

# MONTHLY UPDATE

June 2018

## Performance as at 30<sup>th</sup> June 2018

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	2.70	3.14	5.47	5.47	6.61	5.94
Catholic Values Trust	1.70	4.24	9.49	9.49	6.06	7.82

All returns are net of fees and yearly returns are annualised

## Investment Market Review

Both domestic and global equity markets finished the financial year on a positive note. The Australian share market, as measured by the S&P/ASX 200 Accumulation Index, gained 3.27% for the month and 13.01% for the financial year, while global shares, as measured by the MSCI World ex Australia Index (unhedged), finished the month in positive territory and returned 2.33% for the month and 15.39% for the financial year.

### Domestic Economy

The Australian economy added 50,900 new jobs in June, well above expectations and above the 13,400 created in May. A further positive was that 41,200 of these new roles were full-time positions, while 9,700 were part-time employment. Australia's unemployment rate remained unchanged at 5.4% in June, the lowest rate since November last year, as the participation rate (the number of people in work, or actively searching for work), increased from 65.5% in May to 65.7% in June.

Following the July 3 monetary policy meeting, the Reserve Bank of Australia (RBA) kept interest rates on hold at its record low of 1.50%, the same position it has held since August 2016. The RBA's decision was again underpinned by low inflationary pressures, as inflation remained slightly below the RBA's 2-3% target range at 1.9%.

### U.S. Update

The U.S. economy added a further 213,000 jobs in June, taking it to the 93<sup>rd</sup> consecutive month of jobs growth, and its longest streak on record. Despite strong jobs growth, the unemployment rate increased to 4.0% in June from 3.8% in May, as the number of employed people in the workforce rose by 102,000, while the number of unemployed jumped by 499,000, suggesting more people entered the labour force and actively sought jobs. The participation rate rose to 62.9% in June from 62.7% in May, with more people looking for work.

Employment grew across a range of sectors, with professional and business services adding 50,000 new positions, manufacturing adding 36,000 jobs and education and healthcare creating a further 54,000 jobs. The retail industry struggled and lost 21,600 positions in June, after creating 25,100 positions in May.

## CCI Asset Management Update

### End of Financial Year

#### 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.

If you have any feedback or suggestions for the Monthly Update, please email me at [david.smith@cciassetmanagement.org.au](mailto:david.smith@cciassetmanagement.org.au)

### China Update

Trade tensions between China and the U.S. escalated further in mid-June, as the two countries announced trade tariffs. On 15 June, U.S. President Trump announced an initial 25% tariff on approximately USD 34 billion of Chinese imports, mainly focusing on mechanical appliances and electrical parts and products. China retaliated by imposing a 25% tariff on USD 34 billion of U.S. imports and targeted food products and cars. The Trump administration say the tariffs are necessary to protect national security and the intellectual property of U.S. businesses and to also help reduce the U.S. trade deficit with China.

### Eurozone Update

The Eurozone's unemployment rate remained steady at 8.4% in May, staying at the lowest rate since December 2008. Austria, Ireland, Cyprus, Italy and Spain all saw improvement in their unemployment rates, while eight other economies remained unchanged, with Portugal the sole country to record a rise in unemployment.

Economic sentiment in the Eurozone fell slightly in June to 112.3 points, down from 112.5 points in May. This continued a downward trend over the last six months and marked a ten-month low. A fall in sentiment in the construction sector drove the decline, however was partially offset by higher confidence in the retail trade sector.

# Income Trust

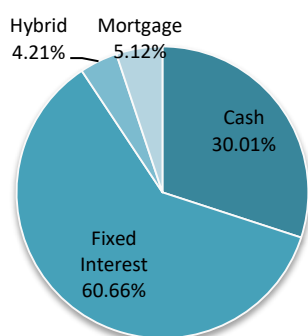
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	2.75	3.30	6.12	6.12	7.26	6.59
Income Trust (Net of Fees)#	2.70	3.14	5.47	5.47	6.61	5.94
Benchmark	0.15	0.48	1.78	1.78	1.95	2.22
<b>Objective:</b> AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.95	

#All yearly returns are annualised

## Monthly Performance Commentary

The Income Trust continued to exceed its objective and delivered a positive return for June, with the spike in performance primarily associated with recoveries from CDO's that were previously written down. National Income Securities was the top contributor for the month, while CBA Floating Rate Note was the top detractor for the month.

## Asset Allocation



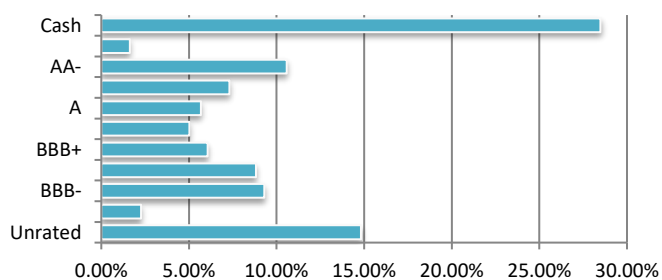
Top Contributors	Asset Class	Return %	Portfolio Contribution %
National Income Securities	Fixed Interest	6.069	0.344
NAB FRN	Fixed Interest	1.053	0.060
Qube Holdings Sub Note	Fixed Interest	1.302	0.046
Mortgage	Mortgage	0.625	0.019
CBA Perls VII	Hybrid	1.730	0.016

Top Detractors	Asset Class	Return %	Portfolio Contribution %
CBA FRN	Fixed Interest	-1.037	-0.062
Citipower FRN	Fixed Interest	-0.663	-0.011
Seven Group Holdings Ltd	Hybrid	-1.084	-0.005
ANZ FRN	Fixed Interest	-0.076	-0.001
Westpac Sub. Note (WBCHB)	Fixed Interest	-0.040	0.000

## 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, Suncorp Group Ltd, Seven Group Holdings Ltd, CBA and NAB Hybrid securities. Together these unrated securities represent 6.16% of the Income Trust Portfolio as at 30 June 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 June and was the main contributor to the overall performance of the portfolio in absolute terms. At the security level National Income Securities continued to be amongst the top contributors, with other contributions coming from NAB Floating Rate Note and Qube Holdings Subordinated Note. Aside from NAB, the banks detracted from performance this month with CBA Floating Rate Note, ANZ Floating Rate Note and Westpac Subordinated Note amongst the top five detractors.

## Hybrid Securities

Hybrid Securities also outperformed the index this month, with all securities bar one, adding value to the portfolio. CBA Perls VII was the top contributor, followed by Westpac Capital Notes 3, NAB Capital Notes and Suncorp Capital Notes. Seven Group Holdings Convertible Preference Shares was the sole detractor for the period.

## 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 March 2017:	0.55
30 June 2017:	0.82
30 September 2017:	0.24
31 December 2017:	0.51
31 March 2018:	0.51

# Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) <sup>#</sup>	1.76	4.41	10.19	10.19	6.76	8.52
Catholic Values Trust (Net of Fees) <sup>#</sup>	1.70	4.24	9.49	9.49	6.06	7.82
Benchmark	2.01	4.74	9.56	9.56	7.42	8.96
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.71	4.93

<sup>#</sup>All yearly returns are annualised

## Monthly Performance Commentary

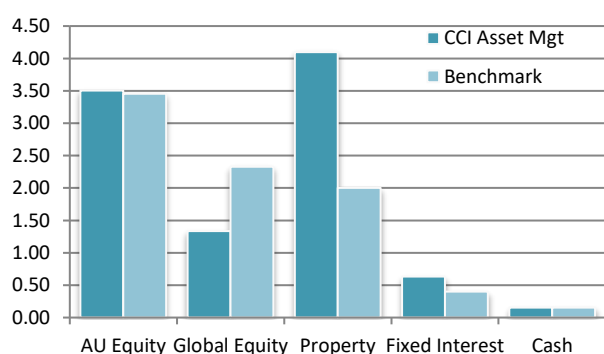
Equity markets across the globe finished the financial year on a positive note and this saw the Catholic Values Trust deliver a solid 1.70% (net of fees) for the month and 9.49% (net of fees) for the year.

All asset classes delivered positive returns, however Property was the standout performer in relative terms and outperformed the benchmark for the month. Australian Equities and Fixed Interest contributed positively and outperformed their benchmarks, while Global Equities delivered a positive return although underperformed their benchmark for the month.

## Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	31.86%	35.00%
Global Equity	25.11%	25.00%
Property	3.07%	5.00%
Fixed Interest	19.72%	25.00%
Cash	20.01%	10.00%

## Asset Class Return

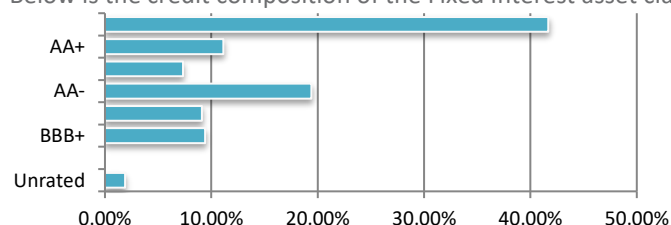


## Fixed Interest

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 continued its positive run into the End of Financial Year and delivered a positive return for June. The strongest sectors within the asset classes were Utilities, Energy and Consumer Staples, while Telecommunications was the top detractor. At the stock level, there was a mix of industries, with CBA returning to favour with investors to be the top contributor for the month. Westpac Banking Corporation and Wesfarmers were also amongst the top contributors, with Wesfarmers continuing to rise off the back of Bunnings success, while BHP and CSL rounded out the top five contributors. Telstra shares continued to fall after they announced 8,000 jobs to be cut, while AMP also continued to detract from performance following the royal commission, with the share price declining in June following law firm Slater and Gordon announcing a class action.

## Franking Credit Income

<sup>#</sup>FYTD: 0.4662%

Top Contributors	Return %	AU Contribution %
Commonwealth Bank Australia	5.15	0.42
Westpac Banking Corp	5.21	0.33
Wesfarmers Ltd	8.34	0.30
BHP Billiton LTD	3.43	0.24
CSL Ltd	3.64	0.21

Top Detractors	Return %	AU Contribution %
Telstra Corporation Ltd	-6.44	-0.14
AMP limited	-8.72	-0.07
Ramsay Healthcare	-11.98	-0.07
Challenger Ltd	-8.22	-0.05
Fortescue Metals Grp	-6.40	-0.04

## Global Equities

### Manager: Perpetual Investments

The fund generated a positive return, however underperformed the benchmark for the month, while continuing to outperform the benchmark since inception. At security level, Nomad Foods was the top contributor after it announced the purchase of leading UK food producer, Aunt Bessie's, while Occidental Petroleum Corporation was a top contributor on the back of rising oil prices. Chinese online retailer Vipshop Holdings was the top detractor after the company announced its first-quarter earnings and failed to meet consensus, with QIWI Plc also detracting after failing to meet expectations with its first-quarter financial results.

## Fund Distribution History (cents per unit)

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

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

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