MONTHLY UPDATE

February 2018

Performance as at 28th February 2018

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.11	0.72	2.15	3.81	5.52	5.91
Catholic Values Trust	0.49	1.15	6.28	9.36	4.42	7.55

All returns are net of fees and yearly returns are annualised

Investment Market Review

Returns were mixed between domestic and global equity markets in February, as volatility remained high. The Australian share market, as measured by the S&P/ASX 200 Accumulation Index, ended the month on a high and returned 0.36%, while global shares, as measured by the MSCI World ex Australia Index (unhedged), finished the month in negative territory and returned -0.41% for the month.

Domestic Economy

Australia's unemployment rate increased from 5.5% in January to 5.6% in February, even though 17,500 new jobs were created. This was the 17th consecutive month of jobs growth and the longest on record. In contrast to January, where part-time positions outnumbered full-time positions, February saw full-time positions increase by 64,900, while part-time employment decreased by 47,400.

At the March monetary policy meeting, the Reserve Bank of Australia (RBA) kept the official cash rate on hold at its record low of 1.50%, the same position it has held since August 2016. The RBA's decision was off the back of recent data that showed inflation had remained subdued in the final quarter of last year and was still slightly under the RBA's 2-3% target range – similar comments from the previous meeting.

U.S. Update

The U.S. economy added a further 313,000 jobs in February, its greatest gain since July 2016 and impressive step up from the 239,000 jobs created in January. The unemployment rate remained at a 17 year low of 4.1% for the fifth straight month, as the participation rate (those in work or looking for work) climbed from 62.7% in January to 63.0% in February and offset the newly created positions. Jobs were created across the board, with the goods-producing sector leading the way with a further 100,000 new jobs created for the month, on top of the 72,000 jobs added in January. The construction sector added 61,000 new roles in February, while manufacturing gained 31,000 new employees and the services sector continued the recent growth by adding a further 50,300 jobs. With new jobs increasing and wages growing in January, all interest was on February's figure, with wage growth coming in at 2.6%, down from January's 2.8% increase.

CCI Asset Management Updates

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

China Update

Retail sales in China grew 9.7% year-on-year for the January-February period, compared to the 9.4% increase in December. January and February data was combined to smooth out volatility relating to Chinese New Year holidays. Growth was most prominent in car and home appliances sales.

Consumer prices in February rose 1.2%, up from January's 0.6% rise, as prices increased for food, tobacco, alcohol and education. Strong demand during Chinese New Year was the major reason given for the rise.

Eurozone Update

The European Central Bank (ECB) kept interest rates unchanged at its March policy meeting and also removed its easing bias by changing its commentary relating to its bond-buying program. The ECB stated that the asset purchase program would continue until September or beyond, but made no mention of enlarging the program. The ECB's slight change in stance follows improving economic sentiment and robust manufacturing conditions and is seen as a step towards normalization of its monetary policy.

The number of unemployed in the Eurozone fell by 10,000 and the unemployment rate came in at 8.6% in January, the same as December. Employment conditions improved across Cyprus, Ireland and Spain, while France and Germany remained unchanged. Italy and Lithuania were the only countries to see the unemployment rate rise in January.

Income Trust

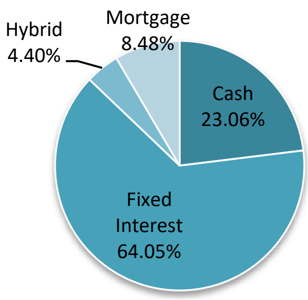
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.16	0.88	2.58	4.46	6.17	6.56
Income Trust (Net of Fees)#	0.11	0.72	2.15	3.81	5.52	5.91
Benchmark	0.13	0.43	1.15	1.75	1.99	2.30
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.99	

#All yearly returns are annualised

Monthly Performance Commentary

The Income Trust continued to exceed its objective and delivered a positive return for February. At the asset class level Fixed Interest/Mortgages were the strongest performing for the month, while Hybrids underperformed. APA Subordinated Note was the top contributor, followed by two mortgages within the portfolio, while National Income Securities was the top detractor for the month.

Asset Allocation

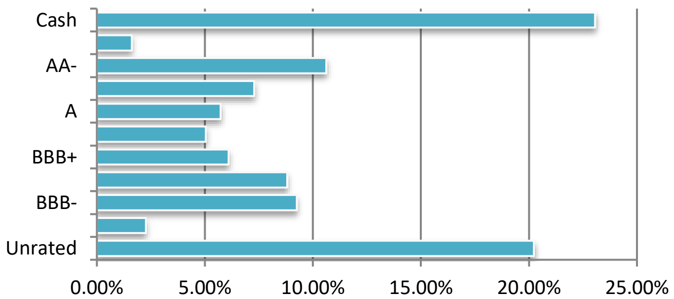


Top Contributors	Asset Class	Return %	Portfolio Contribution %
APA Sub. Note	Fixed Interest	0.542	0.029
Mortgage	Mortgage	0.579	0.019
Mortgage	Mortgage	0.625	0.018
CBA FRN	Fixed Interest	0.305	0.018
Mortgage	Mortgage	0.663	0.015

Top Detractors	Asset Class	Return %	Portfolio Contribution %
National Income Securities	Fixed Interest	-1.392	-0.071
Qube Holdings Sub Note	Fixed Interest	-0.980	-0.034
Westpac Capital Notes 3	Hybrid	-0.576	-0.005
NAB Capital Notes	Hybrid	-0.691	-0.004

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, APA Group, Suncorp Group Ltd, Seven Group Holdings Ltd, CBA and NAB Hybrid securities. Together these unrated securities represent 11.74% of the Income Trust Portfolio as at 28 February 2018. 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 February and was the main contributor to the overall performance of the portfolio. At the security level, APA Subordinated Note was the top contributor, while CBA Floating Rate Note and UBS Australia Floating Rate Note also made positive contributions for the month. The three mortgages in the portfolio were also top contributors for the period, while National Income Securities was the top detractor for the month, a contrast to the previous four months where it was the top contributor. Qube Holdings Subordinated Note was the other detractor from performance for February.

Hybrid Securities

Hybrid Securities underperformed the index this month, with WBC Capital Notes 3, NAB Capital Notes and Seven Group Holdings Convertible Preference Shares the top detractors, while CBA Perls VII and NAB Subordinated Note 2 were the top contributors.

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: 0.0054%

Fund Distribution History (cents per unit)

31 December 2016:	0.47
31 March 2017:	0.55
30 June 2017:	0.82
30 September 2017:	0.24
31 December 2017:	0.51

Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees)#	0.55	1.32	6.74	10.06	5.12	8.25
Catholic Values Trust (Net of Fees)#	0.49	1.15	6.28	9.36	4.42	7.55
Benchmark	0.18	0.74	6.02	8.58	5.47	8.60
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.79	4.94

#All yearly returns are annualised

Monthly Performance Commentary

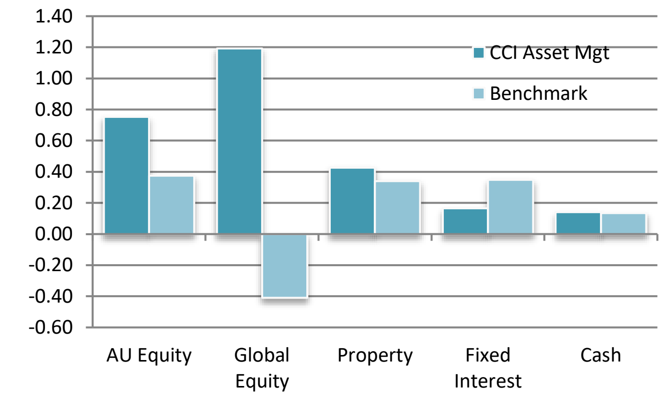
Volatility within equity markets was high across February, however the Catholic Values Trust produced a positive return for the month and outperformed the benchmark for February.

Both Australian and Global Equities outperformed for the month and were the top contributors to performance. Global Equities in particular was a stand-out given the benchmark was in negative territory. Property also outperformed, while cash performed in-line with the benchmark and Fixed Interest delivered a positive return, although below the benchmark.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	30.78%	35.00%
Global Equity	24.66%	25.00%
Property	2.99%	5.00%
Fixed Interest	19.01%	25.00%
Cash	22.57%	10.00%

Asset Class Return

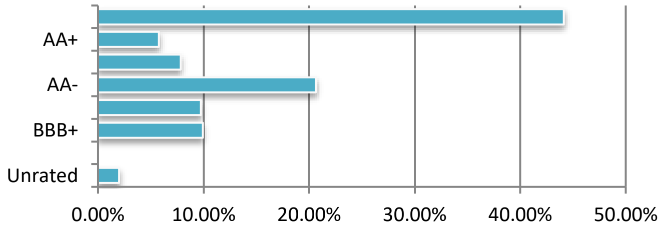


Fixed Interest

The Catholic Values Trust is underweight in Fixed Interest, and continues to maintain the majority of its exposure to semi-government securities. Fixed Interest underperformed 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 delivered a positive return for February. Health Care was the best performing sector, followed by Financials and Consumer Staples, while Energy and Telecommunications were the main detractors. At the stock level, CSL was the top contributor after reporting strong sales growth for the half-year and A2 Milk surged off the back of announcing its net profit jumped by 150 per cent on sales of infant formula in Australia and China. Other contributors were Insurance Australia Group, NAB and RIO. At the other end of the scale, the top detractors for the month were Woodside, South32 and Telstra, with South32 declining after announcing a fall in profit for the six months to 31 December 2017.

Franking Credit Income

#FYTD: 0.3239%

Top Contributors	Return %	AU Contribution %
CSL Limited	11.44	0.54
A2 Milk Co Ltd	47.53	0.22
Insurance Australia Group Ltd	16.19	0.20
NAB	3.60	0.20
RIO Tinto Ltd	5.61	0.13

Top Detractors	Return %	AU Contribution %
Woodside Petroleum	-9.35	-0.19
South32 Ltd	-13.09	-0.19
Telstra Corp Ltd	-4.44	-0.14
Wesfarmers Limited	-2.30	-0.08
Newcrest Mining	-6.26	-0.08

Global Equities

Manager: Perpetual Investments

The fund rose by 1.19% over the month and has now outperformed the benchmark by 2.80% since Perpetual were appointed to manage the global equities portfolio in December. French multinational, Publicis Groupe was the top contributor for the month, after the company was successful in winning a contract with Mercedes-Benz and also reported results ahead of expectations. Chinese online retailer Vipshop and Japanese conglomerate, Softbank Group, were also top contributors following positive Q4 results. Detractors to performance included construction and building materials company, Fletcher Building Ltd after reporting a projected loss, while biopharmaceutical company Shire Plc also detracted after announcing a weaker than expected guidance update.

Fund Distribution History (cents per unit)

31 December 2016:	1.82
30 June 2017:	6.19
31 December 2017:	1.42

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

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