

MONTHLY UPDATE

December 2020

Performance as at 31st December 2020

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.31	1.00	1.89	2.39	4.09	5.39
Catholic Values Trust	0.44	6.54	8.04	5.18	8.21	8.16

All returns are net of fees and yearly returns are annualised

Investment Market Review

Equity markets saw mixed returns across the globe in December. The Australian share market, as measured by the S&P/ASX 100 Accumulation Index, continued on from November's strong lead and returned a positive 1.10% for December, while global shares, as measured by the MSCI World ex Australia Index (unhedged), retreated from November's positive return, to record -0.50% for the month.

Domestic Economy Update

The Australian economy recovered faster than expected from the COVID-19 impact with a 3.3% rebound in the third quarter GDP, supported by both growth in household consumption and easing restrictions. With more than half of the employment lost in the initial downturn regained from Victoria's reopening, recovery is still expected to be a long way off for both wage growth and jobs. While labour participation has risen to above pre-coronavirus levels and unemployment has fallen to 6.8% (lowest since August), underemployment¹ remains high at 9.4%.

In addition, uncertainty surrounding the ongoing US-China trade war and the rising China-Australia agriculture trade/tariff disputes, particularly surrounding Australian exports like barley, grain, beef and cotton, have been a major focus over December, further adding to investor caution.

The reduced number of COVID-19 cases over recent months are largely reflected in the significant decline in the number of infections in Victoria. While the latest coronavirus outbreak in Sydney weighed on Australian shares closer to the Christmas period, it has been brought under control with lockdowns, contact tracing, quarantining and massive testing. On the brighter side of things, the vaccines are now being rolled out in various countries (and in Australia from mid-February).

Amongst other things, bond yields, oil and iron ore prices rose over the month. The Australian dollar continued to push higher, briefly reaching US\$0.77 alongside rising commodity prices, particularly iron ore which hit \$174.07 per tonne for the first time in nearly a decade.

CCI Asset Management Updates

Distributions

The December Quarter/Bi-Yearly distributions are scheduled to be paid next week.

Looking to make a new or additional investment?

For further information on investing with CCI Asset Management, please contact our National Business Development Manager, David Smith on (03) 9934 3077.

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

Global Update

The U.S. closed out 2020 with the most infectious month since the start of the COVID-19 pandemic, while surpassing 20 million confirmed COVID-19 cases. Adding to this, political tensions remain a major focus. U.S. stocks have been mixed in response to the recent storm of the U.S. Capitol, US senate election results and impeachment proceedings of Donald Trump.

Over the Christmas period, the U.S. agreed on another \$900bn fiscal stimulus which included \$600bn stimulus payments, expanded unemployment benefits and more funding for the Paycheck Protection Program with hopes to provide more support to the U.S. economy in the first quarter of 2021. The U.S. Federal Reserve has also extended its asset purchase program as the economy remains far from its employment and inflation target.

Finally the UK's official departure from the EU at the end of the year somewhat reduced the level of uncertainties from Brexit. After a whole year of underperformance relative to the world equity index in the face of rising COVID-19 cases and Brexit uncertainty, UK equities managed to outperform international equities slightly.

1. In Australia, underemployment rate measures the number of people actively looking for a job as a percentage of the labour force.

Income Trust

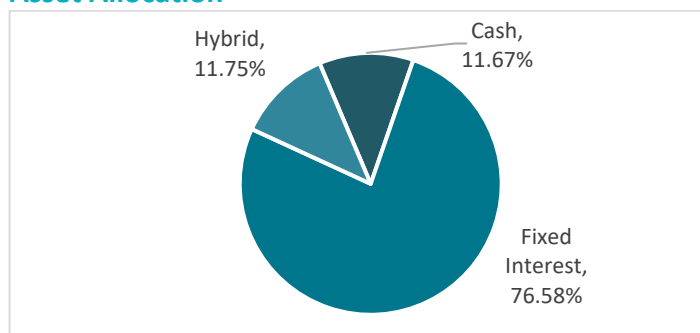
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees) [#]	0.36	1.16	2.22	3.04	4.73	6.04
Income Trust (Net of Fees) [#]	0.31	1.00	1.89	2.39	4.08	5.39
Benchmark	0.00	0.02	0.04	0.37	1.26	1.56
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.26	

[#]All yearly returns are annualised

Monthly Performance Commentary

The Income Trust maintained its positive trend and registered 0.31% net of fees for the month of December. The higher yielding portion of the portfolio, hybrids, contributed the most to the overall Trust return, followed by Fixed Interest. Cash returns continued to be muted as the Reserve Bank of Australia (RBA) had cut the official cash rate from 0.25% to 0.10% in November.

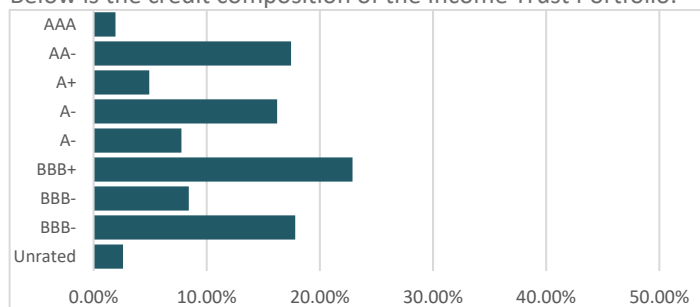
Asset Allocation



Top Contributors	Asset Class	Return %	Portfolio Contribution %
ANZ Bank FRN	Fixed Interest	0.875	0.034
West Links FRN	Fixed Interest	1.044	0.034
NAB Capital Notes 5	Hybrid	2.600	0.033
Bendigo & Adelaide Bank FRN	Fixed Interest	0.948	0.029
Westpac Capital Notes	Hybrid	2.184	0.021
Top Detractors	Asset Class	Return %	Portfolio Contribution %
Toronto-Dominion Bank FRN	Fixed Interest	-0.250	-0.015
Qube Subordinated Notes	Fixed Interest	-0.230	-0.007
ANZ Bank FRN	Fixed Interest	-0.085	-0.005
WBC FRN	Fixed Interest	-0.091	-0.003
UBS FRN	Fixed Interest	-0.170	-0.003

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. Together these unrated securities represent 2.60% of the Income Trust Portfolio as at 31 December 2020.

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

The overweight allocation to corporates continued to add value as spreads compressed over December. Notable performers here included ANZ Floating Rate Notes, West Links Floating Rate Notes and Bendigo & Adelaide Bank Floating Rate Notes. Toronto-Dominion Bank Floating Rate Notes, Qube Subordinated Notes and ANZ Bank Floating Rate Notes were the top detractors for the period.

Hybrid Securities

The higher yielding portion of the portfolio, hybrids contributed the most to the overall Trust return. NAB Capital Notes 5, Westpac Bank Capital Notes 3, Westpac Bank Capital Notes 7, ANZ Capital Notes 6 and Westpac Bank Capital Notes were the top contributors for the month, while there were no detractors for the period.

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 XII Capital Notes	BBSW 90 Day + 3.00%
CBA Perls IX Capital Notes	BBSW 90 Day + 3.90%
Macquarie Capital Notes	BBSW 90 Day + 4.70%
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%

Fund Distribution History (cents per unit)

31 December 2019:	0.32
31 March 2020:	0.32
30 June 2020:	0.30
30 September 2020:	0.12
31 December 2020:	0.15 (unaudited)

Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) [#]	0.50	6.72	8.39	5.88	8.91	8.86
Catholic Values Trust (Net of Fees) [#]	0.44	6.54	8.04	5.18	8.21	8.16
Benchmark	0.30	6.48	7.58	4.12	7.31	7.77
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.73	4.72

[#]All yearly returns are annualised

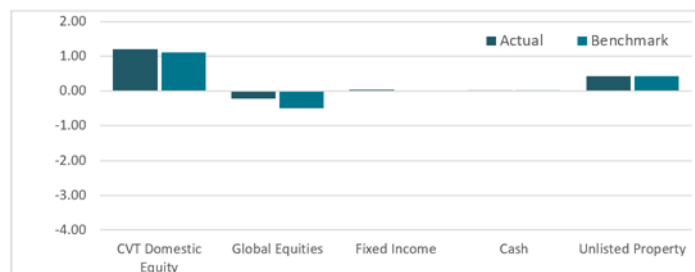
Monthly Performance Commentary

The Catholic Values Trust returned 0.44% net of fees for the month. While Fixed Interest and cash were flat, Australian Equities was the top contributor for the month (+1.21%), followed by Property (+0.4%). This is offset by a slightly negative return from global equities (-0.21%). The Trust continues to outperform over all periods, including the 3 and 5 year objectives.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	36.00%	35.00%
Global Equity	26.24%	25.00%
Property	2.60%	5.00%
Fixed Interest	18.80%	25.00%
Cash	16.36%	10.00%

Asset Class Return

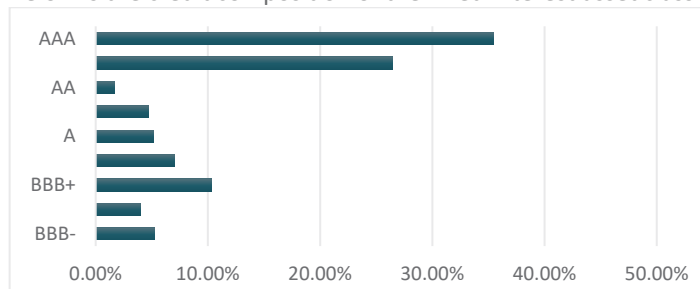


Fixed Interest

The Catholic Values Trust is underweight in Fixed Interest, and continues to maintain the majority of its exposure to semi-government securities. Fixed Interest 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

Domestically, the Australian equity market (S&P/ASX100) returned 1.1% in December after a 10% rebound in November. From the sector level, Materials was the leading performer on the back of rising iron ore prices driven by a combination of robust Chinese demand and supply constraints in Brazil. Information Technology also performed exceptionally well with Afterpay as the top performer benefitting from its continued strong business performance on the back of disruption caused by COVID-19. By contrast, the Healthcare sector was the weakest followed by Industrials.

Top Contributors	Return %	AU Contribution %
BHP Group	11.428	0.288
Fortescue Metals Group	28.467	0.194
CBA	3.837	0.118
Afterpay Touch Group	24.183	0.118
Rio Tinto Ltd	12.224	0.105

Top Detractors	Return %	AU Contribution %
CSL Limited	-4.774	-0.144
Westpac Banking Corporation	-3.791	-0.057
QBE Insurance Ltd	-14.722	-0.049
Cochlear Limited	-14.245	-0.046
A2 Milk Company Ltd	-17.149	-0.044

Global Equities

Manager: Vanguard Ethically Conscious International Shares Index Fund

After recording an exceptional month in November, the Vanguard Ethically Conscious International Share Index Fund returned -0.21% in December. The Fund outperformed the MSCI World ex-Australia (\$A unhedged) index driven by the exclusion of stocks as per our Catholic Value Policy. From the sector level, Financials and Information Technology were the top performers over the month. The global market gains again were driven largely by a handful of mega tech stocks, such as Apple, Tesla and Samsung. On the other hand, defensive sectors like Healthcare was the worst performer during December.

Overall, the year finished off with the highest rally by the US markets, fuelled by substantial levels of federal government fiscal, monetary stimulus from the Federal Reserve and optimism about how quickly the economy is likely to bounce back next year as COVID-19 vaccines become widely distributed.

Fund Distribution History (cents per unit)

31 December 2019:	1.37
30 June 2020:	3.14
31 December 2020:	0.70 (unaudited)

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

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