

MONTHLY UPDATE

September 2018

Performance as at 30th September 2018

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.52	1.39	1.39	6.00	6.60	5.62
Catholic Values Trust	-0.71	1.30	1.30	9.75	7.60	6.76

All returns are net of fees and yearly returns are annualised

Investment Market Review

Returns were mixed for equity markets across the globe in September. The Australian share market, as measured by the S&P/ASX 200 Accumulation Index, retreated -1.26% for the month, while global shares, as measured by the MSCI World ex Australia Index (unhedged), stayed in positive territory and returned 0.55% for September.

Domestic Economy

Australian's unemployment rate dropped to 5.0% in September, down from 5.3% recorded in August and to its lowest level since April 2012. The number of new jobs created was weaker than expected, however this was offset by a drop in the number of people looking for work. Employment increased by a net 5,600 over the month (compared with 44,600 new jobs in August), with full-time positions creating 20,300 jobs, but part-time jobs declining by 14,700.

The Reserve Bank of Australia (RBA) kept interest rates on hold at its September meeting, extending the longest ever streak without a change to 25 months. Despite a strong labour market, the RBA pointed to low inflationary pressures and uncertainty surrounding the strength of consumer spending due to low wage growth, as reasons behind the decision.

U.S. Update

At its September monetary policy meeting, the Federal Reserve's Open Market Committee (FOMC) unanimously decided to raise its target range for federal funds by 25 basis points to between 2.00% and 2.25%. This move was the bank's eighth rate rise since 2015 and continues the policy of gradual rate rises. It was also noted that a majority of members expect another rate rise before the end of the year. The Federal Reserve Chair Jerome Powell also acknowledged the concerns from businesses about the risk from new U.S. trade tariffs, which have disrupted supply chains and led to retaliation against U.S. exports.

The U.S. economy continued its growth and added a further 134,000 jobs in September. The unemployment rate fell from 3.9% in August to 3.7% in September, the lowest level recorded since 1969, while the participation rate remained at 62.7%. It was noted that Hurricane Florence, which hit South and North Carolina, may have impacted employment in some industries.

CCI Asset Management Update

Income Trust Distribution

We are pleased to announce the September quarterly distribution payment for the Income Trust was made on 8th October 2018 and the distribution rate was 0.5446 CPU.

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

China Update

Export growth surprisingly accelerated from 9.8% in August to 14.5% in September. The surge in export growth was attributed to the increase of tax rebates for selected products as well as front-loaded shipments to the U.S. before the implementation of additional tariffs on USD 200 billion of Chinese products came into play on 25 September.

Trade tensions between China and the U.S. continued, as both countries apply tariffs on billions of dollars' worth of goods. A side effect of this saw industrial production expand 5.8% annually in September, down from 6.1% in August, with a slowdown in manufacturing output the main reason.

Eurozone Update

The unemployment rate in the Eurozone edged down to 8.1% in August, from July's rate of 8.2%. It was the lowest rate since November 2008, as the number of unemployed continued to fall and has policymakers hoping that the strength of the labour market will offset the slowdown in global trade.

Economic sentiment in the Eurozone fell in September to its lowest level in 15 months, although well above levels experienced over the past two decades. Confidence was lower in the industrial sector and among consumers, while optimism was higher in retail trade and construction. At a country level, economic sentiment decreased in eleven economies, including France, Germany, Italy and Spain.

Income Trust

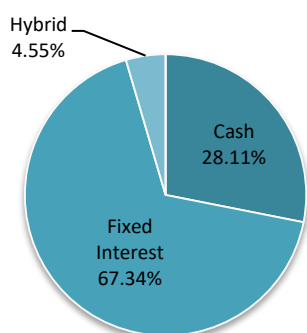
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.57	1.55	1.55	6.65	7.25	6.27
Income Trust (Net of Fees)#	0.52	1.39	1.39	6.00	6.60	5.62
Benchmark	0.16	0.52	0.52	1.87	1.94	2.18
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.94	

#All yearly returns are annualised

Monthly Performance Commentary

The Income Trust continued to exceed its objective and delivered a positive return for September, with Hybrids the best performing asset class. The mortgages performed well, while NAB Floating Rate Note was the top fixed interest security for the month and National Income Securities was the top detractor for the month.

Asset Allocation

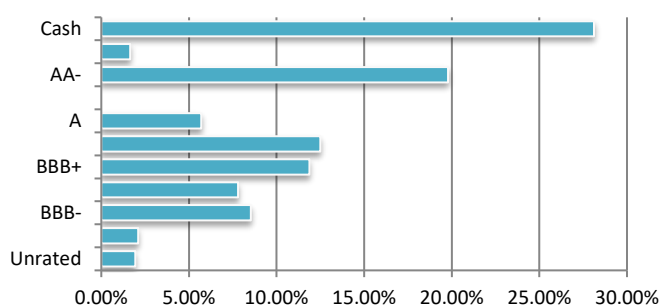


Top Contributors	Asset Class	Return %	Portfolio Contribution %
Mortgage	Mortgage	1.986	0.059
NAB FRN	Fixed Interest	1.384	0.057
Seven Group Holdings CPS	Hybrid	10.106	0.055
Mortgage	Mortgage	2.194	0.052
CBA FRN	Fixed Interest	0.280	0.020

Top Detractors	Asset Class	Return %	Portfolio Contribution %
National Income Securities	Fixed Interest	-1.58	-0.091
Genworth Financial FRN	Fixed Interest	-0.99	-0.016

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, Seven Group Holdings Ltd and Westpac Hybrid securities. Together these unrated securities represent 1.94% of the Income Trust Portfolio as at 30 September 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 September and was the main contributor to the overall performance of the portfolio in absolute terms. At the security level NAB Floating Rate Note was the top contributor for the month, followed CBA Floating Rate Note and UBS Floating Rate Note. National Income Securities was the top detractor for the month, followed by Genworth Financial Floating Rate Note.

Hybrid Securities

Hybrid Securities also outperformed the index this month, and in relative terms was the top contributor for the second straight month. Excluding NAB Subordinated Notes 2, all securities added value to the portfolio with Seven Group Holdings Convertible Preference Shares the top contributor again, followed by CBA Perls IX and Westpac Capital Notes 3.

Hybrid Portfolio

Security	Issuer Margin
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%
Seven Group Holdings Ltd Convertible Preference Share	BBSW 180 Day + 4.75%
Suncorp Group Capital Notes	BBSW 90 Day + 4.10%
Westpac Capital Notes 3	BBSW 90 Day + 4.00%

Franking Credit Income

#FYTD: 0.01%

Fund Distribution History (cents per unit)

30 September 2017:	0.24
31 December 2017:	0.51
31 March 2018:	0.51
30 June 2018:	2.34
30 September 2018:	0.54

Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) [#]	-0.66	1.47	1.47	10.45	8.30	7.46
Catholic Values Trust (Net of Fees) [#]	-0.71	1.30	1.30	9.75	7.60	6.76
Benchmark	-0.31	2.74	2.74	11.39	9.05	8.34
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.64	4.75

[#]All yearly returns are annualised

Monthly Performance Commentary

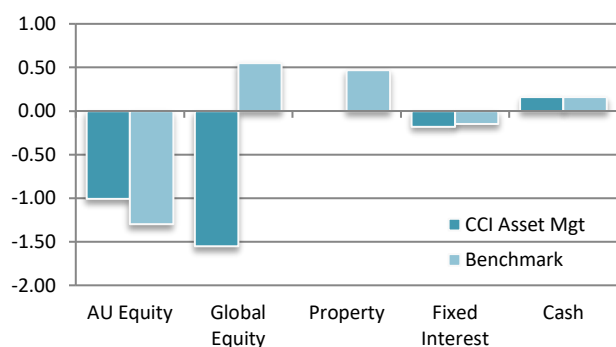
September saw volatility enter the market and while the Catholic Values Trust continued to exceed its objective of outperforming CPI by 3% p.a. over rolling 3 and 5 year periods, it posted a negative return of -0.71% (net of fees) for the month of September.

It was a mixed bag for the asset classes, with equities (both global and Australian) feeling the impact of a correction on the markets. Global Equities was the top detractor for the month. Property was flat, while Fixed Interest and cash were in-line with the benchmark.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	31.38%	35.00%
Global Equity	24.76%	25.00%
Property	3.00%	5.00%
Fixed Interest	19.82%	25.00%
Cash	21.04%	10.00%

Asset Class Return

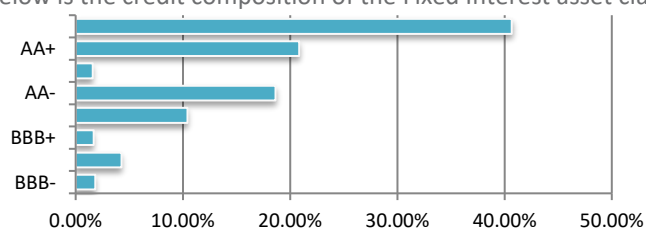


Fixed Interest

The Catholic Values Trust is underweight in Fixed Interest, and continues to maintain the majority of its exposure to semi-government securities. Fixed Interest 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 positive run came to an end in September and delivered a negative return for the month. The strongest sectors for the month were Materials and Energy, as evident within the Top Contributors with names like BHP, South32, Rio Tinto and Woodside. On the down side we saw Health Care and Financials detract, with the top detracting securities including CSL, ANZ, Westpac and Wesfarmers. After announcing a successful full-year profit in August and its share price soaring over 15% for the month, CSL fell from its recent peak of \$230 back to around \$200 as profit takers moved in. ANZ and Westpac both sold off in September as investors continue to assess the fall out of the Royal Commission.

Franking Credit Income

#FYTD: 0.16%

Top Contributors	Return %	AU Contribution %
BHP Billiton Ltd	8.337	0.179
South32 Ltd	16.319	0.062
Rio Tinto Ltd	8.276	0.053
Woodside Petroleum	4.638	0.034
Telstra Corporation	2.903	0.023

Top Detractors	Return %	AU Contribution %
CSL Limited	-10.989	-0.238
ANZ Limited	-4.475	-0.080
Westpac Banking Corporation	-2.137	-0.044
Wesfarmers Limited	-3.110	-0.038
Transurban Group	-5.998	-0.036

Global Equities

Manager: Perpetual Investments

The fund delivered a negative return for the month with the Top 5 Detractors including Nasdaq, Telepizza, Nomad Foods, Vipshop Holdings and eBay. Telepizza detracted after a disappointing first-half financial result, while eBay fell after index provider Standard and Poor's reclassified the company from Information Technology to Consumer Discretionary. On the positive side, contributors included CNOOC Ltd, SoftBank Group, Occidental Petroleum Corp and China Mobile. Chinese oil producer CNOOC Ltd rallied on the release of a positive first-half financial result, while telecommunications company SoftBank Group contributed positively to performance after the company announced a strategic partnership with Toyota.

Fund Distribution History (cents per unit)

30 June 2017:	6.19
31 December 2017:	1.42
30 June 2018:	9.01

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

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