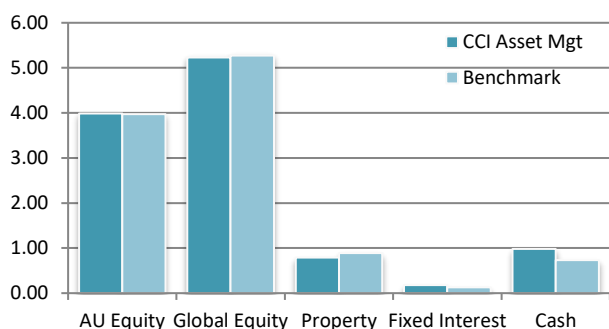
The Catholic Values Trust finished the financial year with another strong month and delivered 2.81% (net of fees) for the month of June. This saw the 1 year return reach double digits at 10.14% (net of fees), as it continued to exceed its objective of outperforming CPI by 3% p.a. over rolling 3 and 5 year periods.

Global Equities was the best performing asset class in absolute terms, while Australian Equities also finished the financial year strongly. Fixed Income, Property and Cash all added value to the portfolio.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	33.63%	35.00%
Global Equity	25.03%	25.00%
Property	3.00%	5.00%
Fixed Interest	18.45%	25.00%
Cash	19.89%	10.00%

Asset Class Return

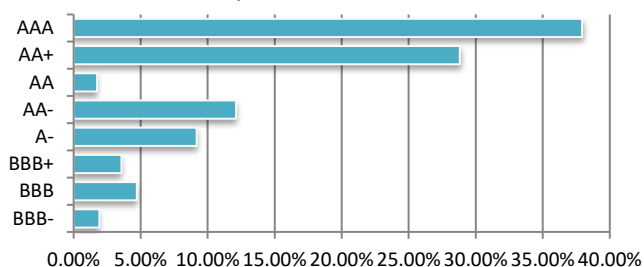


Fixed Interest

The Catholic Values Trust is underweight in Fixed Interest, and continues to maintain the majority of its exposure to semi-government securities. Fixed Interest slightly 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 had another strong month to round out the year, with Financials and Materials leading the way. At the security level, BHP was the top contributor for the month, as the spot price for iron ore continued towards US\$120 per tonne, while CSL Ltd was also among the top contributors, benefitting from the fall in the Australian dollar against the U.S. dollar as the company earns the majority of its revenues and profits in U.S. dollars. On the down side, Amcor, Wesfarmers and Challenger were top detractors within the portfolio, with Wesfarmers share price dropping through the month on the back of its underperforming businesses, Kmart and Target.

Franking Credit Income

[#]FYTD: 1.04%

Top Contributors	Return %	AU Contribution %
BHP Group Ltd	9.003	0.215
Commonwealth Bank	5.438	0.163
CSL Limited	4.626	0.093
Newcrest Mining	17.411	0.080
Telstra Corp Ltd	7.988	0.071

Top Detractors	Return %	AU Contribution %
Amcor Limited	-13.153	-0.057
Wesfarmers Limited	-2.405	-0.021
Challenger Limited	-17.718	-0.020
Lend Lease Corp Ltd	-8.779	-0.018
South32 Ltd	-4.221	-0.016

Global Equities

Manager: Vanguard Ethically Conscious International Shares Index Fund

The Vanguard Ethically Conscious International Share Index Fund seeks to track the return of the FTSE Developed ex Australia ex Non-renewable, Vice Products and Weapons Net Tax Index. The Fund provides exposure to many of the world's largest companies listed in major developed countries and excludes companies with significant business activities involving fossil fuels, alcohol, tobacco, gambling, military weapons and civilian firearms, nuclear power and adult entertainment. The top 5 holdings are Microsoft, Apple, Amazon, Alphabet and Facebook, while the top sector allocations are Financials, Technology, Health Care, Consumer Services and Consumer Goods. The Fund has performed in-line with the benchmark over the last month and quarter.

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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