

# MONTHLY UPDATE

June 2020

## Performance as at 30<sup>th</sup> June 2020

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.42	1.46	1.14	1.14	3.39	4.89
Catholic Values Trust	0.87	6.73	0.47	0.47	6.61	5.71

All returns are net of fees and yearly returns are annualised

### Investment Market Review

Equity markets were mixed across the globe in June and the financial year as a whole. The Australian share market, as measured by the S&P/ASX 100 Accumulation Index, continued to rally and returned 3.02% for the month, however was still recovering from the impact of COVID-19 which saw a return of -7.84% for the financial year. Meanwhile global shares, as measured by the MSCI World ex Australia Index (unhedged), fell -1.12% in June, but returned 5.18% for the financial year.

### Domestic Economy Update

Australia's employment climbed by 210,900 in June as more people looked for work following the re-opening of the economy from lockdown. Full-time employment decreased by 38,100 people, but was more than offset by an increase of 249,000 in part-time employment. Despite employment increasing, unemployment also continued to rise and jumped to 7.4% in June, up from 7.1% in May, as the participation rate (those actively looking for work), rose by 1.3% to 64.0%. This is the highest level since November 1998. The true picture is predicted to be much worse, with the Treasurer admitting that unemployment would be above 13.0% without Government support like JobKeeper.

The Reserve Bank of Australia (RBA) decided to keep interest rates unchanged at an all-time low of 0.25% at its meeting in early July. This meant that after beginning the financial year at 1.25%, the RBA cuts rates four times throughout the course of 2019/20 (July 2019, October 2019 and two cuts in March 2020), to finish the year at the record low of 0.25%.

After relaxing the Stage 3 coronavirus restrictions in mid-May, Victoria soon found the restrictions reimposed at the beginning of July, following a spike in confirmed cases. While it was only Melbourne and surrounding areas to begin with, this was enough to see the Consumer Sentiment Index fall from 93.7 in June, down to 87.9 in July. This result showed households unwilling to make major purchases, consumer's confidence about their future financial state weaken and their employment expectations also nosedive.

## 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.

Live unit pricing and reporting within the Investor Portal are on hold until Distributions are paid.

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, with different countries impacted at differing cycles of the virus. In Australia we have recorded 113 deaths from 8,036 confirmed cases, with parts of Victoria experiencing a second wave, while worldwide the death toll has reached over 586,000 deaths. The United States has now recorded over 138,000 deaths from 3.53m confirmed cases, while Brazil has recorded over 76,000 deaths from 2.01m confirmed cases. Brazil's number is up from around 44,000 deaths just one month ago.

The impact of the coronavirus on equity markets continues to differ. In America, the Dow Jones has recorded -2.96% for the financial year, while the NASDAQ has recorded an incredible 25.64% for the financial year, mainly due to its heavy weighting towards technology and internet related stock. In London, the FTSE has returned -16.91% for the last twelve months, while Japan's Nikkei has gained 4.76% for the same period. China's markets varied, with the Hang Seng and Shanghai Index's returning -14.42% and 0.19% respectively for the last financial year. Interestingly the New Zealand Equity Market (NZSX) has returned 5.23% for the month of June and 9.05% for the financial year, after they took a hard-line stance against the virus with stringent border controls and mandatory quarantine.

# Income Trust

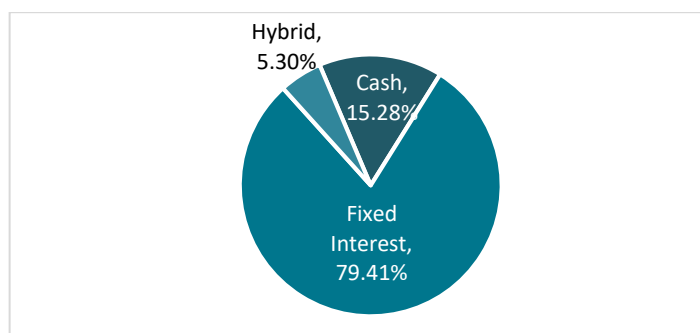
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees) <sup>#</sup>	0.47	1.62	1.79	1.79	4.04	5.54
Income Trust (Net of Fees) <sup>#</sup>	0.42	1.46	1.14	1.14	3.39	4.89
Benchmark	0.01	0.06	0.85	0.85	1.53	1.73
<b>Objective:</b> AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.53	

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

## Monthly Performance Commentary

The Income Trust continued on from last month to produce a positive return for June, registering 0.42% 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



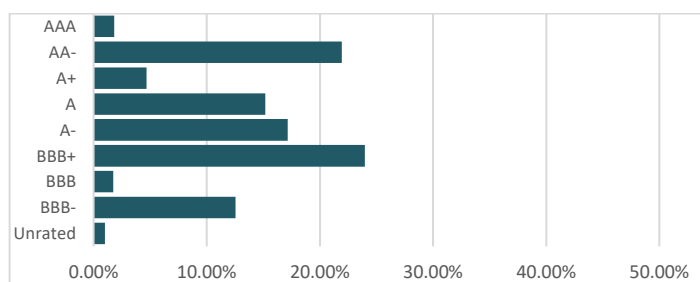
Top Contributors	Asset Class	Return %	Portfolio Contribution %
West Links FRN	Fixed Interest	4.604	0.139
QUB Subordinated Notes	Fixed Interest	1.424	0.039
Bendigo Adelaide Bank FRN	Fixed Interest	1.282	0.039
Toronto-Dominion Bank FRN	Fixed Interest	0.704	0.037
ANZ FRN	Fixed Interest	0.456	0.027

Top Detractors	Asset Class	Return %	Portfolio Contribution %
New Terminal Financing	Fixed Interest	-0.891	-0.013
Genworth Financial	Fixed Interest	-0.009	-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 Suncorp Group Ltd. Together these unrated securities represent 0.99% of the Income Trust Portfolio as at 30 June 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 June and as a result of its large asset allocation of 79.41%, the outperformance of this asset class had a large impact on the portfolio return and ensured it was the top contributor. West Links Floating Rate Note was the top contributor, followed by QUB Subordinated Note, Bendigo & Adelaide Bank Floating Rate Note, Toronto-Dominion Bank Floating Rate Note and ANZ Floating Rate Note. On the downside we had New Terminal Leasing Floating Rate Note and Genworth Financial Floating Rate Note as the only detractors for the period.

## Hybrid Securities

Hybrid Securities also delivered a positive return this month and outperformed the benchmark. CBA Perls VII Capital Notes and CBA Perls XII Capital Notes were the top contributors 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>	0.93	6.90	1.17	1.17	7.31	6.41
Catholic Values Trust (Net of Fees) <sup>#</sup>	0.87	6.73	0.47	0.47	6.61	5.71
Benchmark	0.89	7.18	0.47	0.47	6.59	6.50
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.86	4.71

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

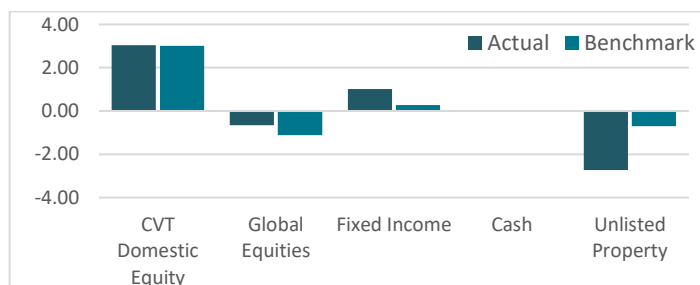
## Monthly Performance Commentary

The Catholic Values Trust experienced a positive month in June and returned 0.87% net of fees for the month. Australian Equities was again the top contributor, followed by Fixed Interest. Global Equities and Property declined. The Catholic Values Trust also managed to deliver a positive return for the financial year to 30 June, despite the impact of the coronavirus on equity markets.

## Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	35.56%	35.00%
Global Equity	23.04%	25.00%
Property	2.79%	5.00%
Fixed Interest	18.50%	25.00%
Cash	20.11%	10.00%

## Asset Class Return

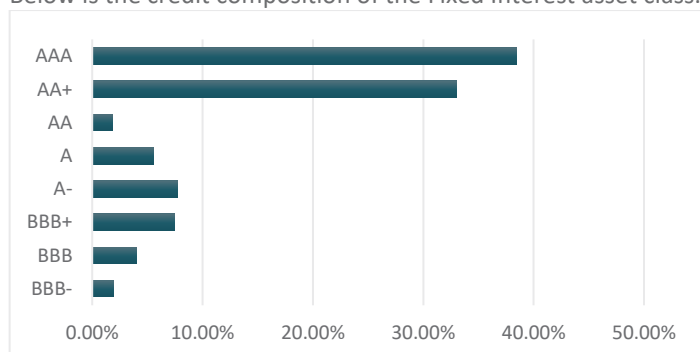


## Fixed Interest

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

June was another solid month for Australian Equities as they returned over 3% for the month. Financials was the best performing sector for the month, followed by Consumer Staples, while CBA was the top contributor, followed by Wesfarmers, CSL, Afterpay and Macquarie. On the downside we had Telstra and Woodside Petroleum amongst the top detractors for the month. CBA shares have now risen by more than 30% since the end of March, when they were heavily sold off because of COVID-19, while Afterpay (Australia's largest buy now, pay later company) surged by more 28% in June as it continues to grow its customer base here and overseas. Incredibly Afterpay's share price fell as low as \$8.01 in March and has bounced back to over \$60 at the end of June.

Top Contributors	Return %	AU Contribution %
CBA	8.894	0.249
Wesfarmers	11.048	0.126
CSL Limited	3.903	0.122
Afterpay Touch Group Ltd	28.644	0.073
Macquarie Group Ltd	7.848	0.069

Top Detractors	Return %	AU Contribution %
Telstra Corporation	-3.395	-0.033
Northern Star Resources	-9.73	-0.027
Woodside Petroleum	-4.499	-0.024
Insurance Australia Group	-5.561	-0.013
Alumina Ltd	-5.042	-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 three of the biggest companies in the world, with Apple, Microsoft and Amazon leading the way, followed by Tesla and Adobe, while the top detractors for the period included Pfizer, Johnson & Johnson, Intel Corporation, JP Morgan and Alphabet. Apple's share price rose 14.7% in June and 21.5% since the start of the year, while Microsoft was up 11% in June after declaring a regular quarterly dividend and Amazon climbed 13% in June as it continued to benefit from an increase in online shopping due to the coronavirus. Pfizer fell 14.4% in June after a clinical trial for breast cancer failed.

## 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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