MONTHLY UPDATE

June 2017

Performance as at 30th June 2017

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.29	0.84	4.56	4.56	5.38	7.91
Catholic Values Trust	-0.45	0.98	9.88	9.88	5.32	9.41

All returns are net of fees and yearly returns are annualised

Investment Market Review

We saw mixed returns between domestic and global equity markets in June, however over the course of the financial year, it was positive returns across the board. The Australian share market, as measured by the S&P/ASX 200 Accumulation Index, increased 0.17% for the month and 14.09% for the financial year, while global shares, as measured by the MSCI World ex Australia Index (unhedged), finished the year on a low, returning -2.64% for the month, but still returned 14.73% for the financial year.

Domestic Economy

Australia's unemployment rate remained unchanged at 5.6% in June, the lowest rate since October 2016, as a further 14,200 jobs were created. The result was supported by a marginal increase in the number of people looking for work, with the participation rate rising to a 17-month high of 65.0%. The number of full-time jobs rose by 62,000, while part-time employment fell by 48,000. Full-time employment has now increased by around 187,000 persons since September 2016, with 115,400 full-time jobs created in the last two months – the biggest back-to-back job gain in 29 years.

The Australian dollar has remained very resilient throughout the year. After beginning at $0.7451 against the US dollar and many predicting its decline, we finished the year at $0.7689. A low of $0.7176 was reached in December and a high of $0.7762 recorded in November. Early July has seen further spikes, with $0.79 reached as commodity prices and the jobs data surprised on the upside.

The RBA left interest rates unchanged at a record low of 1.5% at its most recent meeting on July 4th, with the minutes showing that they expect the economy to gradually strengthen.

China Update

There was positive data out of China, with exports rising 11.3% annually in June, while imports rose 17.2% annually, indicating both global and domestic demand remains resilient. Meanwhile retail sales grew 11.0% year-on-year in June, above the 10.7% rise in May and the fastest growth since January 2016, as strong sales of cars and food continued. On top of this, industrial production also expanded, with June 2017, 7.6% higher than June 2016 and above the 6.5% rise in May. These figures were a result of faster growth in manufacturing output and in electricity, gas and water supply.

CCI Asset Management Update

Distributions

The June Quarter/Bi-Yearly distributions are scheduled to be paid in early August. Distribution Statements and Taxation Statements will also be sent around this period.

Catholic Values Trust Changes

Please refer to the back page for upcoming changes to the Catholic Values Trust.

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

U.S. Update

Unemployment in the U.S. increased to 4.4% in June, up from May's 16 year low of 4.3%, as the participation rate edged up to 62.8%. There were 222,000 jobs added to the economy in June, and an average of 180,000 per month for the year, slightly below the 2016 average of 187,000. Healthcare was the biggest contributor, with 37,000 new jobs, followed by professional and business services adding 35,000. Wall Street related jobs grew by 17,000 and mining saw 8,000 new positions.

Meanwhile, inflation eased from 1.9% in May to 1.6% in June, with Federal Reserve Chair Janet Yellen acknowledging that inflation is becoming a source of concern for Fed officials when forecasting interest rate hikes.

Eurozone Update

The European Commission reported that economic sentiment in the Eurozone increased in June, recording the best result since August 2007. The economic sentiment index increased from 109.2 to 111.1, with all sectors of the economy recording an increase in sentiment. Continued positive views regarding the future employment situation was one of the key reasons behind the increase.

In a further positive for the Eurozone, industrial production increased 1.3% in May, marking the fastest growth since November 2016. This was a 4.0% increase for the year, as capital goods production and the output of consumer goods grew.

Income Trust

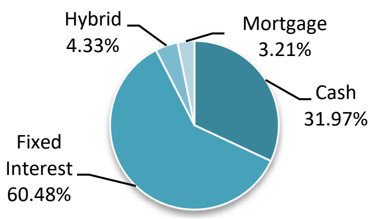
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.35	1.00	5.21	5.21	6.03	8.56
Income Trust (Net of Fees)#	0.29	0.84	4.56	4.56	5.38	7.91
Benchmark	0.14	0.44	1.82	1.82	2.22	2.52
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					3.22	

#All yearly returns are annualised

Monthly Performance Commentary

The Income Trust continues to exceed its objective and delivered a positive return for June. All asset classes produced positive returns, with Fixed Interest the strongest performing for the month. Qube Holdings Subordinated Note was the top contributor, followed by APA Subordinated Note, while National Income Securities was the top detractor to performance for the month.

Asset Allocation

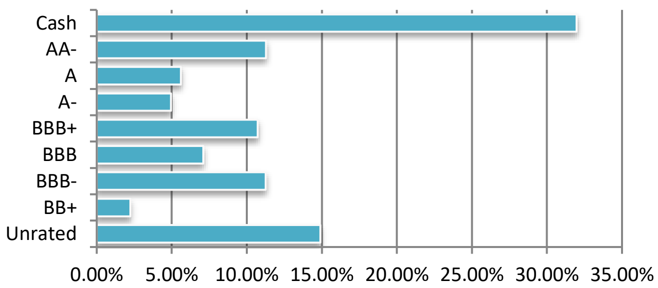


Top Contributors	Asset Class	Return %	Portfolio Contribution %
Qube Holdings Sub Note	Fixed Interest	2.962	0.100
APA Sub. Note	Fixed Interest	0.851	0.046
Bendigo & Adelaide Bank	Fixed Interest	1.223	0.041
Comm Bank of Aust FRN	Fixed Interest	0.303	0.035
Westpac Sub. Note (WBCHA)	Fixed Interest	0.509	0.024

Top Detractors	Asset Class	Return %	Portfolio Contribution %
National Income Securities	Fixed Interest	-0.259	-0.013
Seven Group Holdings CPS	Hybrid	-1.961	-0.008
AMP Limited FRN	Fixed Interest	-0.148	-0.008
Westpac Banking Corp FRN	Fixed Interest	-0.032	-0.002
CBA Perls IX	Hybrid	-0.110	-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 Qube Holdings Ltd, APT Pipelines Ltd, Suncorp Group Ltd, Seven Group Holdings Ltd, CBA and NAB Hybrid securities. Together these unrated securities represent 11.68% of the Income Trust Portfolio as at 31 May 2017. 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 June and was the main contributor to the overall performance of the portfolio. At the security level, Qube Holdings Subordinated Note was the top contributor this month, while National Income Securities reversed last month's positive performance to be the top detractor to performance this month, followed by AMP Limited Floating Rate Note and Westpac Floating Rate Note.

Hybrid Securities

Hybrid Securities also outperformed the index this month. NAB Subordinated Note 2 turned around last month's underperformance to be the top contributor, followed by NAB Capital Notes and Westpac Capital Notes 3, while Seven Group Holdings Convertible Preference Shares was the top detractor for the month.

Following recent maturities within Fixed Interest, Cash is currently overweight while a rebalance takes place.

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: 0.0335%

Fund Distribution History (cents per unit)

31 March 2016:	0.58
30 June 2016:	0.86
30 September 2016:	0.54
31 December 2016:	0.47
31 March 2017:	0.55

Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees)#	-0.39	1.15	10.58	10.58	6.02	10.11
Catholic Values Trust (Net of Fees)#	-0.45	0.98	9.88	9.88	5.32	9.41
Benchmark	-0.51	0.50	9.78	9.78	7.42	10.40
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.58	5.03

#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 although delivered a negative return for the month, outperformed the benchmark for June.

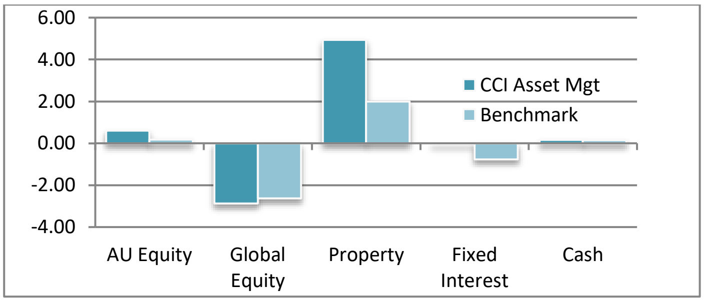
All asset classes outperformed the benchmark, with the exception of Global Equities. Property was the top contributor to performance, followed by Australian Equities, Fixed Interest and Cash.

Please refer to the back page for upcoming changes to the Catholic Values Trust.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	31.15%	35.00%
Global Equity	25.60%	25.00%
Property	3.21%	5.00%
Fixed Interest	20.38%	25.00%
Cash	19.65%	10.00%

Asset Class Return

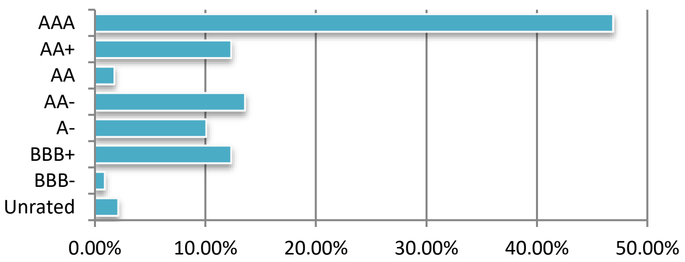


Fixed Interest

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 outperformed the ASX 200 Accumulation Index for the month of June. At the sector level, Financials and Health Care were the top contributors, while Consumer Staples and Energy were the main detractors. At the stock level, CBA, was the top contributor, rebounding from May's decline following the budget announcement to impose a bank levy, followed by CSL and Qantas. Wesfarmers, Woodside and BHP were the top detractors, with Wesfarmers decline driven by cyclical weakness and plans by global giant Amazon, to enter the Australian market.

Franking Credit Income

#FYTD: 0.5142%

Top Contributors	Return %	AU Contribution %
Commonwealth Bank of Australia	3.97	0.33
CSL Ltd	6.76	0.33
Qantas Airways Ltd	14.17	0.21
Fisher & Paykel Healthcare Corp Ltd	7.85	0.16
Suncorp Metway Ltd	7.08	0.15

Top Detractors	Return %	AU Contribution %
Wesfarmers Ltd	-6.04	-0.24
Woodside Petroleum Ltd	-7.09	-0.22
BHP Billiton Ltd	-2.59	-0.19
Brambles Ltd	-6.17	-0.13
Regis Healthcare Ltd	-6.65	-0.12

Global Equities

Manager: AMP RIL International Share Fund

The Fund marginally underperformed for the month, however generated a solid return in the June quarter and outperformed the benchmark. Within the developed markets, both Lazard and Investec performed well in absolute terms for the quarter, with Lazard slightly underperforming and Investec outperforming the benchmark. Lazard's performance was negatively impacted by its overweight position in Foot Locker, following a lower than expected outlook from management. Investec performed strongly, with holdings in US banks Citigroup, Bank of New York Mellon and Bank of America all gaining on the positive outcome of the US Federal Reserve's capital adequacy tests.

Within the emerging market exposure, Investec was the best performer for the quarter and outperformed the benchmark. Geely Automobile, a Chinese car manufacturer was a significant contributor to return.

Fund Distribution History (cents per unit)

31 December 2015:	1.37
30 June 2016:	2.34
31 December 2016:	1.82

An important change to the Catholic Values Trust

We're changing the way we manage our investment in Australian Equities within the Catholic Values Trust. It is part of our commitment to delivering you strong performance in a cost effective manner.

From July 2017, we will manage Australian Equities passively within the Catholic Values Trust.

Pursuing a passive investment strategy means we will now invest in the ASX100 stock holdings only, with the exception of those that do not comply with our Catholic Values Policy, rather than actively selecting Australian Equities.

Why the Change?

Empirical evidence has shown that asset allocation can account for 80-90% of a portfolio's volatility and performance over the long term.

With this in mind, we will continue to actively manage the asset allocation of the Catholic Values Trust, however we will no longer actively manage the Australian Equities asset class.

The high concentration in the ASX100 index (the top 10 securities within the ASX100 represent over 50% of the index), means an active Australian Equities investment strategy requires investors to take on increased levels of active risk to achieve meaningful outperformance.

As a result, we're confident that a passive Australian Equities investment strategy will be most beneficial for clients and allow the Catholic Values Trust to continue to deliver on the objective of CPI + 3%.

We're always looking for ways to deliver on value. If you have any questions or concerns, please contact David Smith, Business Development Manager on: david.smith@cciassetmanagement.org.au

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

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