

MONTHLY UPDATE

August 2020

Performance as at 31st August 2020

| | Month | Quarter | FYTD | 1 Year | 3 Years | 5 Years |
|-----------------------|-------|---------|------|--------|---------|---------|
| Income Trust | 0.19 | 1.31 | 0.75 | 1.98 | 4.14 | 5.69 |
| Catholic Values Trust | 1.98 | 3.57 | 2.52 | 2.60 | 8.22 | 7.27 |

All returns are net of fees and yearly returns are annualised

Investment Market Review

Equity markets across the globe enjoyed a solid month in August. The Australian share market, as measured by the S&P/ASX 100 Accumulation Index, continued to rally and returned 2.50% for August, while global shares, as measured by the MSCI World ex Australia Index (unhedged), returned 3.47% for the month. This was also reflected in the Income Trust and Catholic Values Trust, which both posted positive returns.

Domestic Economy Update

The Reserve Bank of Australia (RBA) kept official interest rates on hold at its September meeting. Rates remain at the historic low of 0.25%, the same level since late March. The RBA governor Philip Lowe also confirmed that it will increase the size of its funding facility and extend its availability until late June 2021.

Australia's unemployment rate posted a surprise fall, with 111,000 jobs created in August. Unemployment fell from 7.5% in July, to 6.8% in August, even though Melbourne was in lock down and regional Victoria in stage 3 restrictions. Of the 111,000 jobs created, full-time employment gained 36,200 positions and part-time employment added 74,800 new roles, while the participation rate rose to a five-month high of 64.8%.

The COVID-19 pandemic continues to hit the Australian economy hard, with GDP falling 7.0% quarter-on-quarter in Q2. This is down from Q1's 0.3% decrease and is the largest contraction on record, well below market expectations of 5.9%. Household spending came to a sudden slowdown, as job losses and business shutdowns took their toll.

The stage 3 and 4 restrictions currently in play across parts of Victoria, have taken their toll economically, with the states jobless rate increasing from 6.8% in July to 7.1 per cent in August. Unfortunately the death toll has also increased, with Australia now recording 824 deaths, up from 450 last month. Victoria has recorded the majority of these, with 737 deaths and 19,943 confirmed cases. On a positive note, the number of cases seems to be declining and hopefully restrictions can be eased on schedule, if not sooner.

CCI Asset Management Update

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@cciassetmanagement.org.au

Global Update

While Australia continues to battle with COVID-19, worldwide the death toll has reached over 937,000 deaths and 29.7 million confirmed cases. This is up from 784,000 deaths and 22.3 million confirmed cases last month. The United States has now recorded over 199,000 deaths from 6.7 million confirmed cases, while Brazil has recorded over 134,000 deaths from 4.42 million confirmed cases, up from around 76,000 deaths just two months ago. Unfortunately the virus has reached India and spread very quickly, with over 82,066 deaths and 5.02 million recorded cases, up dramatically from 54,000 deaths and 2.94 million recorded cases just 30 days earlier.

The impact of the coronavirus continues to show up in unemployment numbers and the U.S. are no different. In the U.S. the unemployment rate came in at 8.4%, a fall from July's figure of 10.2%, however still a long way from pre-pandemic levels when the unemployment rate was 3.5% in February. On the bright side, this saw 1.4 million jobs added in the month.

Since the onset of COVID-19, we have heard little about the U.S. - China Trade War. This was the major news story at the time and impacted equity markets across the globe. While tensions have eased, the World Trade Organisation (WTO) has recently ruled that the tariffs the U.S. imposed on Chinese goods in 2018, triggering the trade war, were "inconsistent" with international trade rules. The WTO said that the U.S. did not provide evidence that its claims of China's unfair technology theft, justified the border tariffs.

Income Trust

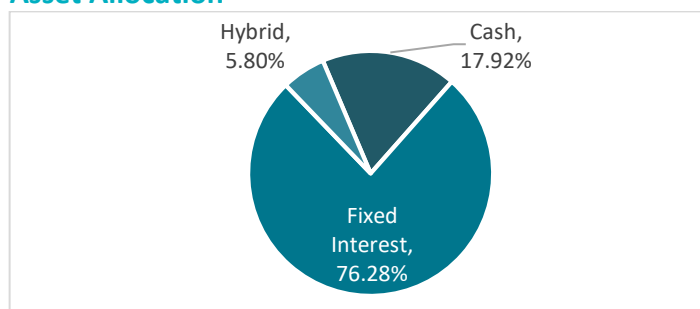
| | Month | Quarter | FYTD | 1 Year | 3 Years | 5 Years |
|---|-------|---------|------|--------|---------|---------|
| Income Trust (Gross of Fees) [#] | 0.25 | 1.47 | 0.86 | 2.63 | 4.79 | 6.34 |
| Income Trust (Net of Fees) [#] | 0.19 | 1.31 | 0.75 | 1.98 | 4.14 | 5.69 |
| Benchmark | 0.01 | 0.03 | 0.02 | 0.6 | 1.44 | 1.66 |
| Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs | | | | | 2.44 | |

[#]All yearly returns are annualised

Monthly Performance Commentary

The Income Trust maintained its positive trend and registered 0.19% net of fees for the month of August. All asset classes outperformed for the month, with Fixed Interest the top performing asset class in absolute terms, followed by Hybrids, and Cash. The Trust continues to outperform over all periods, including the 3 Year objective.

Asset Allocation



Fixed Interest

Fixed Interest delivered a positive return in August and as a result of its large asset allocation of 76.28%, the outperformance of this asset class had a large impact on the portfolio return and ensured it was the top contributor. Qube Holdings Floating Rate Note was the top contributor, followed by Standard Chartered Floating Rate Note, Toronto-Dominion Bank Floating Rate Note, CBA Floating Rate Note and NAB Bank Floating Rate Note. Detractors for the period included Bendigo and Adelaide Bank Floating Rate Note, ANZ Floating Rate Note, Canadian Imperial Bank Floating Rate Note and Westpac Floating Rate Note.

Hybrid Securities

Hybrid Securities also delivered a positive return for the period and outperformed the benchmark. CBA Perls XII Capital Notes was the top contributor for the month, followed by Westpac Capital Note 3 and NAB Subordinated Notes 2, while there were no detractors for the period.

| Top Contributors | Asset Class | Return % | Portfolio Contribution % |
|-----------------------------|----------------|----------|--------------------------|
| QUB Subordinated Notes | Fixed Interest | 1.162 | 0.036 |
| Standard Chartered Bank FRN | Fixed Interest | 0.654 | 0.020 |
| Toronto-Dominion Bank FRN | Fixed Interest | 0.318 | 0.017 |
| CBA FRN | Fixed Interest | 0.208 | 0.014 |
| NAB FRN | Fixed Interest | 1.345 | 0.012 |

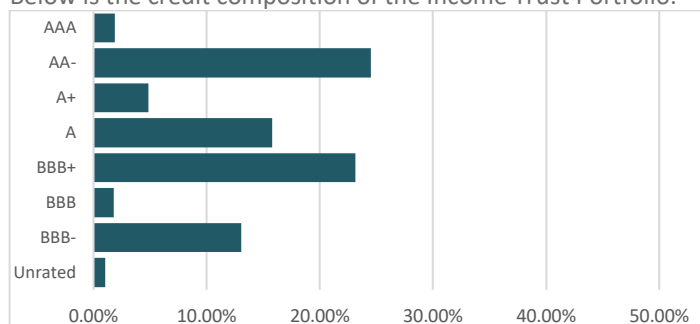
| Top Detractors | Asset Class | Return % | Portfolio Contribution % |
|-----------------------------|----------------|----------|--------------------------|
| Bendigo & Adelaide Bank FRN | Fixed Interest | -0.404 | -0.009 |
| ANZ FRN | Fixed Interest | -0.083 | -0.005 |
| Canadian Imperial Bank FRN | Fixed Interest | -0.128 | -0.003 |
| Westpac FRN | Fixed Interest | -0.046 | -0.001 |
| Westpac FRN | Fixed Interest | -0.005 | -0.001 |

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 2 | 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% |

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 1.03% of the Income Trust Portfolio as at 31 August 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

Fund Distribution History (cents per unit)

| | |
|--------------------|------|
| 30 June 2019: | 0.69 |
| 30 September 2019: | 0.38 |
| 31 December 2019: | 0.32 |
| 31 March 2020: | 0.32 |
| 30 June 2020: | 0.30 |

Catholic Values Trust

| | Month | Quarter | FYTD | 1 Year | 3 Years | 5 Years |
|--|-------|---------|------|--------|---------|---------|
| Catholic Values Trust (Gross of Fees) [#] | 2.04 | 3.75 | 2.64 | 3.30 | 8.92 | 7.97 |
| Catholic Values Trust (Net of Fees) [#] | 1.98 | 3.57 | 2.52 | 2.60 | 8.22 | 7.27 |
| Benchmark | 1.87 | 3.23 | 2.31 | 1.47 | 7.35 | 7.03 |
| Objective: CPI + 3%p.a. rolling 3 & 5 yrs | | | | | 3.53 | 3.93 |

[#]All yearly returns are annualised

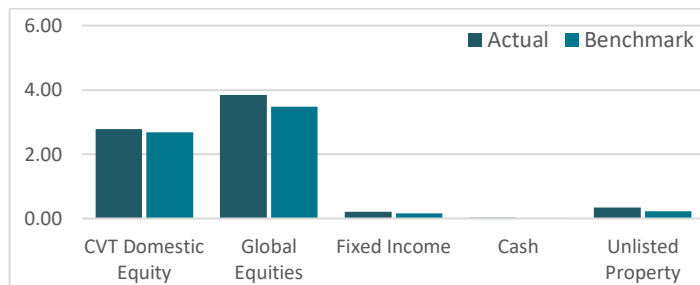
Monthly Performance Commentary

The Catholic Values Trust delivered another positive month in August and returned 1.98% net of fees for the month. All asset classes were positive for the month, with Global Equities the top contributor, followed by Australian Equities. These two asset classes also delivered the outperformance for the month, with Property also outperforming.

Asset Allocation

| | CCI Asset Management | Benchmark Allocation |
|----------------|----------------------|----------------------|
| AU Equity | 33.52% | 35.00% |
| Global Equity | 24.24% | 25.00% |
| Property | 2.62% | 5.00% |
| Fixed Interest | 18.87% | 25.00% |
| Cash | 20.76% | 10.00% |

Asset Class Return

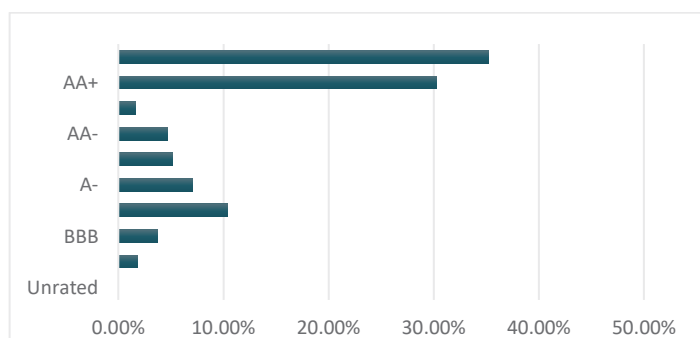


Fixed Interest

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 recent strong performance in August. Information Technology was the best performing sector for the month, as the Buy Now Pay later segment continued to gather support. This was no more evident than Afterpay, which returned over 33% for the month and was in the top contributing securities. CSL bounced back from last month's decline to be the top contributor in August, along with BHP, Wesfarmers and Fortescue Metals. BHP and Fortescue continued to rally off the back of high iron ore prices, while Wesfarmers, which owns Bunnings and Officeworks, saw increased sales as more people set up home offices and undertook projects around the house. On the downside Telecommunication Services declined in August, with Telstra the top detractor after a disappointing earnings report. Other detractors included CBA, Newcrest Mining and A2 Milk.

| Top Contributors | Return % | AU Contribution % |
|--------------------------|----------|-------------------|
| CSL Limited | 5.890 | 0.168 |
| Afterpay Touch Group Ltd | 33.411 | 0.121 |
| BHP Group Limited | 3.156 | 0.080 |
| Wesfarmers Limited | 4.934 | 0.061 |
| Fortescue Metals Group | 8.262 | 0.054 |

| Top Detractors | Return % | AU Contribution % |
|-----------------------------|----------|-------------------|
| Telstra Corporation Limited | -10.401 | -0.094 |
| CBA | -2.211 | -0.058 |
| Newcrest Mining Limited | -8.194 | -0.054 |
| A2 Milk Company Limited | -11.820 | -0.038 |
| ResMed Inc | -13.680 | -0.033 |

Global Equities

Manager: Vanguard Ethically Conscious International Shares Index Fund

The Vanguard Ethically Conscious International Share Index Fund produced another positive return of just under 4.0% net of fees for August. Tech stocks again lead the way with Apple, Tesla, Microsoft and Amazon the top contributors for the month, while the top detractors for the period included Cisco Systems, Samsung and Pfizer. Apple's share price rose 21.4% in August and is now up 75.8% since the start of the year, as it continues to deliver strong earnings, while Tesla was up 74.2% in August and is nearly up 500% this year. Cisco Systems fell 10.4% in August after the company published disappointing fourth quarter results and future guidance.

Fund Distribution History (cents per unit)

| | |
|-------------------|------|
| 30 June 2019: | 6.26 |
| 31 December 2019: | 1.37 |
| 30 June 2020: | 3.14 |

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

1300 655 220

www.cciassetmanagement.org.au

David Smith

Business Development Manager

03 9934 3077

david.smith@cciassetmanagement.org.au

Important Notice: CCI Asset Management Limited ABN 65 006 685 856 is a wholly owned subsidiary of Catholic Church Insurance Limited ABN 76 000 005 210. This product commentary is provided for information purposes only and CCI Asset Management and Catholic Church Insurance does not accept responsibility for error or misstatements in this document, negligent or otherwise. Past performance is not a reliable indicator of future performance. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Investment in a Trust is only intended to attract investors whose primary purpose for making their investment is to support the Catholic Church and investors may be unable to get some or all of their money back when the investor expects or at all. Investment with CCI Asset Management is not comparable to investments that are issued by banks, finance companies or fund managers. ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813 Identification Statement can be found at www.cciassetmanagement.org.au/who-we-are/

