

MONTHLY UPDATE

July 2019

Performance as at 31st July 2019

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.52	1.12	0.52	3.86	4.55	4.98
Catholic Values Trust	1.88	4.48	1.88	11.37	9.45	7.14

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, as the momentum continued. The Australian share market, as measured by the S&P/ASX 100 Accumulation Index, continued on its way returning 2.79% for the month, while global shares, as measured by the MSCI World ex Australia Index (unhedged), finished the month in positive territory and returned 2.31% for July.

Domestic Economy

Australian's unemployment rate remained steady at 5.2% in July, as a surprise job creation bounce offset an increase in the number of people looking for work. There were 41,100 jobs added to the economy, of which 34,500 were full-time and 6,600 part-time positions. The participation rate rose to a record high of 66.1%, which shows an increase in the population in work or actively looking for work.

The Reserve Bank of Australia (RBA) kept the cash rate unchanged at an all-time low of 1.00% at its most recent meeting. Following two consecutive cuts in June and July, the decision to maintain steady was not unexpected, however the RBA has not ruled out further cuts in the coming months.

U.S. Update

The U.S. unemployment rate remained unchanged at 3.7% in July, with 164,000 new positions created, while the participation rate increased from 62.9% to 63.0%. Jobs were created across many sectors, with professional and technical services leading the way with 31,000 new jobs, followed by health-care which added 30,000 jobs, social assistance created 20,000 new positions and financial activities saw 18,000 jobs added. The average hourly wage increased by 8 cents in July, to bring the increase to 3.2% over the past 12 months.

The Federal Open Market Committee (FOMC) lowered the target range for federal funds rates to 2.00% to 2.25% during its July meeting, the first rate cut since the financial crisis in 2008. Low inflation, a muted global outlook and the ongoing uncertainties in relation to the trade war, were all referenced as reasons behind the cut, while further rate cuts were also not ruled out. The U.S. are not alone in taking this action, with Australia, India and South Africa already cutting rates and Brazil and the European Central Bank indicating a similar move.

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 6th August 2019.

Catholic Values Trust	6.2607cpu
Income Trust	0.6991cpu

Taxation statements were sent on the 7th August 2019.

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

China Update

The trade war continues to dominate headlines, after U.S. President Donald Trump has said a further 10% tariff on \$300bn of Chinese goods will be implemented come 1 September. The tariff will target a wide range of goods from smartphones to clothing and was announced by President Trump as a result of China not honouring its promise to buy more U.S. agricultural products. Further comments from the U.S. president did little to reduce tensions, as he said the 10% tariff was a short-term measure and that they could be lifted to more than 25%.

Eurozone Update

The labour market in the Eurozone improved in June, as the number of unemployed decreased by 45,000 and the unemployment rate fell to 7.5%, down from 7.6% in May. This is the lowest unemployment rate since July 2008. At the country level Germany (3.1%), Malta (3.4%) and the Netherlands (3.4%) have the lowest unemployment rates, while at the other end of the scale, Greece continues to have the highest unemployment rate (17.6%), followed by Spain (14.0%) and Italy (9.7%).

Economic sentiment in the Eurozone continued to fall in July. Sentiment fell a further 0.6 points from June, to finish at a three year low of 102.7 points. A sharp decline in industry confidence was the main driver.

Income Trust

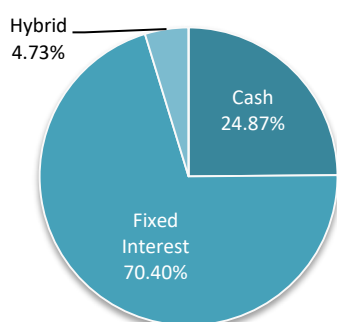
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.57	1.28	0.57	4.51	5.20	5.63
Income Trust (Net of Fees)#	0.52	1.12	0.52	3.86	4.55	4.98
Benchmark	0.12	0.40	0.12	1.90	1.84	2.06
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.84	

#All yearly returns are annualised

Monthly Performance Commentary

The Income Trust continued to exceed its objective and delivered a positive return for July, with Fixed Interest the top contributing asset class. National Income Securities was the top contributing security for the month, followed by Qube Holdings Subordinated Note, while there were no detractors for the period.

Asset Allocation

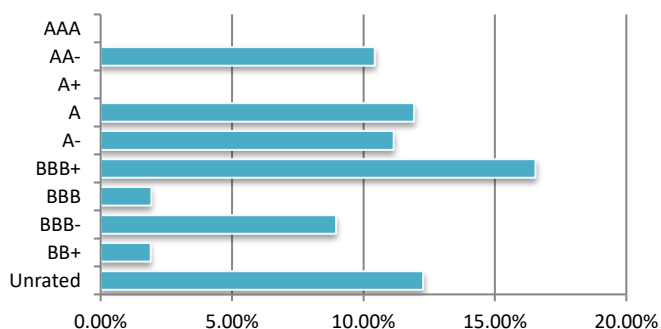


Top Contributors	Asset Class	Return %	Portfolio Contribution %
National Income Securities	Hybrid	2.716	0.147
Qube Subordinated Note	Fixed Interest	1.541	0.049
Westpac Group FRN	Fixed Interest	0.839	0.044
Westpac Group FRN	Fixed Interest	1.001	0.030
CBA FRN	Fixed Interest	0.915	0.027

Top Detractors	Asset Class	Return %	Portfolio Contribution %
Nil			

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 2.37% of the Income Trust Portfolio as at 31 July 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

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. The portfolio benefitted from holding long dated maturities as yields fell throughout the month. At the security level Qube Subordinated Note was the top contributor for the month, followed by two Westpac Floating Rate Notes and CBA Floating Rate Note, while there were no detractors for the month.

Hybrid Securities

Hybrid Securities also delivered a positive return for the month and for the second straight month there were no detractors for the period. National Income Securities was the top contributor, followed by Westpac Capital Notes 3, Westpac Capital Notes and ANZ Preference Shares.

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%

Franking Credit Income

#FYTD: 0.00%

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) [#]	1.94	4.65	1.94	12.07	10.55	7.84
Catholic Values Trust (Net of Fees) [#]	1.88	4.48	1.88	11.37	9.45	7.14
Benchmark	1.76	4.63	1.76	10.44	9.31	8.36
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.85	4.64

[#]All yearly returns are annualised

Monthly Performance Commentary

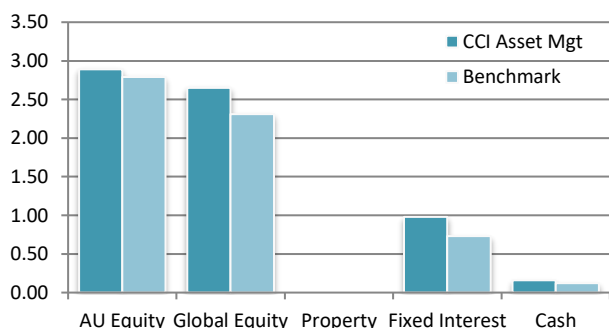
The Catholic Values Trust has continued to exceed its objective of outperforming CPI by 3% p.a. over rolling 3 and 5 year periods, and delivered another positive return of 1.88% (net of fees) for the month of July.

At the asset class level, Australian Equities was the best performing, followed by Global Equities as investors continued to look for growth opportunities. Fixed Interest also added value, while Property was steady.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	33.58%	35.00%
Global Equity	25.09%	25.00%
Property	2.88%	5.00%
Fixed Interest	19.95%	25.00%
Cash	18.50%	10.00%

Asset Class Return

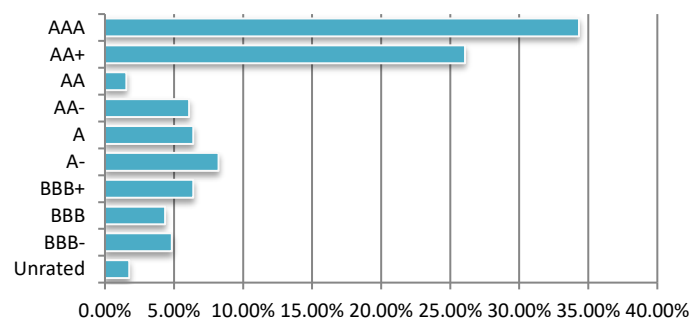


Fixed Interest

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 had another strong month, with Consumer Staples the top performing sector, followed by Financials. At the security level, CSL Ltd was the top contributor as it continued to benefit from a soft Australian dollar. National Australia Bank, Wesfarmers, Woolworths and A2 Milk rounded out the top 5 contributors, with Woolworths share price jumping on the news that the company will divest its retail liquor and pubs businesses. On the downside, the big miners Rio, BHP and Fortescue retreated as the price of iron ore fell and their major competitor (Vale) increased production, while Woodside detracted on the back of its second quarter results and AMP continued to fall, this time after the Reserve Bank of New Zealand blocked AMP's plans to sell its life insurance division to UK-based Resolution Life.

Franking Credit Income

[#]FYTD: 0.00%

Top Contributors	Return %	AU Contribution %
CSL Limited	6.80	0.14
National Australia Bank	6.70	0.10
Wesfarmers Limited	8.38	0.07
Woolworths Limited	7.19	0.07
A2 Milk Co Ltd	23.61	0.06

Top Detractors	Return %	AU Contribution %
RIO Tinto Ltd	-4.68	-0.04
Woodside Petroleum	-4.57	-0.03
Fortescue Metals	-7.65	-0.03
BHP Group Ltd	-0.97	-0.02
AMP Limited	-15.57	-0.02

Global Equities

Manager: Vanguard Ethically Conscious International Shares Index Fund

The Vanguard Ethically Conscious International Share Index Fund outperformed the index for July. At security level Apple was the top contributor after announcing strong third quarter results, with Alphabet (formerly Google) and Microsoft Corporation also adding to the portfolio as the technology sector rallied for the month. Procter & Gamble, JPMorgan and Bank of America were other top contributors. At the other end of the scale Pfizer (American pharmaceutical company) was the top detractor after announcing a deal with generic drug-maker Mylan. Johnson & Johnson, Netflix, SAP and Samsung also detracted from performance.

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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