

MONTHLY UPDATE

January 2021

Performance as at 31st January 2021

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.24	0.82	2.13	2.33	4.03	5.52
Catholic Values Trust	0.15	5.91	8.19	1.98	8.15	8.80

All returns are net of fees and yearly returns are annualised

Investment Market Review

After a strong start of the month, global equity markets gave up most of their gains at the end of January. The Australian share market, as measured by the S&P/ASX 100 Accumulation Index, returned a small positive return of 0.4% for January, while global shares, as measured by the MSCI World ex Australia Index (unhedged) ended the month down -0.4%.

Domestic Economy Update

Domestically, the economic recovery is well under way and has been stronger than expected. There has been a strong uplift in employment with a decline in the unemployment rate to 6.6%, the lowest since March last year. Retail spending has been strong and most households and businesses that had deferred loan repayments have now resumed repayments. The annual inflation rate, as measured by the Consumer Price Index (CPI) is also up 0.9% over the December quarter. These outcomes have been supported by Australia's success in containing the virus and the substantial fiscal and monetary support.

The Reserve Bank of Australia (RBA) decided to maintain the targets of 10 basis points for the cash rate and the yield on the 3-year Australian Government bond, as well as the parameters of the Term Funding Facility. The RBA also announced further increase of the size of asset purchases of government bonds by \$100 billion to support the recovery of the Australian economy.

Amongst other things, Australian government bond yields rose over the month with the market responding to the improvement in the economic (and health) outlooks alongside Australia's continuing strong control of the virus. Iron ore prices fell amid growing concerns of weaker demand from China alongside a surge in costs for raw steel making-materials. The Australian dollar fell against the USD, at US\$0.76.

During the month, the number of new coronavirus cases remained very low and is mainly confined to returned travellers. Western Australia experienced their first shutdown as Perth, the Peel region and the South West region went into a five-day lockdown following the positive test of a hotel quarantine security guard.

CCI Asset Management Updates

Distributions

The December Quarter/Bi-Yearly distributions were paid on 29/01/2021.

Income Trust

1st October to 31st December 2020
Cents Per Unit: 0.15

Catholic Values Trust

1st July to 31st December 2020
Cents Per Unit: 0.70

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

Global Update

Global equities had a volatile month in January driven by a number of factors: concerns over the efficiency on the vaccine rollout, the efficacy against mutating strains of the virus, a new US stimulus package, rising global COVID-19 cases (particularly in UK and Eurozone), disappointing earnings result from tech giant companies, and a trading frenzy in the US affecting a small number of internet stocks.

Although we saw recent improvement of economic activity in the US, COVID-19 continues to negatively impact the labour market. The inauguration of Joe Biden as the 46th president of the US took place on 20th January 2021 which should provide a more stable political outlook going forward. Biden formally announced an additional \$1.9 trillion COVID-19 stimulus plan on January 15, 2021 to facilitate the US's recovery from the devastating economic and health effects of the COVID-19 pandemic. Further, the US Federal Reserve left monetary policy on hold and committed to continue to do so until inflation moderately exceeds its target for a period and full employment has been reached.

Income Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees) [#]	0.29	0.98	2.51	2.98	4.68	6.17
Income Trust (Net of Fees) [#]	0.24	0.82	2.13	2.33	4.03	5.52
Benchmark	0.00	0.01	0.05	0.29	1.21	1.48
Objective: Bloomberg AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.21	

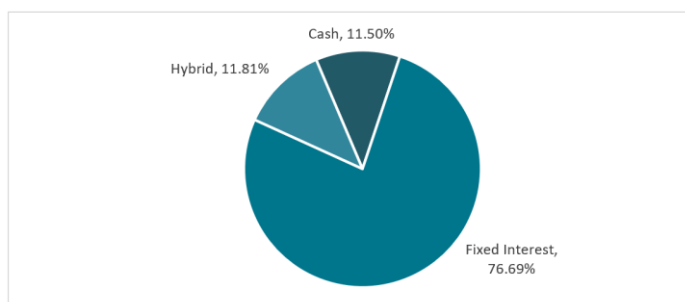
[#]All yearly returns are annualised

[^]Benchmark is Bloomberg AusBond Bank Bill Index

Monthly Performance Commentary

The Income Trust produced a positive return for January, returning 0.24% net of fees. Fixed interest contributed the most to the overall Trust return, followed by hybrids. Cash returns continued to be muted as the Reserve Bank of Australia (RBA) had maintained that the cash rate will not rise for “at least three years”.

Asset Allocation

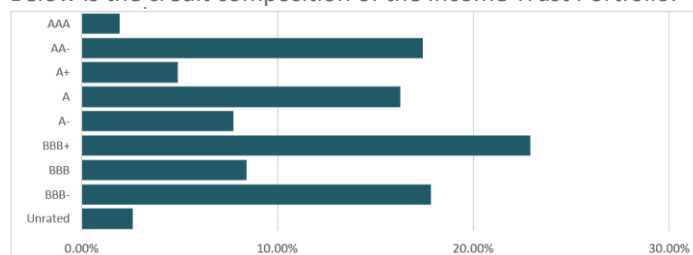


Top Contributors	Asset Class	Return %	Portfolio Contribution %
Standard Chartered Bank FRN	Fixed Interest	1.073	0.036
Toronto-Dominion Bank FRN	Fixed Interest	0.553	0.033
CBA FRN	Fixed Interest	0.675	0.028
West Links FRN	Fixed Interest	0.449	0.016
CBA Pearls VII Capital Note	Hybrid	1.029	0.015

Top Detractors	Asset Class	Return %	Portfolio Contribution %
QUB Subordinate Notes	Fixed Interest	-0.389	-0.014
NAB Subordinate Note	Fixed Interest	-0.686	-0.003
ANZ PD	Hybrid	-0.136	-0.001

Portfolio Credit Rating Allocation

Below is the credit composition of the Income Trust Portfolio.



Unrated securities largely consist of unrated retail issues including Bendigo & Adelaide Bank, Suncorp Group Ltd and Macquarie Group. Together these unrated securities represent 2.60% of the Income Trust Portfolio as at 31 January 2021.

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

The overweight allocation to corporate bonds continued to add value as spreads tightened over January. Notable, top performers here included Standard Chartered Bank, Toronto-Dominion Bank, CBA and Westlinks Floating Rate Notes. Qube Subordinated Notes and NAB Subordinate Notes were the top detractor for the period.

Hybrid Securities

Hybrids, which is the highest yielding securities in the Income Trust, also produced modest returns over the month even with falling traded margins at the lower end of its ten-year trading range with the current 3-month BBSW rate just above zero. CBA Pearls VII, CBA Pearls XII, NAB Capital Notes 5, CBA Pearls IX and Westpac Bank Capital Notes 7 were the top contributors for the month, while ANZPD was the key detractor for the month.

Hybrid Portfolio

Security	Issuer Margin
ANZ Bank Preference Shares	BBSW 90 Day + 3.40%
ANZ Capital Notes 6	BBSW 90 Day + 3.60%
Bendigo & Adel Capital Notes	BBSW 90 Day + 3.80%
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%

Fund Distribution History (cents per unit)

31 December 2019:	0.32
31 March 2020:	0.32
30 June 2020:	0.30
30 September 2020:	0.12
31 December 2020:	0.15

Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) [#]	0.20	6.08	8.60	2.68	8.85	9.50
Catholic Values Trust (Net of Fees) [#]	0.15	5.91	8.19	1.98	8.15	8.80
Benchmark	0.15	5.90	7.74	1.00	7.23	8.35
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					5.25	5.07

[#]All yearly returns are annualised

*Benchmark is the composite of Strategic Asset Allocation returns

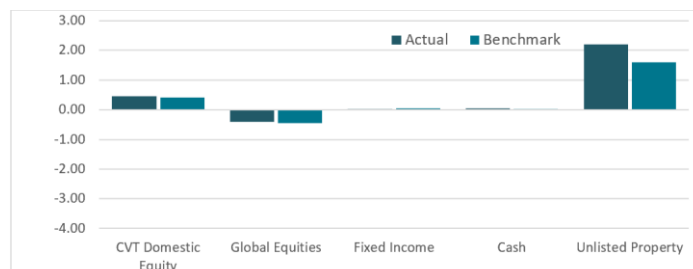
Monthly Performance Commentary

The Catholic Values Trust returned 0.15% net of fees for the month. While Fixed Interest and Cash were flat, Australian Equities was the top contributor for the month, contributing +0.18% followed by Unlisted Property contributing 0.06% on the back of asset revaluations. This is offset by global equities which detracted by 0.1%. The Trust continues to outperform over all periods, including the 3 and 5 year objectives.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	35.63%	35.00%
Global Equity	25.76%	25.00%
Property	2.58%	5.00%
Fixed Interest	18.51%	25.00%
Cash	17.52%	10.00%

Asset Class Return

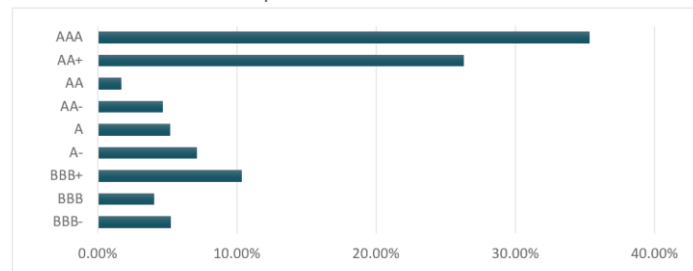


Fixed Interest

The Catholic Values Trust is underweight in Fixed Interest, and continues to maintain the majority of its exposure to semi-government securities. Rising Australian government bond yields was the key detractor to returns with majority of the Catholic Values Trust fixed interest holdings consisting of longer-dated government bonds.

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

Domestically, the Australian equity market (S&P/ASX100) returned a small positive 0.4% in January. From the sector level, Financials was the leading performer followed by Consumer Discretionary. Major banks stocks continued to rally as the economic outlook improves, Australian property prices recovered strongly and the Australian Prudential Regulation Authority (APRA) relaxes some of its capital management guidelines for authorised deposit taking institutions (ADIs) in Australia. By contrast, the Real Estate sector was the weakest followed by Industrials.

Top Contributors	Return %	AU Contribution %
Westpac Banking Corporation	9.09	0.14
Wesfarmers Limited	8.35	0.10
Afterpay Touch Group Ltd	14.49	0.08
Bhp Group Limited	2.66	0.08
National Australia Bank Limited	4.16	0.07

Top Detractors	Return %	AU Contribution %
CSL Limited	-4.05	-0.11
Fortescue Metals Grp	-7.00	-0.06
Macquarie Group Ltd	-5.11	-0.05
Goodman Group	-6.50	-0.05
Xero Limited	-11.53	-0.04

Global Equities

Manager: Vanguard Ethically Conscious International Shares Index Fund

In January, the Vanguard Ethically Conscious International Share Index Fund returned -0.4%, outperforming the MSCI World ex-Australia (\$A unhedged) index by a small 0.05%. From the sector level, defensive sectors such as Healthcare and Consumer Discretionary were the top performers over the month. On the other hand, Consumer Staples and Financials were the worst performers during the January.

Fund Distribution History (cents per unit)

31 December 2019:	1.37
30 June 2020:	3.14
31 December 2020:	0.70

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

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