

# MONTHLY UPDATE

May 2020

## Performance as at 31<sup>st</sup> May 2020

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.38	-0.43	0.72	1.05	3.34	4.71
Catholic Values Trust	2.36	-3.59	-0.40	2.39	6.14	4.99

All returns are net of fees and yearly returns are annualised

### Investment Market Review

Continuing the trend from April, equity markets delivered positive returns across the globe in May. The Australian share market, as measured by the S&P/ASX 100 Accumulation Index, continued to rally and returned 3.85% for the month, while global shares, as measured by the MSCI World ex Australia Index (unhedged), also climbed and returned 3.40% in May.

### Domestic Economy Update

Australia's unemployment jumped to 7.1% in May, up from 6.4% in April, as a further 227,000 jobs were lost in the last month. The unemployment rate would have been higher had it not been for a fall in the participation rate (those actively looking for work), which fell a further 0.7% to 62.9%, the lowest level since January 2001. The drop in employment in May, along with over 600,000 in April, means 835,000 people have lost their jobs in two months, with the employment rate decreasing from 62.5% to 58.7%. There is one particular age group which has been impacted more than others, with Generation Z (those aged under 25) accounting for nearly half of May's job losses (100,000) and an incredible 329,000 lost jobs since March. A secondary impact on Gen Z is that they will also be forced to pay for the COVID-19 handouts through higher taxes for decades to follow.

A combination of severe bushfires, on top of drought and then the coronavirus pandemic and the lockdown policies put in place to fight this, saw the Australian economy hit hard in the first quarter of the year. GDP fell 0.3% for the quarter, compared to a 0.5% increase in the last quarter of 2019, as a result of reduced household spending, business shutdowns and job losses. The government and RBA continue to support the economy, with over \$320 billion in support packages, including JobSeeker and JobKeeper.

After surprising to the upside in March, retail sales slumped 17.9% in April as the lockdown took its toll. The March jump of 8.5% was a result of fears of shortages of essential products, while the April crash was felt hardest in food retailing, cafes, restaurants, clothing and personal accessories.

## CCI Asset Management Update

### End of Financial Year

**With the end of the financial year approaching, it's an ideal time to ensure that all your client information is up to date. Have your bank details changed, do you have a new email address or is there a change of authorised signatories? Let us know of any change by completing the Change of Details Form via the below address:**  
[www.cciassetmanagement.org.au/forms.htm](http://www.cciassetmanagement.org.au/forms.htm)

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)

### Global Update

The coronavirus continues to spread across the globe, albeit at a slower rate, with Australia recording 102 deaths from 7,367 confirmed cases, while over 440,000 deaths have been recorded worldwide. The United States has now recorded over 119,000 deaths from 2.2m confirmed cases, with the Brazil, United Kingdom and Italy all recording over 34,000 deaths.

Unemployment has continued to rise in many countries as lockdown policies are enforced, with the Eurozone seeing the number of unemployed people jump by 197,000 in March, however the U.S. defied expectations and added an incredible 2.5million jobs in May. After losing 20.7million jobs in April, employment in leisure and hospitality, construction and retail sectors increased notably in May, as lockdown policies were eased across the country.

Much like April, the equity markets throughout the world were mainly in positive territory for May. America saw the Dow Jones return 4.26% for May, the NASDAQ rise 6.75% and the S&P 500 record 4.53% for the month, while London's FTSE regained 2.97% and Japan's Nikkei gain 8.34%. China's markets were at odds to this, with the Hang Seng and Shanghai Index's returning -6.83 and -0.27% respectively for the month of May.

# Income Trust

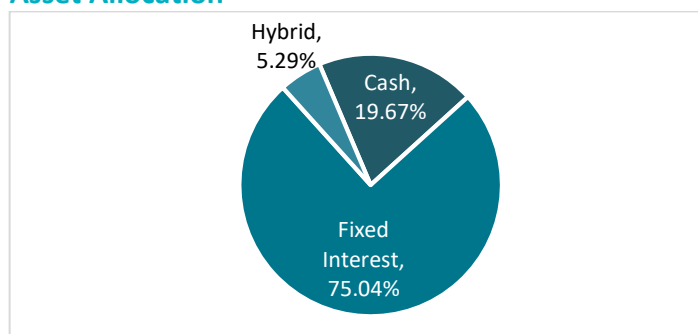
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.43	-0.26	0.94	1.70	3.99	5.36
Income Trust (Net of Fees)#	0.38	-0.43	0.72	1.05	3.34	4.71
Benchmark	0.01	0.16	0.84	0.97	1.58	1.76
<b>Objective:</b> AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.58	

#All yearly returns are annualised

## Monthly Performance Commentary

The Income Trust continued on from last month to produce a positive return for May, registering 0.38% net of fees. All asset classes outperformed for the month and the Trust continues to outperform the investment objective. Fixed Interest was again the top contributor for the month, followed by Hybrids, and Cash.

## Asset Allocation



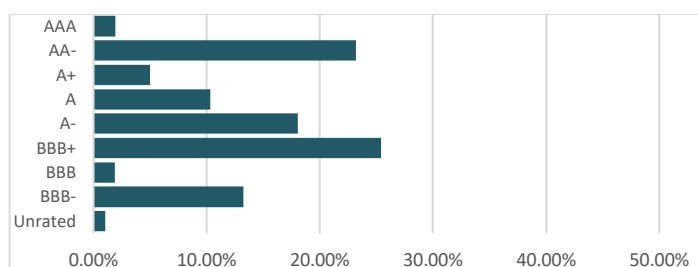
Top Contributors	Asset Class	Return %	Portfolio Contribution %
QUB Subordinated Notes	Fixed Interest	2.51	0.08
Toronto-Dominion Bank FRN	Fixed Interest	0.59	0.03
CBA FRN	Fixed Interest	0.40	0.03
Standard Chartered Bank	Fixed Interest	0.96	0.03
ANZ FRN	Fixed Interest	0.45	0.03

Top Detractors	Asset Class	Return %	Portfolio Contribution %
Bendigo & Adelaide Bank	Fixed Interest	-0.28	-0.01
NAB Subordinated Note	Fixed Interest	-0.45	-0.01

## 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. Together these unrated securities represent 1.03% of the Income Trust Portfolio as at 31 May 2020.

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 delivered a positive return in May and as a result of its large asset allocation of 75.04%, the outperformance of this asset class had a large impact on the portfolio return and ensured it was the top contributor. QUB Subordinated Note was the top contributor for the second straight month, followed by Toronto-Dominion Bank Floating Rate Note, CBA Floating Rate Note and Standard Chartered Bank Floating Rate Note. On the downside we had Bendigo & Adelaide Bank Floating Rate Note and NAB Subordinated Floating Rate Note as the top and only detractors for the period.

## Hybrid Securities

Hybrid Securities also delivered a strong return this month and outperformed the benchmark. CBA Perls IX Capital Notes was the top contributor for the month, followed by Westpac Group Capital Notes 3 and Suncorp Capital Notes, while there were no detractors for the period

## Hybrid Portfolio

Security	Issuer Margin
ANZ Bank Preference Shares	BBSW 90 Day + 3.40%
ANZ Capital Notes 6	BBSW 90 Day + 3.40%
CBA Perls VII Capital Notes	BBSW 90 Day + 2.80%
CBA Perls XII Capital Notes	BBSW 90 Day + 3.00%
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%
Suncorp Group Capital Notes	BBSW 90 Day + 4.10%
Westpac Group Capital Notes	BBSW 90 Day + 3.70%
Westpac Capital Notes 3	BBSW 90 Day + 4.00%

## Fund Distribution History (cents per unit)

31 March 2019:	0.49
30 June 2019:	0.69
30 September 2019:	0.38
31 December 2019:	0.32
31 March 2020:	0.32

# Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) <sup>#</sup>	2.42	-3.41	-0.17	3.09	6.84	5.69
Catholic Values Trust (Net of Fees) <sup>#</sup>	2.36	-3.59	-0.40	2.39	6.14	4.99
Benchmark	2.17	-3.44	-0.42	2.51	6.09	5.74
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.84	4.73

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

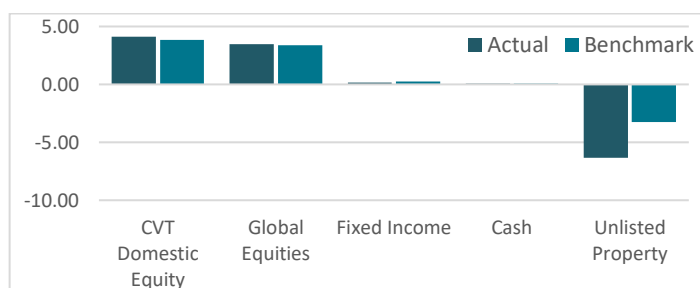
## Monthly Performance Commentary

The Catholic Values Trust experienced a positive month in May and returned 2.36% net of fees for the month. Australian Equities was again the top contributor, followed by Global Equities, while Fixed Interest was relatively flat and Property declined. A rebalance of the portfolio in May saw Australia Equities come back in-line with the benchmark allocation and was a positive for the portfolio, while also reducing the overweight to cash.

## Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	35.35%	35.00%
Global Equity	23.75%	25.00%
Property	2.94%	5.00%
Fixed Interest	19.32%	25.00%
Cash	18.63%	10.00%

## Asset Class Return

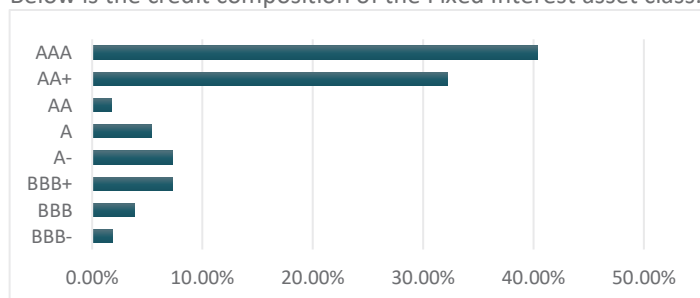


## Fixed Interest

The Catholic Values Trust is underweight in Fixed Interest, and continues to maintain the majority of its exposure to semi-government securities. Fixed Interest slightly 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

May was another strong month for Australian Equities as they returned over 4% for the month. Materials was the best performing sector for the second straight month and BHP was the top contributor for the second straight month also, as it continues to rise off the back of a strong iron ore price. The banks also enjoyed May, with NAB, Westpac and ANZ all in the top five contributors, along with Goodman Group. CSL, AMPOL and Sydney airport were the top detractors for the month. CSL declined after recent gains in the share price saw investors take some profits, while Sydney Airport has been sold down as a result of the coronavirus leaving the airport terminals empty and revenues down.

Top Contributors	Return %	AU Contribution %
BHP Group Limited	6.94	0.189
NAB	7.76	0.129
Westpac	5.76	0.104
ANZ	5.86	0.098
Goodman Group	17.09	0.088

Top Detractors	Return %	AU Contribution %
CSL	-10.74	-0.362
AMPOL Ltd	-9.59	-0.021
Sydney Airport	-6.80	-0.019
Incitec Pivot Ltd	-15.61	-0.015
Alumina Ltd	-13.60	-0.013

## Global Equities

### Manager: Vanguard Ethically Conscious International Shares Index Fund

The Vanguard Ethically Conscious International Share Index Fund produced another positive return of just under 3.5% net of fees for May. The top contributors included Facebook, PayPal, Nvidia, Home Depot and Mastercard, while Amazon, AIA Group and HSBC were amongst the top detractors for the period. Amazon's share price declined for the month, after climbing over 20% in the last two months, with online shopping increasing due to the lockdown policy's implemented across the globe, while HSBC continued to decline due to the impact of the pandemic. Facebook shares hit record highs in May after the launch of on-line shopping, while PayPal shares jumped 26% for the month after the release of the company's strong first-quarter results. Nvidia, the leader of artificial intelligence, jumped 21.5% in May after also reporting strong first quarter results

## Fund Distribution History (cents per unit)

31 December 2018:	2.93
30 June 2019:	6.26
31 December 2019:	1.37

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

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