

MONTHLY UPDATE

January 2017

Performance as at 31st January 2017

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.25	1.13	2.55	10.27	5.85	7.66
Catholic Values Trust	-0.91	3.93	5.60	8.34	5.25	8.75

All returns are net of fees and yearly returns are annualised

Investment Market Review

After a strong finish to 2016, both domestic and global equity markets started the year in subdued fashion, with the Australian share market, as measured by the S&P/ASX 200 Accumulation Index, returning -0.79% for the month of January, and global shares as measured by the MSCI World ex Australia Index (unhedged), retreating to finish the month down 2.36%.

Domestic Economy

The Reserve Bank of Australia (RBA) left the cash rate at the record low of 1.50% at its latest meeting and felt that holding the current position would be consistent with sustainable growth and achieving the inflation target over time. Meanwhile, the Australian dollar (AUD) continued to climb, pushed along by rising commodities (iron ore in particular) and a lack of detail from Donald Trump relating to fiscal stimulus plans, finishing January at US \$0.7585, after starting the month at US \$0.7208.

Australia's unemployment rate fell to 5.7% in January, down from 5.8% in December. The economy added 13,500 jobs for the month, with full-time employment decreasing by 44,800 and part-time employment increasing by 58,300. This is a trend we have seen throughout the year as full-time employment has decreased by 56,100 persons since January 2016, while part-time employment has increased by 159,400 persons over the same period.

U.S. Update

The U.S. economy added 227,000 jobs in January, well ahead of December's gain of 156,000 jobs, however the U.S. unemployment rate increased slightly to 4.8% in January as more Americans started looking for work again – a positive sign. Jobs continued to increase across the board, with retail trade adding 46,000 jobs and construction adding 36,000 roles, while financial activities, professional and business services and health care all continued the trend up.

The U.S. economy grew by 1.9% in the fourth quarter of 2016, well below the growth of 3.5% the previous quarter and below expectations of 2.2%. This saw GDP expand by 1.6% for 2016, the lowest since 2011. Consumer spending slowed and exports retreated as soybean shipments, which were at record levels during the third quarter, reverted back to normal levels, while investment increased off the back of equipment and home building.

CCI Asset Management Updates

Need to update any details?

Have you moved, changed bank details or had a change of personnel? If any of these changes or others have occurred, then you may need to update your account details with CCI Asset Management.

Let us know of any change by completing the Change of Details Form via the below address:

www.cciassetmanagement.org.au/forms

Feedback

If you have any feedback or suggestions for the Monthly Update, please email

david.smith@cciassetmanagement.org.au

China Update

China's economy showed signs of renewed strength as the fourth quarter's annualised growth increased to 6.8%. Helped on by government stimulus and low interest rates, the economy grew by 6.7% for 2016, however this was still the sixth successive year the economy has slowed, and the lowest annual GDP growth recorded in 26 years. Having said that, the annual growth rate is right in the middle of Beijing's target band.

Eurozone Update

The jobless rate in the Eurozone declined to 9.6% in December, down from 9.7% in November and lower than the 10.5% recorded twelve months ago. It is the lowest unemployment rate since May 2009. The lowest rates were recorded in the Czech Republic (3.5%) and Germany (3.9%), while the highest unemployment rates were in Greece (23.0%) and Spain (18.4%).

On top of the fall in unemployment, both growth and inflation picked up, in positive signs for the economy. GDP growth increased to 0.5% in the final three months of 2016, up from 0.4% the quarter before, while inflation rose to 1.8% in January, up from 1.1% in December. The increase in inflation was driven by an 8.1% jump in energy prices in January compared with the year before and takes inflation to just below the target of 2%.

Income Trust

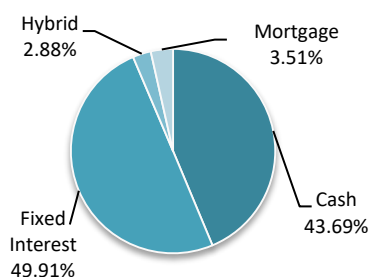
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.30	1.29	2.93	10.92	6.50	8.31
Income Trust (Net of Fees)#	0.25	1.13	2.55	10.27	5.85	7.66
Benchmark	0.16	0.45	1.08	2.03	2.34	2.73
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					3.34	

#All yearly returns are annualised

Monthly Performance Commentary

The Income Trust continues to exceed its objective and delivered a positive return of 0.25% for January. Fixed Interest/Mortgages were the strongest performing asset class, while Hybrids underperformed for the month. National Income Securities continued its recent solid performance and was the top contributor for the fourth straight month, while Suncorp Convertible Preference Shares was the top detractor to performance for the month.

Asset Allocation

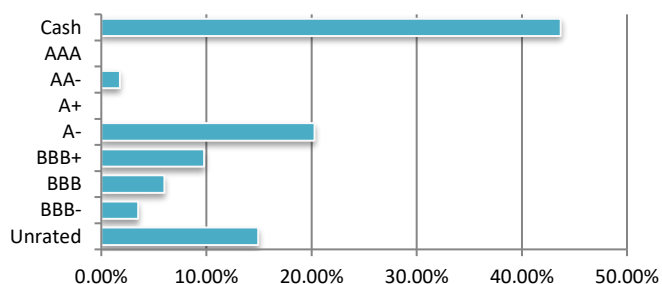


Top Contributors	Asset Class	Return %	Portfolio Contribution %
National Income Securities	Fixed Interest	2.539	0.085
Qube Holdings Sub Note	Fixed Interest	0.844	0.031
Rabobank FRN	Fixed Interest	0.911	0.027
Colonial Sub. Note	Fixed Interest	0.437	0.026
West Links FRN	Fixed Interest	0.583	0.020

Top Detractors	Asset Class	Return %	Portfolio Contribution %
Suncorp CPS 3	Hybrid	-0.759	-0.005
NAB CPS	Hybrid	-0.493	-0.003
Westpac Sub. Note (WBCHA)	Fixed Interest	-0.030	-0.002
APA Sub. Note	Fixed Interest	-0.019	-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 and NAB Hybrid securities. Together these unrated securities represent 11.42% of the Income Trust Portfolio as at 31 January 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 January and was the main contributor to the overall performance of the portfolio. At the security level, National Income Securities continued to be the top contributor (fourth month in a row), while a new security to the portfolio – Qube Holdings Subordinated Notes, delivered a solid return to be the second highest contributor. Rabobank Floating Rate Notes and Colonial Subordinated Notes also made positive contributions for the month, while Westpac Subordinated Notes (WBCHA) was the top detractor from performance for this period.

Hybrid Securities

Hybrid Securities underperformed the index this month and was the main detractor to the overall performance of the portfolio. Seven Group Holdings Convertible Preference Shares was the top contributor for the month, followed by Westpac Capital Notes 3 and CBA Perls VII, while Suncorp Convertible Preference Shares was the top detractor from performance.

The portfolio currently maintains an underweight position to Hybrids, while maintaining an overweight position to Cash.

Hybrid Portfolio

Security	Issuer Margin
CBA Perls VII Capital Note	BBSW 90 Day + 2.80%
NAB Convertible Preference Share	BBSW 90 Day + 3.20%
Seven Group Holdings Ltd Convertible Preference Share	BBSW 180 Day + 4.75%
Suncorp Group Subordinated Notes 3	BBSW 90 Day + 3.40%
Westpac Capital Notes 3	BBSW 90 Day + 4.00%

Franking Credit Income

#FYTD: 0.0249%

Fund Distribution History (cents per unit)

31 December 2015:	0.56
31 March 2016:	0.58
30 June 2016:	0.86
30 September 2016:	0.54
31 December 2016:	0.47

Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) [#]	-0.85	4.11	6.01	9.04	5.95	9.45
Catholic Values Trust (Net of Fees) [#]	-0.91	3.93	5.60	8.34	5.25	8.75
Benchmark	-0.58	4.16	5.85	10.32	7.47	9.92
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.62	5.00

[#]All yearly returns are annualised

Monthly Performance Commentary

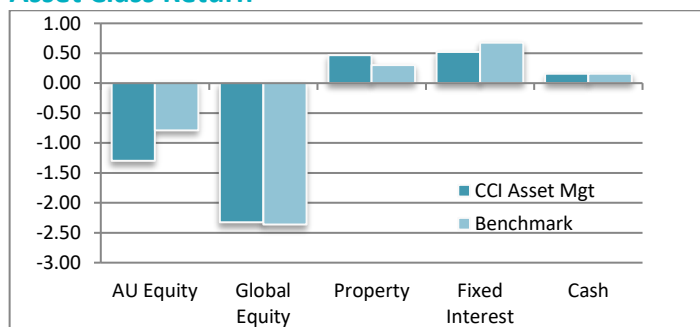
The Catholic Values Trust has continued to exceed its objective of outperforming CPI by 3% p.a. over rolling 3 and 5 year periods, however underperformed the benchmark for January.

Both Australian and Global Equities retreated this month and were the top detractors from performance. Property was the top contributor amongst the asset classes, 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	35.72%	40.00%
Global Equity	20.21%	20.00%
Property	3.17%	5.00%
Fixed Interest	19.91%	25.00%
Cash	20.99%	10.00%

Asset Class Return

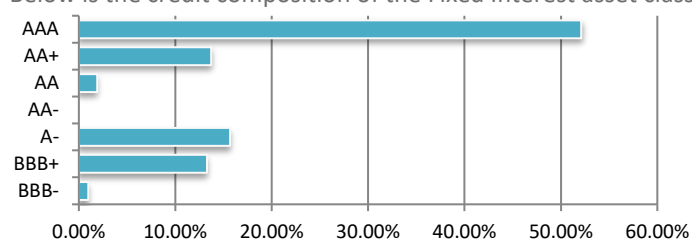


Fixed Interest

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 underperformed the ASX 200 Accumulation Index for the month of January. At the sector level, Health Care and Materials were standout performers and the top contributors, while Financials was the main detractor. At the stock level, Materials were well represented with BHP, Rio and Sandfire Resources among the top 5 contributors, along with CSL and Qantas. The top detractors were Brambles, ANZ and Westpac, with Brambles declining following the company's announcement in mid-January that it had endured weakness in its North American business and issued a downgrade in underlying profit.

Franking Credit Income

[#]FYTD: 0.2721%

Top Contributors	Return %	AU Contribution %
BHP Billiton Ltd	6.30	0.47
CSL Ltd	11.84	0.38
Rio Tinto Ltd	11.32	0.23
Qantas Airways Ltd	2.40	0.09
Sandfire Resources NL	16.71	0.08

Top Detractors	Return %	AU Contribution %
Brambles Ltd	-16.05	-0.33
ANZ Ltd	-3.71	-0.24
Westpac Banking Corporation	-2.73	-0.21
Mantra Group Ltd	-12.01	-0.19
Western Areas Ltd	-20.20	-0.19

Global Equities

Manager: AMP RIL International Share Fund

The Fund generated a negative return in January, with both the developed and emerging market managers underperforming their benchmark. The developed markets holdings were impacted by an overweight position in UK-listed telecommunications company BT Group, which fell sharply in January after reporting an accounting scandal in its Italian operation. Other detractors included 3M Company and Citigroup. On the positive side, an underweight allocation in the energy sector was a positive contributor as the sector fell in the month, while an overweight position in CSL added value, as the stock gained 12% over the month after announcing higher earnings growth. The emerging markets detracted from the overall return in January, with the rising Australian dollar a contributing factor.

Fund Distribution History (cents per unit)

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

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

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