CCI Asset Management

MONTHLY UPDATE

November 2018

Performance as at 30th November 2018

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	-0.16	0.36	1.23	5.27	6.33	5.51
Catholic Values Trust	-0.84	-4.24	-2.30	1.81	5.56	5.29

All returns are net of fees and yearly returns are annualised

Investment Market Review

Following the sharp pull-back in October, the beginning of November was positive for the equity markets before falling away and finishing the month down. The Australian share market, as measured by the S&P/ASX 100 Accumulation Index, fell -2.40% for the month, while global shares, as measured by the MSCI World ex Australia Index (unhedged), was also in negative territory and returned -1.83% for November.

Domestic Economy

Australian's unemployment rate ticked up slightly higher to 5.1% in November, as more people joined the labour market. There was a surge in part-time employment, as a total of 37,000 new positions were created. Part-time employment drove this number, with an additional 43,400 part-time roles, while full-time positions declined by 6,400. Since November 2017, we have seen full-time employment increase by 180,200 jobs and part-time employment rise by 105,500 positions.

While leaving interest rates on hold at 1.5% at its last meeting, the RBA noted a strong labour market, however also pointed to a trifecta of risks: low growth in household income, high debt levels and declining house prices. Prices in Australia's two largest cities – Sydney and Melbourne continue to drop, with the Sydney market down 9.5% from its peak back in July last year and Melbourne down 5.8% from November 2017.

U.S. Update

The U.S. economy continued its growth and added a further 155,000 jobs in November, although down from October's 237,000 new jobs. The U.S. unemployment rate remained unchanged at 3.7% for the month, while the participation rate was also stable at 62.9%. Jobs growth occurred across many sectors with Manufacturing adding 37,000 new jobs, Professional and Business Services creating 32,000 positions and Education and Healthcare adding 34,000 jobs.

The Federal Reserve's Open Market Committee (FOMC) raised interest rates by 25 basis points to a target range of 2.25% and 2.50%, at the December meeting. This was the fourth rate rise this year and is the highest level since 2008. While pointing to a strong labour market and rising economic activity, the Fed did pull back on its forecast for 2019, now calling for two rate hikes instead of the previous forecast of three.

Merry Christmas

The CCI Asset Management Team would like to wish everyone a Merry Christmas and Happy New Year. May you have a safe and happy festive season and we look forward to continuing to work together in 2019.

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

China Update

With the trade war continuing to escalate, U.S. President Trump and Chinese President Xi Jinping met at the G20 summit in Argentina at the end of November. The outcome saw both presidents agree to a temporary halt of the trade dispute between the world's two economic giants, with both agreeing to withhold further tariffs on each other's countries for 90 days. This ceasefire saw the U.S. agree to not raise the tariff rate on USD 200 billion of Chinese imports from 10% to 25%, while China agreed to purchase a substantial amount of agriculture, energy and industrial products from the U.S.

Eurozone Update

Economic sentiment in the Eurozone continued to fall in November, as risks from global trade tensions cast a shadow over the outlook and GDP grew at its slowest pace since 2014. GDP increased 0.2% in quarter 3, down from 0.4% increases in quarter 1 & 2 and a sharp decline from the 0.7% increase observed throughout most of 2017.

At the country level, the Italian Government continued to negotiate with the European Union (EU) after its initial draft budget was rejected by the European Commission for breaching budget rules, while the UK Government has negotiated a withdrawal agreement with the EU on Brexit. Uncertainty still surrounds Brexit as British Prime Minister Theresa May still needs to get the deal through the UK Parliament.

Income Trust

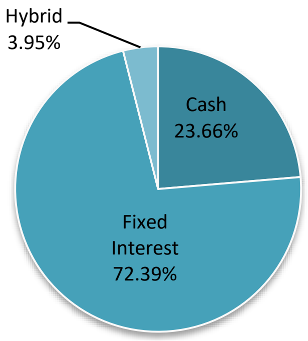
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	-0.11	0.53	1.50	5.92	6.98	6.16
Income Trust (Net of Fees)#	-0.16	0.36	1.23	5.27	6.33	5.51
Benchmark	0.15	0.48	0.84	1.91	1.93	2.16
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.93	

#All yearly returns are annualised

Monthly Performance Commentary

The Income Trust continued to exceed its objective, however delivered the first negative return since January 2016 as Hybrids dragged the performance down. Canadian Imperial Bank Floating Rate Note was the top contributor for the month, while Seven Group Holdings was the top detractor for the period.

Asset Allocation



Fixed Interest

Fixed Interest marginally underperformed the index for the month of November. At the security level performance was mixed, with the top three contributors Canadian Imperial Bank Floating Rate Note, UBS Floating Rate Note and Member Equity Bank Floating Rate Note, while the top three detractors were National Income Securities, Bendigo and Adelaide Bank Floating Rate Note and CBA Floating Rate Note.

Hybrid Securities

Hybrid Securities underperformed the index for the month of November and was the main detractor to the overall performance of the portfolio. Seven Group Holdings was the top detractor after the company decreased following its Annual General Meeting on 21 November. Seven Group Holdings is no longer held within the portfolio. Other detractors included Suncorp Group Capital Notes and Westpac Capital Notes 3, while NAB Subordinated Notes 2 and CBA Perls VII were the top contributors.

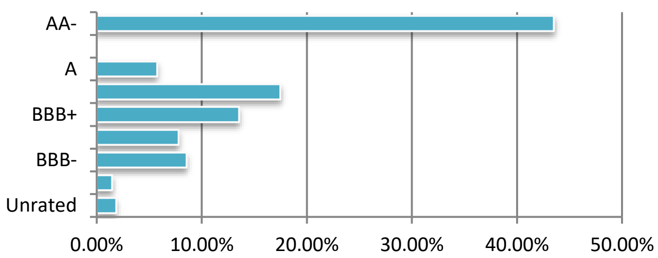
Top Contributors	Asset Class	Return %	Portfolio Contribution %
Canadian Imperial Bank FRN	Fixed Interest	0.54	0.01
UBS AG FRN	Fixed Interest	0.11	0.01
Members Equity Bank FRN	Fixed Interest	0.21	0.01
Rabobank FRN	Fixed Interest	0.22	0.01
Goldman Sachs Group FRN	Fixed Interest	0.17	0.01
Top Detractors	**Asset Class**	**Return %**	**Portfolio Contribution %**
Seven Group Holdings	Hybrid	-31.15	-0.19
National Income Securities	Fixed Interest	-1.45	-0.08
Bendigo/Adelaide Bank FRN	Fixed Interest	-0.47	-0.02
CBA FRN	Fixed Interest	-0.20	-0.01
West Links Financial FRN	Fixed Interest	-0.26	-0.01

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%
Suncorp Group Capital Notes	BBSW 90 Day + 4.10%
Westpac Capital Notes 3	BBSW 90 Day + 4.00%

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 1.85% of the Income Trust Portfolio as at 30 November 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

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)#	-0.78	-4.07	-2.01	2.51	6.26	5.99
Catholic Values Trust (Net of Fees)#	-0.84	-4.24	-2.30	1.81	5.56	5.29
Benchmark	-1.22	-4.63	-1.71	2.32	6.59	6.79
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.69	4.72

#All yearly returns are annualised

Monthly Performance Commentary

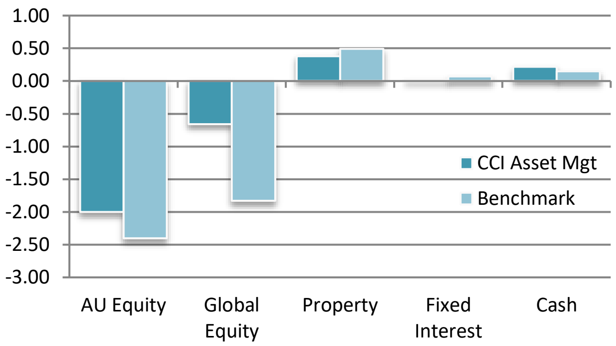
The Catholic Values Trust continued to exceed its objective of outperforming CPI by 3% p.a. over rolling 3 and 5 year periods, and also outperformed the benchmark for the month, however produced a negative return as equity markets continued to drag performance down.

At the asset class level both Australian and Global equities delivered negative returns, however outperformed their benchmarks as volatility continued across the globe. Property produced a positive return but underperformed in relative terms.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	32.49%	35.00%
Global Equity	25.94%	25.00%
Property	3.37%	5.00%
Fixed Interest	19.10%	25.00%
Cash	19.10%	10.00%

Asset Class Return

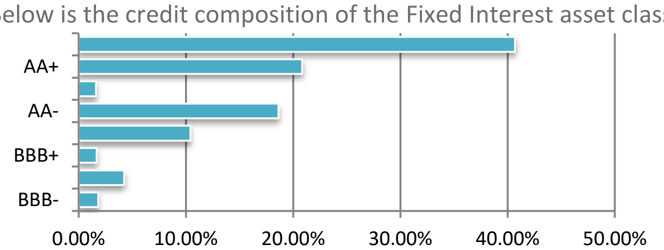


Fixed Interest

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 declined for the month, with all sectors impacted and detracting from performance, with the exception of Financials. Energy and Materials continued the recent underperformance to be the top detractors, dragged down by a declining oil price. At the security level, the Top Detractors were CSL, BHP, Woodside and Lendlease, with the latter falling after announcing a $350million write down from its 2019 half-year results due to underperformance of its engineering business. On the up side the Big 4 banks (ANZ, CBA, NAB and Westpac) were the top contributors for the month after investors saw buying opportunities.

Franking Credit Income

#FYTD: 0.16%

Top Contributors	Return %	AU Contribution %
ANZ	7.88	0.14
CBA	2.68	0.09
NAB	3.26	0.06
Westpac	1.67	0.04
Insurance Australia Group Ltd	6.58	0.03

Top Detractors	Return %	AU Contribution %
CSL Limited	-5.64	-0.11
BHP	-4.74	-0.11
Woodside Petroleum Ltd	-10.85	-0.09
Lendlease Group	-28.00	-0.07
Wesfarmers Limited	-5.74	-0.07

Global Equities

Manager: Perpetual Investments

The fund posted a negative return for the month, however outperformed the benchmark. Performance varied throughout the sectors, with Health Care and Consumer Staples the top contributors, while Materials, Energy and Consumer Discretionary were the top detractors. At the security level payment service provider Qiwi PLC was the top contributor after the release of the company's September quarter results, followed by home appliances manufacturer Whirlpool, which rallied after announcing a new relationship with the Walt Disney Company to supply kitchen and laundry appliances to their resorts. On the down side, fast food operator Telepizza, oil and gas producer TechnipFMC PLC and home entertainment developer Nintendo all detracted from performance.

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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