

MONTHLY UPDATE

July 2018

Performance as at 31st July 2018

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.26	3.13	0.26	5.36	6.43	5.80
Catholic Values Trust	0.76	3.18	0.76	10.41	5.36	6.96

All returns are net of fees and yearly returns are annualised

Investment Market Review

It was a positive start to the new financial year for equity markets across the globe. The Australian share market, as measured by the S&P/ASX 200 Accumulation Index, gained 1.39% for the month, while global shares, as measured by the MSCI World ex Australia Index (unhedged), also finished the month in positive territory and returned 2.52% for July.

Domestic Economy

Australian's unemployment rate unexpectedly dropped to 5.3% in July, down from 5.4% in June. It is now the lowest level since November 2012, as the economy lost 3,900 jobs. This was a result of part-time employment decreasing by 23,200, while full-time employment went up by 19,300. The participation rate (the number of people in work, or actively searching for work), decreased from 65.6% in June to 65.5% in July.

Following the August 7 monetary policy meeting, the Reserve Bank of Australia (RBA) kept interest rates on hold at its record low of 1.50%, the same position it has held since August 2016. The RBA's decision was again underpinned by low inflationary pressures and low wage growth.

Housing prices slipped for many Australian capital cities in the June quarter, as tighter lending conditions and falling investment levels affect the market.

U.S. Update

The U.S. economy added a further 157,000 jobs in July, taking it to the 94th consecutive month of jobs growth, and extended its longest streak on record. While jobs growth slowed, the unemployment rate managed to decrease from 4.0% in June to 3.9% in July, and the participation rate remained unchanged at 62.9%. Job creation softened across most sectors, but still saw Professional and Business Services add 51,000 new positions, Manufacturing add 37,000 jobs, Health Care and Social Assistance create 34,000 positions and Food Services add 26,000 new positions for the month, to take it to 203,000 new jobs over the year.

The Federal Open Market Committee (FOMC) met on 31 July to 1 August and decided to keep its target for the federal funds at between 1.75% and 2.00%. Given the FOMC had already raised rates in June, this was widely expected.

CCI Asset Management Update

Distributions

We are pleased to announce that the June Quarter/Bi-Yearly distributions were paid and the distribution statements were sent on the 3rd August 2018.

Catholic Values Trust 9.005643cpu
Income Trust 2.342683cpu

Taxation statements were sent on the 8th August 2018.

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

China Update

Trade tensions between China and the U.S. has seen the Chinese currency (yuan) weaken against the U.S. dollar (USD). The yuan has fallen by 9.6% since April, however scheduled trade talks in August between the two countries has tamed the sharp depreciation of the yuan.

Industrial production expanded 6.0% annually in July, to stay in-line with June's figure. There was a deceleration in electricity generation and mining output, while this was offset with manufacturing production growth.

Eurozone Update

Greece has successfully completed a three-year Eurozone emergency loan program worth €61.9bn to tackle its debt crisis. This is part of the biggest bailout in global financial history, totalling €289bn, and will take the country decades to repay. For the first time in eight years, this will allow Greece to borrow at market rates, however the very unpopular cuts to public spending remain in place.

Inflation in the Eurozone hit its highest level since February 2017, after recording 2.1% in July. The result was slightly above June's 2.0% and means inflation is just above the European Central Bank's target rate of just below 2.0%. The rise in inflation was contributed to by a jump in energy prices, as global oil prices remained high.

Income Trust

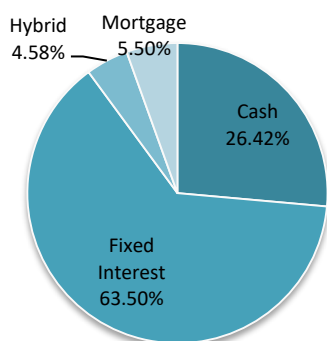
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.31	3.29	0.31	6.01	7.08	6.45
Income Trust (Net of Fees)#	0.26	3.13	0.26	5.36	6.43	5.80
Benchmark	0.19	0.51	0.19	1.82	1.95	2.21
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.95	

#All yearly returns are annualised

Monthly Performance Commentary

The Income Trust continued to exceed its objective and delivered a positive return for July, with Hybrids the best performing asset class. Goldman Sachs Floating Rate was the top contributor for the month, while National Income Securities was the top detractor for the month.

Asset Allocation

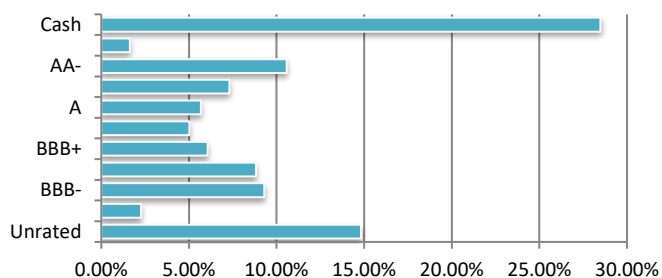


Top Contributors	Asset Class	Return %	Portfolio Contribution %
Goldman Sachs FRN	Fixed Interest	0.625	0.018
CBA FRN	Fixed Interest	0.312	0.018
Westpac Corporation FRN	Fixed Interest	0.352	0.018
NAB FRN	Fixed Interest	0.350	0.017
AMP FRN	Fixed Interest	0.290	0.017

Top Detractors	Asset Class	Return %	Portfolio Contribution %
National Income Securities	Fixed Interest	-0.348	-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 Qube Holdings Ltd, Suncorp Group Ltd, Seven Group Holdings Ltd, CBA and NAB Hybrid securities. Together these unrated securities represent 6.68% of the Income Trust Portfolio as at 31 July 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 July and was the main contributor to the overall performance of the portfolio in absolute terms. At the security level Goldman Sachs Floating Rate Note was the top contributor, followed by CBA Floating Rate Note, Westpac Floating Rate Note and NAB Floating Rate Note. National Income Securities was the sole detractor for the month.

Hybrid Securities

Hybrid Securities also outperformed the index this month, and in relative terms was the top contributor. All securities added value to the portfolio with Westpac Capital Notes 3 the top contributor, followed by CBA Perls VII and IX. Seven Group Holdings Convertible Preference Shares and Suncorp Capital Notes also added value for the period.

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: 0.00%

Fund Distribution History (cents per unit)

30 June 2017:	0.82
30 September 2017:	0.24
31 December 2017:	0.51
31 March 2018:	0.51
30 June 2018:	2.34

Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) [#]	0.82	3.36	0.82	11.11	6.06	7.66
Catholic Values Trust (Net of Fees) [#]	0.76	3.18	0.76	10.41	5.36	6.96
Benchmark	1.36	3.99	1.36	11.36	6.69	8.42
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.66	4.86

[#]All yearly returns are annualised

Monthly Performance Commentary

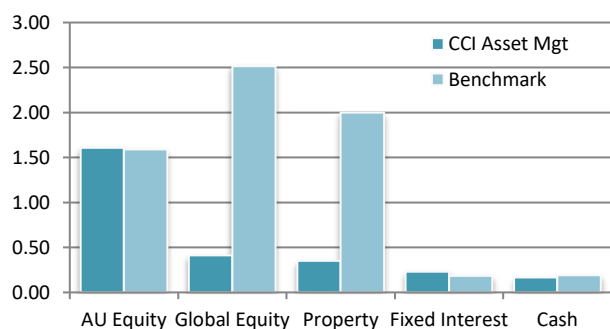
The Catholic Values Trust has continued to exceed its objective of outperforming CPI by 3% p.a. over rolling 3 and 5 year periods, and delivered another positive return of 0.76% (net of fees) for the month of July.

All asset classes delivered positive returns, with Australian Equities and Fixed Interest marginally outperforming the benchmark for the month. Global Equities and Property were at the other end and although they were in positive territory, underperformed their benchmark.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	33.13%	35.00%
Global Equity	25.61%	25.00%
Property	3.13%	5.00%
Fixed Interest	20.04%	25.00%
Cash	18.10%	10.00%

Asset Class Return

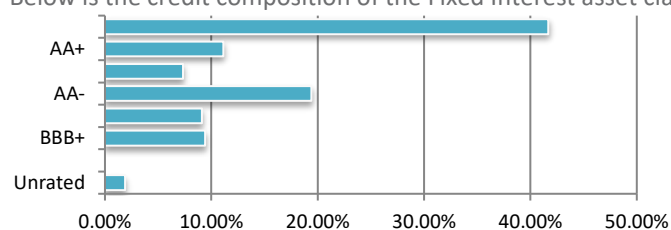


Fixed Interest

The Catholic Values Trust is underweight in Fixed Interest, and continues to maintain the majority of its exposure to semi-government securities. Fixed Interest 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 continued its positive run into the new Financial Year and delivered a positive return for July. The strongest sectors within the asset classes were Telecommunications, Industrials and Health Care, while the high concentration to Financials saw them as the top contributor in absolute terms. At the stock level, the Banks stood out with CBA, ANZ and NAB all in the top five contributors for the month, with BHP and Telstra taking the other two spots. Telstra shares rebounded somewhat after its recent share price slide, while detractors this month included Insurance Australia Group, Evolution Mining and Rio Tinto. Insurance Australia Group declined in July as investors prepare for the insurance industry to front the Royal Commission.

Franking Credit Income

[#]FYTD: 0.00%

Top Contributors	Return %	AU Contribution %
Commonwealth Bank Australia	2.63	0.23
ANZ Ltd	3.75	0.20
BHP Billiton Ltd	2.80	0.20
Telstra Corporation Ltd	8.40	0.18
National Australia Bank Ltd	3.36	0.17

Top Detractors	Return %	AU Contribution %
Insurance Australia Group Ltd	-5.74	-0.08
Evolution Mining Ltd	-20.51	-0.08
Rio Tinto Ltd	-2.68	-0.06
Scentre Group	-3.19	-0.05
A2M Milk Co Ltd	-8.75	-0.05

Global Equities

Manager: Perpetual Investments

The fund generated a positive return, however underperformed the benchmark for the month, while continuing to outperform the benchmark since inception. At security level, the top contributors were IT and Telecommunications company Softbank Group, financial services firm JP Morgan Chase and electronic payment and transaction provider Euronet Worldwide. On the downside, the holding in fast food chain operator Telepizza Group detracted from performance, along with online marketplace platform eBay Inc. eBay's stock fell after the release of their June quarter financial results and a weaker than expected earnings.

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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