

MONTHLY UPDATE

October 2018

Performance as at 31st October 2018

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.01	1.13	1.39	5.69	6.43	5.50
Catholic Values Trust	-2.74	-2.22	-1.48	4.09	5.54	5.64

All returns are net of fees and yearly returns are annualised

Investment Market Review

October saw volatility return to the equity markets across the globe. The Australian share market, as measured by the S&P/ASX 200 Accumulation Index, retreated -6.08% for the month, while global shares, as measured by the MSCI World ex Australia Index (unhedged), was also in negative territory and returned -5.40% for October.

Domestic Economy

Australian's unemployment rate remained steady at a six-and-a-half year low of 5.0% in October, as a better than expected number of jobs were created. The number of jobs increased by 32,800, with full-time positions rising by 42,300, and more than offsetting a 9,500 decrease in part-time jobs.

At its most recent meeting, the Reserve Bank of Australia (RBA) kept interest rates on hold at 1.50%, extending the longest ever streak without a change to 26 months. The RBA's decision came amid subdued inflationary pressures and sluggish consumer spending, despite the strong employment figures.

Confidence in housing market has continued to fall as shown by the NAB residential property index. Sentiment about the market fell for the second quarter in a row and is down 15 points to a seven-year low of -9 points, its first negative reading since mid-2012.

U.S. Update

The U.S. economy continued its growth and added a further 250,000 jobs in October. This was the 96th consecutive month of job creation and the longest streak on record in the U.S. economy. Despite the strong growth, the unemployment rate was stable at 3.7% in October as the participation rate increased from 62.7% to 62.9%. New jobs were created across the board, with the biggest gains in health care (+36,000 jobs), manufacturing (+32,000 jobs), construction (+30,000 jobs) and leisure and hospitality which added 42,000 new positions.

At the early November monetary policy meeting, the Federal Reserve's Open Market Committee (FOMC) unanimously decided to maintain its target range for federal funds at between 2.00% and 2.25%. This was widely expected, with most market experts predicting a further rate hike in the final meeting of the year, scheduled for 18-19 December.

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

China Update

The rising trade tensions with the U.S. saw economic growth in China decelerate in the third quarter to levels not seen since the GFC in 2009. The effects from the US-China trade war and the increasing costs of doing business for companies are also adding fear to financial markets as witnessed through September and October.

Stimulus measures to offset the impact of the trade war have started to kick in, with the economy benefiting from the front loading of shipments ahead of planned additional tariffs to be imposed by the U.S., along with the less restrictive anti-pollution policies.

Eurozone Update

The Eurozone economy has softened through the third quarter, with GDP growing at the slowest pace since mid-2014. Political uncertainty, with German Chancellor Angela Merkel announcing that she would not seek re-election when her term expires in 2021, strong oil prices (until a recent pull-back), inflation edging up and soft industrial production all weighing on the economy.

The unemployment rate in the Eurozone was steady at 8.1% in September and remains at the lowest rate since November 2008. The lowest jobless rate was recorded by the Czech Republic (2.3%), followed by Germany and Poland (3.4%), while the highest levels came from Greece (19%) and Spain (14.9%). On a positive note, both Greece and Spain had decreased from a year earlier where they recorded 20.9% and 16.7% respectively.

Income Trust

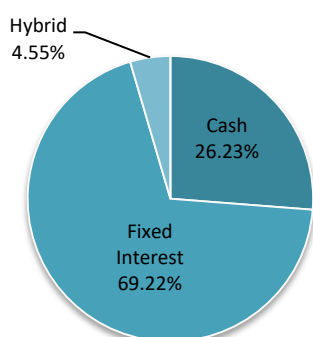
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.06	1.29	1.61	6.34	7.08	6.15
Income Trust (Net of Fees)#	0.01	1.13	1.39	5.69	6.43	5.50
Benchmark	0.17	0.49	0.69	1.89	1.93	2.17
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.93	

#All yearly returns are annualised

Monthly Performance Commentary

The Income Trust continued to exceed its objective and delivered a positive return for October, with Fixed Interest the best performing asset class. CBA Floating Rate Note was the top contributor for the month, while National Income Securities was the top detractor for the period.

Asset Allocation

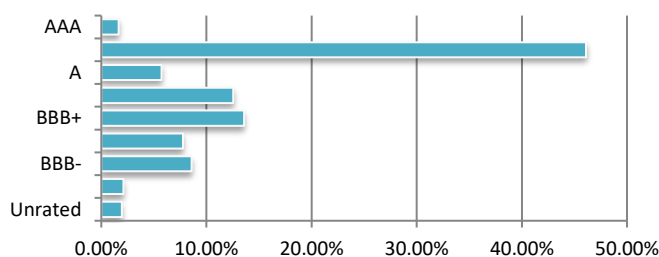


Top Contributors	Asset Class	Return %	Portfolio Contribution %
CBA FRN	Fixed Interest	0.380	0.022
West Links FRN	Fixed Interest	0.562	0.019
UBS AG FRN	Fixed Interest	0.218	0.016
Westpac Bank FRN	Fixed Interest	0.260	0.013
Bendigo & Adelaide Bank	Fixed Interest	0.310	0.011

Top Detractors	Asset Class	Return %	Portfolio Contribution %
National Income Securities	Fixed Interest	-0.239	-0.014
CBA Perls VII Capital Notes	Hybrid	-0.726	-0.005
NAB Subordinated Notes 2	Hybrid	-0.453	-0.002
Westpac Capital Notes 3	Hybrid	-0.272	-0.002
Suncorp Group Capital Notes	Hybrid	-0.354	-0.002

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, Seven Group Holdings Ltd and Westpac Hybrid securities. Together these unrated securities represent 1.94% of the Income Trust Portfolio as at 31 October 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 October and was the main contributor to the overall performance of the portfolio. At the security level CBA Floating Rate Note was the top contributor for the month, followed by West Links Floating Rate Note, UBS Floating Rate Note and Westpac Floating Rate Note. National Income Securities was the sole detractor for the month.

Hybrid Securities

Hybrid Securities marginally underperformed the index this month, with all but one security detracting from performance. CBA Perls IX Capital Notes was the top contributor to the portfolio, while the top detractors were CBA Perls VII Capital Notes, NAB Subordinated Notes 2, Westpac Capital Notes 3 and Suncorp Group Capital Notes.

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: 0.01%

Fund Distribution History (cents per unit)

30 September 2017:	0.24
31 December 2017:	0.51
31 March 2018:	0.51
30 June 2018:	2.34
30 September 2018:	0.54

Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) [#]	-2.68	-2.05	-1.25	4.79	6.24	6.34
Catholic Values Trust (Net of Fees) [#]	-2.74	-2.22	-1.48	4.09	5.54	5.64
Benchmark	-3.16	-1.84	-0.50	5.11	6.75	7.20
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.68	4.74

[#]All yearly returns are annualised

Monthly Performance Commentary

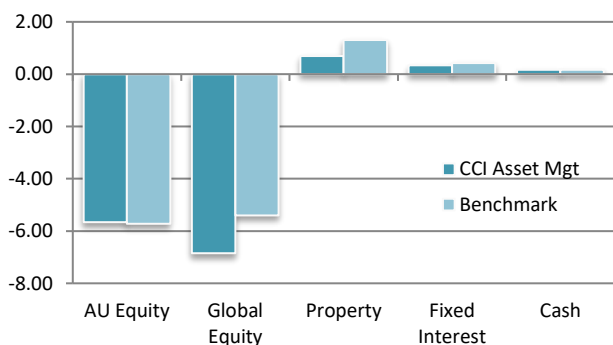
The Catholic Values Trust continued to exceed its objective of outperforming CPI by 3% p.a. over rolling 3 and 5 year periods, however the volatility from September continued into October and saw the Trust post a negative return of -2.74% (net of fees) for the month.

Asset class performance was mixed, with equities (both global and Australian) the hardest hit. Global Equities was the top detractor for the month, while Property and Fixed Interest both delivered positive returns while underperforming the benchmark.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	36.31%	35.00%
Global Equity	25.58%	25.00%
Property	3.35%	5.00%
Fixed Interest	21.94%	25.00%
Cash	12.81%	10.00%

Asset Class Return

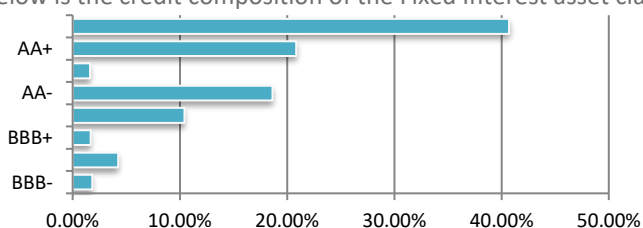


Fixed Interest

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 followed global markets and delivered a negative return for the month. All sectors were impacted and detracted from performance, with Financials, Materials and Energy leading the market down. This was evident within the Top Detractors with BHP, NAB, ANZ, CSL and Wesfarmers filling the top 5 positions. On the up side we had Newcrest Mining, Woolworths and Transurban Group as the best performing securities for the month, with Newcrest rising off the back of a strengthening gold price and Transurban increasing following the September quarter update where it was announced traffic flows increased by 3.3%.

Franking Credit Income

#FYTD: 0.16%

Top Contributors	Return %	AU Contribution %
Newcrest Mining Limited	6.287	0.020
Woolworths Group Ltd	1.331	0.015
Transurban Group Ltd	1.173	0.012
Northern Star Resources	5.862	0.006
QBE Insurance Ltd	1.828	0.006

Top Detractors	Return %	AU Contribution %
BHP Billiton Limited	-6.986	-0.166
NAB	-9.370	-0.147
ANZ	-8.024	-0.126
CSL Limited	-8.024	-0.116
Wesfarmers Limited	-6.473	-0.076

Global Equities

Manager: Perpetual Investments

Global markets experienced their worst monthly performance since mid-2010 and the Perpetual fund was impacted as a result, returning over -6.0% for the month. All sectors retreated with Energy and Telecommunications the top detractors, followed by Materials and Consumer Discretionary. It was a similar story at the security level and while most securities retreated for the month, Euronet Worldwide (electronic payment and transaction provider) and Nasdaq Inc (securities exchange operator) were the top two contributors following strong third-quarter financial results. Detractors for the month included SoftBank Group (IT and telecommunications company), Nintendo and China Life Insurance Company.

Fund Distribution History (cents per unit)

30 June 2017:	6.19
31 December 2017:	1.42
30 June 2018:	9.01

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

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