

MONTHLY UPDATE

September 2019

Performance as at 30th September

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.12	0.61	0.61	2.80	4.37	5.16
Catholic Values Trust	1.24	2.61	2.61	11.57	9.93	7.36

All returns are net of fees and yearly returns are annualised

Investment Market Review

The Income Trust and Catholic Values Trust both returned positive returns throughout September despite heightened uncertainty surrounding the global economy. The Catholic Values Trust continued its strong performance over the last year, yielding 11.57% net of fees, while the Income Trust has delivered 2.80% net of fees over the last 12 months.

Domestic Economy Update

Consumer confidence and retail spending remained subdued despite numerous interest rate cuts in 2019 and income tax cuts. Confidence was weaker in most industries, however increased in both the manufacturing and mining sectors throughout the month.

Australia's unemployment rate fell marginally to 5.2% in September, down from a year high of 5.3% in August, as the participation rate (those looking for work) declined slightly to 66.1%. This was the first drop since February, as the number of jobs increased by 14,800 for the month, with 26,200 new full-time positions offsetting a decrease of 11,400 part-time roles.

In positive news, Australia posted its first current account surplus in over 40 years in the June quarter which was recently published, driven by a rise in commodity prices and an expansion in exports.

Global Economy Update

US unemployment rate decreased to its lowest level in 50 years at 3.5% in September 2019, down from 3.7% in the previous month. This is a positive in light of market expectations of 3.7%, as 136,000 jobs were created in September. The Labour force participation rate held constant at 63.2%. Education and Government positions led the way, while Retail and Manufacturing jobs declined.

Global oil prices surged in mid-September as a result of an attack on Saudi Arabian oil facilities that provide approximately 5% of global oil supplies.

The tariff 'tug-of-war' between Trump's America and Xi Jinping's China appears to be the leading reason behind the Federal Reserves 'hawkish' rate cut of 25 basis points.

CCI Asset Management Update

Looking to make a new or additional investment?

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

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

Global Economy Update Continued...

The change in view by the Fed's Jerome Powell on interest rates, in following suit with the rest in the world in the movement toward zero, has influenced a divergence between equity and fixed income valuations; two asset classes which have traditionally moved in sync. The question remains as to which one of these valuations is correct, as fixed income traditionally has given the better indication regarding the state of the economy.

The Fed has given no indication of further rate cuts at this stage but President Donald Trump has been pressing in his desire for rates to continue its move toward zero.

Catholic Values Policy

In-line with our Catholic Values Policy, a further stock was excluded from the Australian Equities portfolio within the Catholic Values Trust.

Washington H Soul Pattinson & Co Ltd was the seventh stock excluded from the ASX 100. Widely known for its position within the pharmaceutical field, Washington H Soul Pattinson & Co Ltd was excluded for its ownership of thermal coal producer New Hope Coal, a position that generates 90% of its revenue. Washington H Soul Pattinson & Co Ltd joins six other companies on the excluded list: Crown Resorts, Star Entertainment Group, Tabcorp Holdings, Aristocrat Leisure, ACL Energy and Whitehaven Coal.

Income Trust

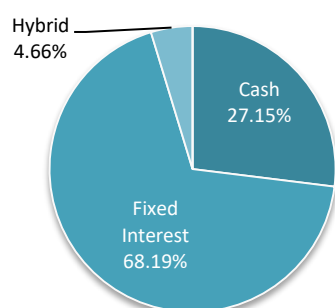
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.17	0.78	0.78	3.45	5.02	5.81
Income Trust (Net of Fees)#	0.12	0.61	0.61	2.80	4.37	5.16
Benchmark	0.08	0.29	0.29	1.74	1.79	2.01
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.79	

#All yearly returns are annualised

Monthly Performance Commentary

The Income Trust produced a small positive return throughout September, registering a return of 0.12% net of fees. Hybrids were the top performing asset class in absolute terms, with Fixed Interest and Cash providing small positive contributions. The fund outperformed the benchmark during the month, and continues to outperform over all rolling periods.

Asset Allocation



Fixed Interest

Fixed Interest recovered slightly during September, providing a small positive contribution toward the return. Due to its large asset allocation of 68.19%, the performance of the Income Trust is largely impacted by the movement in Fixed Interest. The securities issued by Australian major banks rallied well in September despite heightened attention by regulators, and were among the top performing contributors at the security level. NAB FRN was the top contributor, while Standard Chartered Bank was the sole detractor.

Hybrid Securities

Hybrid Securities outperformed the index this month, and in absolute terms was the top contributor. This had only a minor influence on the overall portfolio due to its small asset allocation of 4.66%. The top contributor was QUB Subordinated Notes, which provided a return of 1.36% throughout the month, while there were no detractors for the period.

Top Contributors	Asset Class	Return %	Portfolio Contribution %
QUB Subordinated Notes	Hybrids	1.360	0.044
National Australia Bank FRN	Fixed Interest	1.131	0.033
CBA FRN	Fixed Interest	0.225	0.015
Toronto-Dominion Bank FRN	Fixed Interest	0.240	0.012
West Links FRN	Fixed Interest	0.330	0.010

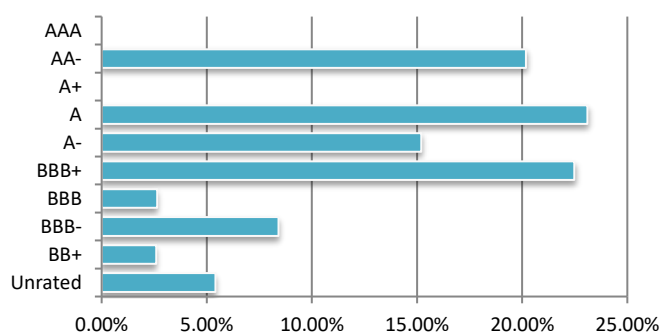
Top Detractors	Asset Class	Return %	Portfolio Contribution %
Standard Chartered Bank	Fixed Interest	-0.149	-0.004

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%

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 2.33% of the Income Trust Portfolio as at 30 September 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

Fund Distribution History (cents per unit)

30 June 2018:	2.34
30 September 2018:	0.54
31 December 2018:	0.55
31 March 2019:	0.49
30 June 2019:	0.69

Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) [#]	1.30	2.78	2.78	12.27	10.63	8.06
Catholic Values Trust (Net of Fees) [#]	1.24	2.61	2.61	11.57	9.93	7.36
Benchmark	1.12	2.44	2.44	9.69	9.63	8.60
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.83	4.66

[#]All yearly returns are annualised

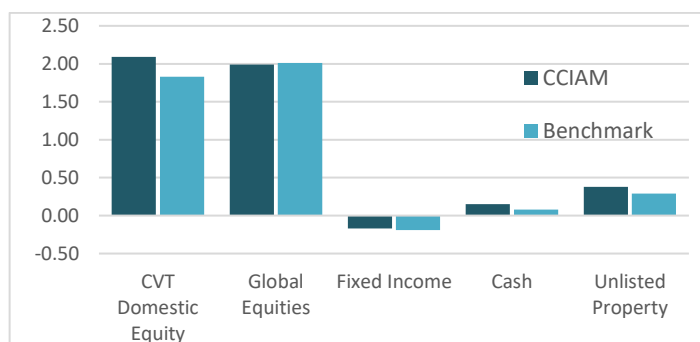
Monthly Performance Commentary

The Catholic Values Trust recovered from its negative return in August to provide a positive 1.24% return net of fees in September, driven by a strengthening in the equity markets globally. Global Equities and Domestic Equities were the top performing asset classes as they responded well to progress in the tariff 'tug-of-war' between the US and China, Brexit getting one step closer to being finalized and equity valuations continuing to climb.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	33.40%	35.00%
Global Equity	24.96%	25.00%
Property	3.13%	5.00%
Fixed Interest	19.03%	25.00%
Cash	19.49%	10.00%

Asset Class Return

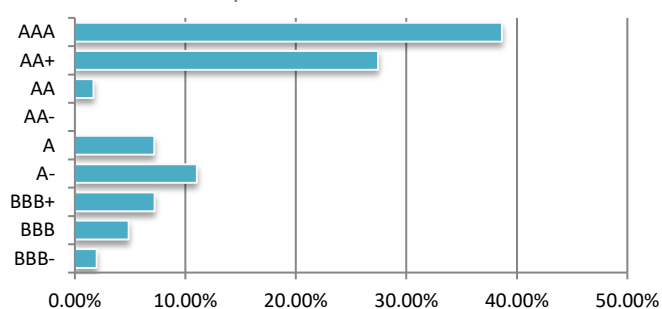


Fixed Interest

The Catholic Values Trust is underweight in Fixed Interest, and continues to maintain the majority of its exposure to semi-government securities. Fixed Interest made a small positive contribution during 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 recovered during September, making the largest contribution in absolute terms toward the positive performance of the Catholic Values Trust in September. With the cash rate reaching a record low of 0.75% and unconventional monetary measures in place, investor expectations of the future performance of domestic equities remain uncertain. As the Catholic Values trust tracks the ASX100 index and is heavily invested in blue chip stocks, we saw strength throughout the month driven by strong contributions from the Big 4 banks (NAB, ANZ, Westpac and CBA), along with BHP, while the top detractors included Dexus Property Group, Telstra and CSL Limited, with CSL shareholder's taking some profit off the table following a strong six months.

Top Contributors	Return %	AU Contribution %
National Australia Bank Limited	8.548	0.135
BHP Group Limited	5.747	0.129
ANZ Limited	6.600	0.108
Westpac Banking Corporation	5.017	0.105
Commonwealth Bank Of Australia	2.237	0.069

Top Detractors	Return %	AU Contribution %
Dexus Property Group	-7.469	-0.022
Newcrest Mining Limited	-6.093	-0.034
Telstra Corporation Limited	-5.578	-0.051
CSL Limited	-2.425	-0.054
Qantas Airways Ltd	-39.182	-0.082

Global Equities

Manager: Vanguard Ethically Conscious International Shares Index Fund

The Vanguard Ethically Conscious International Share Index Fund performed well throughout September posting a return of 2.02% gross of fees, in light of positive progress in the trade war between American and China. A further rate cut by the Federal Reserve was in line with investor expectation, as rates continue to approach zero in an attempt to stimulate aggregate demand. The top contributors included some of the large blue chip companies such as Apple, JP Morgan Chase & Co and AT&T Inc.

Fund Distribution History (cents per unit)

30 June 2018:	9.01
31 December 2018:	2.93
30 June 2019:	6.26

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

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