

MONTHLY UPDATE

October 2019

Performance as at 31st October 2019

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.06	0.15	0.67	2.86	4.29	5.06
Catholic Values Trust	0.02	0.73	2.62	14.73	10.21	7.10

All returns are net of fees and yearly returns are annualised

Investment Market Review

The Income Trust and Catholic Values Trust increased marginally in October, expanding 0.06% and 0.02% respectively, net of fees. The global economy performed well following increased optimism surrounding the ongoing trade war. This had an impact on increasing bond yields, tightening credit spreads, higher equity valuations and reserve banks globally putting further rate cuts on hold to give their respective economies time to respond.

Domestic Economy Update

Jobs declined by 19,000 in October as the unemployment rate increased by 0.1% to 5.3%. The October figures also uncovered a rise in the number of ‘underemployed’ persons; those who are employed part time and are unable to obtain full time employment.

There was a marginal decrease in the participation rate during the month, which Australian treasurer Josh Frydenberg has recently highlighted as an ongoing hazard. This rate is likely to decrease further, and is accentuated by an ageing population; a situation where increased demands on the health, aged care and pension systems will occur as the number of working age Australians for every person aged over 65 diminishes.

There appears to have been a rebound in housing prices in October, which has supported investment activity and consumption spending through the wealth effect. First home buyers are rushing to enter the market through greater affordability and easier access to credit.

Markets recently ruled out a fourth rate cut in 2019, whilst the RBA gives the economy time to react to the recent tax and rate cuts before acting further. The forecasts for economic growth, wage growth and inflation were all downgraded recently despite the rebound in the housing market, which together increase the potential of another rate cut in February next year. Interest rates are currently at a record low of 0.75%.

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

The US unemployment rate increased to 3.6% in October, in line with market expectations. The labour force participation rate was little changed at 63.3%.

President Donald Trump has reiterated that the US and China are close to agreeing upon a “significant phase-one trade deal”. The outcome of this ongoing battle will prove vital, as continued success in the growth of the US economy will provide a political tailwind for Trump heading into the 2020 election. This is of growing importance as Democratic leader Elizabeth Warren has established herself a genuine threat to the presidency.

Climate change action has become one of the most important topic’s globally in the past few months, with the US agreeing to continue work with global partners in order to enhance resilience to the impacts of climate change, and be better prepared for increased occurrences of natural disasters. Some European leaders are calling for an import tax from countries who do not have an appropriate climate change policy in place. Economic leaders worldwide need to work together to tackle this issue which has been brought to the forefront of our attention with increase fires, flooding and other national disasters worldwide occurring this year.

Income Trust

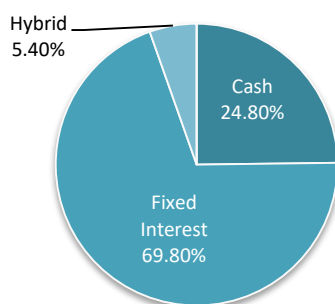
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees) [#]	0.11	0.31	0.89	3.51	4.94	5.71
Income Trust (Net of Fees) [#]	0.06	0.15	0.67	2.86	4.29	5.06
Benchmark	0.08	0.25	0.37	1.65	1.77	1.98
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.77	

[#]All yearly returns are annualised

Monthly Performance Commentary

The Income Trust produced a small positive yield throughout October, registering a return of 0.06% net of fees. Fixed Interest was the top performing asset class in absolute terms, with cash providing a small positive contribution, and hybrids detracting. The fund underperformed the benchmark for the month net of fees, but continues to outperform over all other rolling periods.

Asset Allocation



Fixed Interest

Fixed Interest recovered well during October, providing a small positive contribution of 0.12%. Due to its large asset allocation of 69.80%, the positive performance of this asset class had a large impact on the portfolio return. This performance likely stems from the tightening of investment grade credit spreads in October. Standard Chartered Bank FRN was the top contributor for the month, increasing by 1.36% in absolute terms. The top detractor was QUB Subordinated Notes.

Hybrid Securities

Hybrid Securities underperformed this month, detracting by 0.09%. Since there is only a slight exposure to Hybrids of 5.40%, this had minor influence on the overall portfolio movement. The top detractors were led by Hybrids issued by Australian major banks, which all detracted throughout October. The major banks refused to pass on the entirety of the RBA's October rate cut as profit margins continue to tighten.

Top Contributors	Asset Class	Return %	Portfolio Contribution %
Standard Chartered Bank FRN	Fixed Interest	0.748	0.021
CBA 03/06/26 FRN	Fixed Interest	0.256	0.016
AMP 30/03/22 FRN	Fixed Interest	0.225	0.011
Bendigo & Adelaide Bank FRN	Fixed Interest	0.327	0.009
Toronto-Dominion Bank FRN	Fixed Interest	0.140	0.007

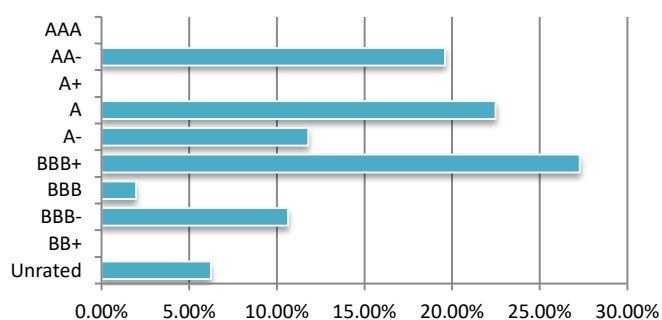
Top Detractors	Asset Class	Return %	Portfolio Contribution %
QUB Subordinated Notes	Fixed Interest	-1.619	-0.051
NAB Sub Note 20/09/28	Hybrids	-1.270	-0.006
CBA Perls VII Capital Notes	Hybrids	-0.297	-0.001
WBC Cap Note 3	Hybrids	-0.305	-0.001
ANZPF Cap Note 6	Hybrids	-0.402	-0.001

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%
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 2.32% of the Income Trust Portfolio as at 31 October 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) [#]	0.07	0.90	2.86	15.43	10.91	7.80
Catholic Values Trust (Net of Fees) [#]	0.02	0.73	2.62	14.73	10.21	7.10
Benchmark	-0.01	0.66	2.43	13.25	10.07	8.15
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.79	4.66

[#]All yearly returns are annualised

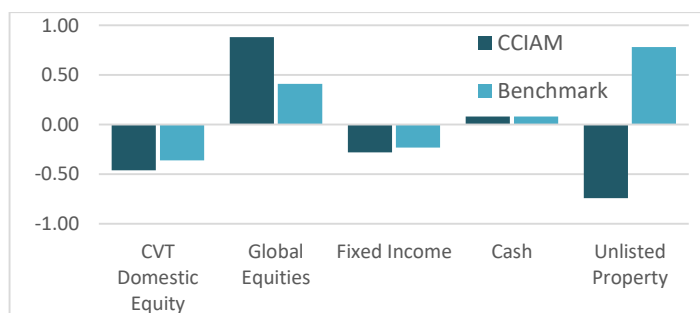
Monthly Performance Commentary

The Catholic Values Trust performance in October was relatively unchanged, increasing by 0.02% net of fees. The fund has performed very strongly in 2019, expanding 14.73% net of fees over the 1 year period. This has largely been contributed by growth in equities, domestically and globally, as equity valuations continue to climb, aided by increasing optimism regarding the ongoing trade war. The fund is performing well above its Objective of CPI + 3% per annum over the rolling 3 and 5 year periods.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	33.06%	35.00%
Global Equity	25.09%	25.00%
Property	3.05%	5.00%
Fixed Interest	18.86%	25.00%
Cash	19.94%	10.00%

Asset Class Return

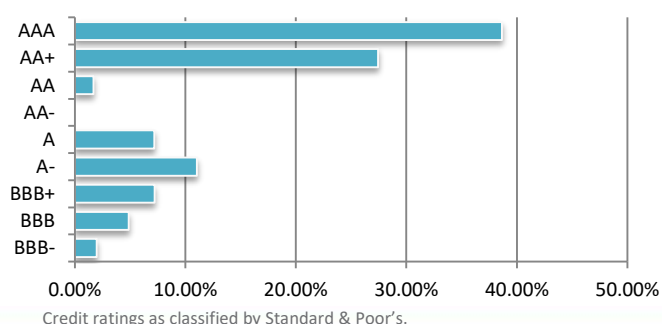


Fixed Interest

The Catholic Values Trust is underweight in Fixed Interest, and continues to maintain the majority of its exposure to semi-government securities, which contracted during the month as a result of a rise in fixed interest yields.

Fixed Interest Credit Rating Allocation

Below is the credit composition of the Fixed Interest asset class.



Australian Equities

Australian Equities detracted in October, with the Australian major banks weighing heavily on the performance due to their large market capitalization weightings. Continuing rate cuts from the RBA have impacted the bank's profit margins, as recent reporting season displayed full year earnings are much lower than previous years. This comes as no surprise since the majors are struggling in a low interest rate environment following the aftermath of the royal commission enquiry. In positive news, CSL Limited continues to grow, returning 9.560% for the month and now trading at over \$255 dollars per share.

Top Contributors	Return %	AU Contribution %
CSL Limited	9.560	0.210
Sydney Airport	9.340	0.036
Brambles Limited	7.619	0.028
Macquarie Group Ltd	2.167	0.018
Stockland Limited	7.473	0.018

Top Detractors	Return %	AU Contribution %
ANZ Limited	-6.241	-0.105
Westpac Banking Corporation	-4.825	-0.099
CBA Ltd	-2.685	-0.076
NAB Limited	-3.670	-0.064
Newcrest Mining Limited	-9.928	-0.053

Global Equities

Manager: Vanguard Ethically Conscious International Shares Index Fund

The Vanguard Ethically Conscious International Share Index Fund performed strongly in October, as the largest contributing asset class of the Catholic Values Trust in absolute terms. The fund returned 0.88% net of fees, following an improvement in the global economic outlook after rate cuts across all developed economies occurred in order to stimulate aggregate demand. This occurred in particular response to weak wage growth, and sputtering economic activity, particularly in the manufacturing sector. Apple Inc led the gains for the fund, returning 7.55% after the successful release of the new iPhone 11. Facebook and JP Morgan also contributed positively in October.

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

1300 655 220

www.cciassetmanagement.org.au

David Smith

Business Development Manager

03 9934 3077

david.smith@cciassetmanagement.org.au

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