

Investment Market Review

Australian economy remains strong

The December Quarter saw some mixed data on the domestic economy flow through to the market, although it remains in a strong position overall. GDP figures have been a little softer than expected, although inflation remains within the RBA's target band. While business investment is increasing as forecast, consumption growth had been weaker. Conditions have varied across different sectors of the economy with manufacturing output being flat, in contrast to mining and professional services which experienced solid rises. The RBA left rates unchanged in December and the official cash rate now stands at 4.75%. In December's announcement, the RBA highlighted that international uncertainty, especially concerns about the creditworthiness of some European governments had again become the main focus of financial markets.

The RBA's assessment of the medium-term outlook remains the same, although noting that current policy was 'mildly restrictive.' The unemployment rate remains low at 5.0% and, although weakening recently, consumer confidence remains higher than average. The board also noted that with the significant rise in the exchange rate this year and with lending rates in the economy now a little above average, the current monetary policy setting was appropriate

Spending and borrowing remain subdued

The household sector had substantially revised estimates during the quarter with data suggesting that savings rates are back to what they were in the mid 1980s. Retail spending had a surprisingly large fall in October and the Christmas period was disappointing for retailers. Household credit has grown at only a modest rate for several months as retailers report significant discounting to encourage sales.

Housing market cools

The Australian housing market has cooled somewhat, with house prices tracking broadly sideways since June and auction clearance rates falling away considerably. In October we saw a slight increase in building approvals, yet the rate of housing construction remains very low.

Europe economies under pressure

Continuing debt and monetary stability issues in Europe could affect economic growth in the region. Europe's largest economy, Germany, continues to outperform with consumer and business confidence, as well as labour market conditions remaining strong. However, Spain and

the Netherlands had stagnant growth, whilst Greece's economy contracted, highlighting the broader issues in the Euro zone. Ireland was forced to request a financial aid package to shore up its banking system and is now heavily reliant on borrowings from the European Central Bank.

Upside inflation risks in China

Over the past year in China, the Consumer Price Index was up by 4.5%, with food prices up around 10%. Whilst there is recent economic data to suggest robust growth was present across all sectors of the economy, the Chinese authorities have expressed concern over inflation risks. They responded by increasing the reserve requirements on banks and had announced a number of administrative measures to control price increases.

Asian economies provide mixed signals

Although growth in the Japanese economy remains robust, this is largely due to government stimulus measures bringing forward demand in that economy. A number of other economies in the region showed GDP weakness towards the end of 2010, following large increases in the previous year. Although domestic demand is growing solidly for most economies in the region, export and industrial production has remained weak. A positive light is the Indian economy, where growth remains particularly strong. Growth in India was broad based across all sectors of the economy and GDP increasing by 10.5% over the year to September.

United States showing signs of improvement

Recent data out of the United States in the December quarter has been, on balance, slightly better than in previous quarters. The labour market, although still weak, had shown small signs of improvement. Indicators point to a moderate level of growth for the economy with business investment, business conditions and household spending improving slightly. However, November marked the 53rd consecutive month of home value declines and US house prices have now declined 26% since their peak in June 2006.

A Final Word

Overall, the outlook for 2011 remains positive for the Australian and Global economies as the worst of the Global Financial Crisis appears to be behind us. Domestically, the RBA will almost certainly keep rates steady in the first quarter of 2011 and most analysts are tipping rates to stay on hold to the end of the second quarter. The RBA cites moderate US growth, inflation in China, and the Euro-zone

issues as the key risks to global growth prospects. Global growth has a substantial influence on Australia's export heavy economy and will continue to do so in 2011.

The resilient Australian economy should continue to grow in 2011 with strengthening domestic conditions around employment, wages, consumer spending, and business investments.

ASSET CLASS REVIEW

Australian Equities

Following the 6.8% rally in the September quarter, the December quarter saw the ASX300 continue to rally, rising 3.83% and finishing at 4,760.8. During the quarter the market fluctuated during what was a time of uncertainty in European economies, contrasting with healthy growth in China and India, and modest growth in the US. Australian equities were boosted by positive returns for commodities such as gold, oil and copper. The gain for the quarter was welcomed by investors however, rather than a simple upward trajectory, this growth was confined to October and December.

Global Equities

The large gains seen in the September quarter of 13.2% were always going to be hard to match. However, the December quarter produced another great result with the MSCI World Index in US dollar terms having posted a total return of 8.6% for the month. This result was posted amidst much turmoil in financial markets as the economies of both Greece and Ireland dominated financial headlines and sentiment. After spending much of the past year trying to avoid it, the government of Ireland went to the international community to request a bailout package. While economic conditions and prospects for the peripheral European countries dire, elsewhere economic conditions have been reasonably positive over the December quarter with the US, albeit slowly, continuing to grow and add jobs.

Australian Fixed Interest

Growth in the Australian economy was reported to have slowed dramatically in the September quarter, despite continuing growth in the mining sector. Although employment growth remains strong, within the retail sector a weakness in spending continues. The recent widespread floods in Queensland and parts of Victoria are also causing significant disruptions to the rural and resources sectors. The UBS Composite Bond Index returned -0.19% for the quarter.

Global Fixed Interest

December saw a steady rise in the yields on global Government bonds. In particular, 10 Year Treasury yields started the quarter at 2.50%, traded as high as 3.49%

before ending significantly higher at 3.30%. This rise in yields, which was likely due to more positive growth expectations, occurred despite an announcement by the US Federal Reserve that they would carry out another round of Quantitative Easing. Official interest rates have been maintained at historic lows in most major economies (and close to zero in the US and Japan) supporting further growth in the short term. The Citigroup M1 Global Bond Index ex-Australia Hedged to Australian Dollars returned -1.26% for the September Quarter.

Property

December was overall a positive quarter for the property sector despite market volatility during November. However, the modest recovery evident in early 2010 has paused during the last three quarters reflecting the fragility of investor sentiment. The strength of the office market recovery is inconsistent across the major Australian capital cities. Rental growth continues to emerge in Melbourne, while rents in Sydney remain flat, Brisbane is stabilising and Perth continues to fall. Globally, the property markets outlook is more positive. Within Asia, the Singapore and Hong Kong office markets remain strong. Whilst in Europe, there are pockets of strength in Germany, London and some Nordic countries. The US property market, albeit soft, should benefit from improving growth prospects for that country. The UBS Global Investors Ex-Australia Total Return Index (Gross) hedged to AUD was 7.91%

CCI Investment Management

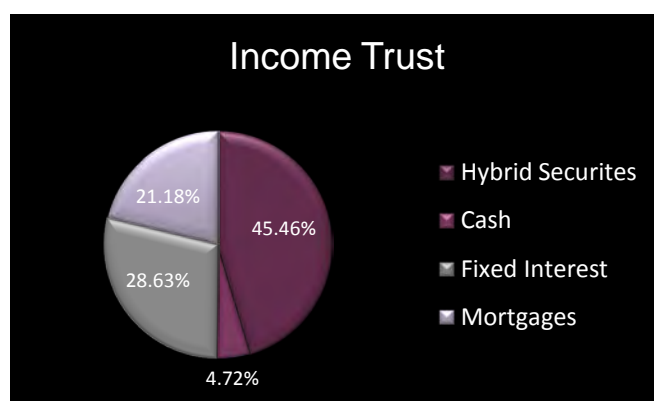
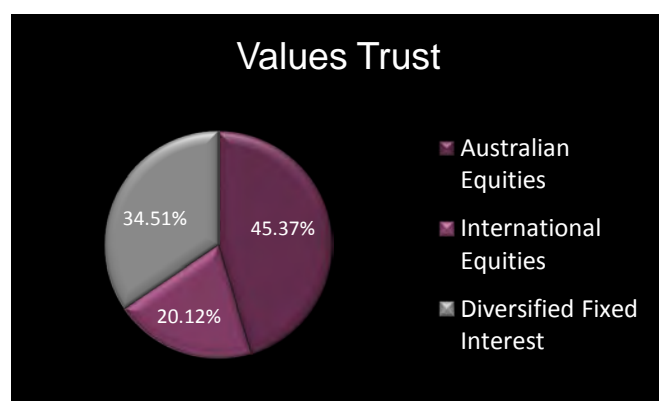
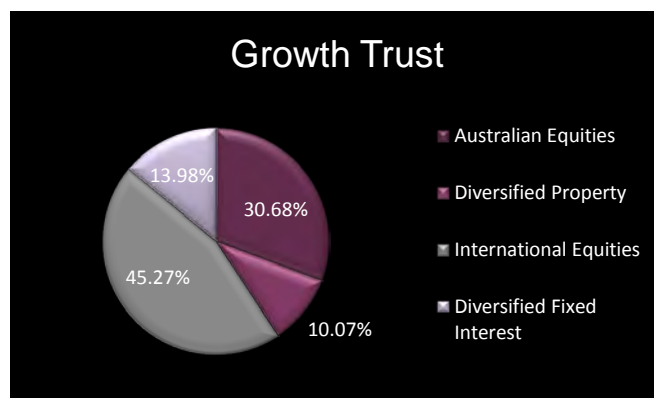
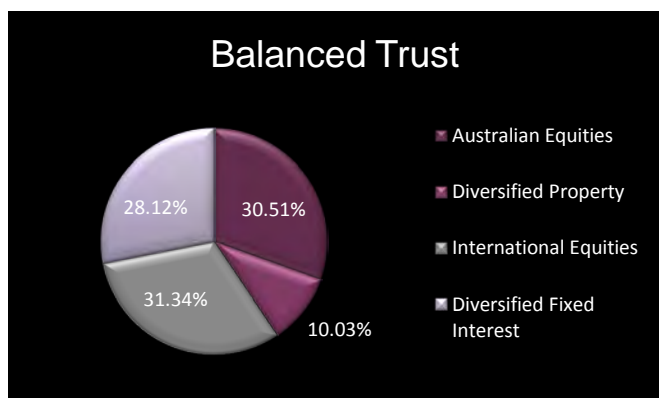
Following global markets, the Catholic Values Trust (2.01%), Balanced Trust (3.96%), and Growth Trust (5.01%) all produced positive returns for the quarter. Our direct sector trusts also had largely positive results, with the returns for the quarter being Australian Equities (4.39%), Diversified Fixed Interest (-0.17%), International Equities (7.40%) Diversified Property (3.77%), Flexi Australian Equities (3.53%), Flexi Diversified Fixed Interest (-0.14%), Flexi International Equities Trust (-1.16%) and the Income Trust (2.35%). For further performance information please call 1300 655 220 or log on to our website www.cciim.com.au.

Distribution for the period ending 31 December 2010

The distribution calculation process has commenced and we expect to produce the distribution statements and make payments on, or near to, February 16. We will advise if this date is likely to change.

Applications and redemptions received during a distribution calculation period will not be processed until the relevant distribution is finalised. We apologise for any inconvenience this delay may cause.

Asset Allocations as at 31 December 2010



Investment Performances as at 31 December 2010

Multi manager - multi sector	Month	Quarter	1 Year	3 Years	5 Years
Balanced Trust	2.63	3.96	6.45	-2.00	2.55
Growth Trust	3.14	5.01	5.83	-4.53	1.10
Catholic Values Trust	1.55	2.01	3.30	-0.67	4.97

Trust	Month	Quarter	1 Year	3 Years	5 Years
Australian Equities	3.72	4.39	7.77	-5.47	3.68
Diversified Fixed Interest	0.09	-0.17	6.33	6.49	5.36
Global Equities	3.74	7.40	3.74	-7.64	-2.17
Diversified Property	3.05	3.77	9.66	-6.65	-1.20
Australian Equities (CVT)	3.06	3.53	-2.25	-5.65	4.53
Diversified Fixed Interest (CVT)	0.07	-0.14	6.26	6.51	5.42
Global Equities (CVT)	0.80	2.52	-1.77	-9.59	-4.10
Income Trust	0.73	2.35	3.81	-6.89	-2.58



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