



Strengthening the Foundation

2007 Annual Report

A Message to our Participants

Introduction

In recent years, our annual year-end message to participants has emphasized the spiritual motivations for our decision as Catholic institutional investors to integrate faith and finance through the responsible stewardship of our portfolios. Yet as the managers of Christian Brothers Investment Services (CBIS), we know that our ability to achieve the results you expect from us is predicated on the strength and effectiveness of our organization as an investment management firm.

CBIS is a creation of the De La Salle Christian Brothers. We are also a competitor with other financial services firms, large and small, for your investment management business. We strive to offer a range of investment programs, client services and hands-on financial guidance that distinguishes us from our competitors on the basis of business merit. We want your decision to invest

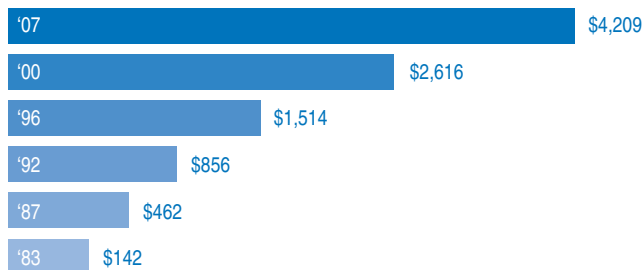
through CBIS to be justified as a sound business decision, augmented by collaborating with us as advocates for your religious values and for the goals of social justice. During 2007, we took a number of steps that we believe will secure and strengthen the foundation of our firm and enhance our ability to meet your investment needs.

A NEW PARTNER IN ROME

Perhaps the most significant development of the year at the organizational level was our welcoming of a new CBIS shareholder — The Center of the Institute of the Brothers of the Christian Schools (De La Salle Christian Brothers). The Center coordinates the work of the individual Provinces world-wide. CBIS was previously owned solely by the six U.S. Provinces of the Christian Brothers. The Center is CBIS' first non-U.S. shareholder and now a seventh and equal partner in the firm. In conjunction with this move, we have expanded the CBIS corporate board from 12 to 13 members with the appointment of Brother Francisco Lopez, FSC, as a new director and representative of the Center on the CBIS corporate board. Brother Francisco is the General Treasurer of the Institute in Rome. Prior to his current assignment he served as treasurer with a CBIS participant in Latin America. He is very familiar with our mission and our services.

CBIS is also privileged to draw on the wealth of knowledge offered by our independent directors, our advisors and friends of the firm, many of whom occupy positions of leadership and influence in the Catholic and institutional investment communities. Our observation of CBIS' 25th anniversary, which bridged 2006 and 2007, gave us a chance to bring many of these individuals together for consultation and advice about our future direction. In April 2007, we convened a series of meetings involving members of all three of the boards that oversee our work — the corporate board of CBIS and the boards of the Catholic United Investment Trust (CUIT) and the Religious Communities Trust (RCT) — as well as former members of those boards and representatives of Partners for the Common Good. Discussion covered a wide

CBIS Assets Under Management (in millions)



range of investment-related and socially responsible investing (SRI) topics and produced many valuable insights that will inform our business decisions and growth strategy in 2008 and beyond. All of us at CBIS express our thanks to all who participated in these discussions.

ENCOURAGING PARTICIPATION

Another important strategic move in 2007 was our decision to reduce the required minimum account balances and fees for Class B shares in our two indexed programs — the CUIT Core Equity Index Fund and the CUIT Small-Capitalization Equity Index Fund. Effective April 1, 2008, the investment management fee for the CUIT Core Equity Index Fund's Class B shares will be reduced from the current 25 basis points to 15 basis points — a 40% reduction. The management fee for the CUIT Small-Capitalization Equity Index Fund's Class B shares will fall from 35 basis points to 20 basis points — a 43% reduction. In addition, the Class B minimums for both Funds will be reduced to \$3 million from the current \$10 million. Qualifying participant accounts will automatically convert to Class B status on April 1, with the lower expense ratio. Economies of scale, particularly in our B share classes, have grown as asset levels have increased. Throughout our history, CBIS has worked to pass on achieved economies of scale to participating organizations. The fee reduction is also motivated by our desire to remove any barriers that keep Catholic organizations from integrating faith and finance through our Catholic socially responsible investment programs. In the past, some investment management consultants and Catholic institutions have told us they would like to invest with CBIS, but felt compelled to look for lower-cost alternatives. We hope the fee reductions remove that obstacle and better position us to compete for this business. Moreover, additional asset growth gives us greater leverage potential as shareholders when we engage corporate managements in dialogues regarding the issues that concern participants.

EDUCATING & INSPIRING

Each year also brings new opportunities to implement a primary aspect of our mission — one that dates to CBIS' founding by the Christian Brothers and that is continually inspired by their example. This is our commitment to thought leadership and education in the area of Catholic socially responsible investing. An important ongoing goal for us is to help fiduciaries at Catholic organizations recognize the essential unity of economic and spiritual life and the rich tradition of Church teaching that guides the integration of these realms, which may at times seem separate and distinct in the pressure-filled, day-to-day world of business. Indeed, each new year also delivers fresh examples of the damage done to human lives and to shareholder value when economic and spiritual life are lived separately and when spiritual values are ignored in the pursuit of short-term financial gain.

As thought leaders and educators, our challenge is to translate the ethical guidance offered by the Church into the concepts and language of business, forming a persuasive case for the unification of faith and finance. Our starting points are the study of Catholic social and theological teaching, including the documents of

Vatican II, the writings of the U.S. Conference of Catholic Bishops and the pre- and post-Vatican II social encyclicals. In addition, we consider what it means to be a Catholic in the world today, as well as an introspective examination of how we should behave as economic agents in society. Our successes occur when we help participants find new inspiration in these ideas and when we support their efforts to spread this message to colleagues throughout their institutions and to the broader Catholic community. In 2007, for example, we published a new white paper, "Becoming a Catholic Fiduciary," that reviews the nature and history of fiduciary responsibility and advocates for the idea that Catholic fiduciaries have a responsibility to find ways to integrate Catholic religious and social teachings with investment management to enhance their organization's mission, promote social justice and support long-term portfolio return. We plan to expand on this work in 2008, and believe that the Catholic Fiduciary concept can serve as a tool that helps participants show new colleagues on finance committees, and other fiduciaries at their organizations, why Catholic SRI is relevant to the problems that confront the world in the early 21st century and why it also supports the task of financing their institution's financial needs by supporting long-term portfolio performance.

EXPANDING OUR BORDERS

CBIS' goals for 2008 include expanding our investment program lineup, addressing the growing demand for our services in European and other non-U.S. markets, and expanding our SRI work with companies domiciled outside the U.S. Our new shareholder, The Center of the Institute of the Brothers of the

needs but to encourage the adoption worldwide of an approach to portfolio stewardship by Catholic institutions that we know will help produce stronger long-term investment returns for CBIS participants and a better world for all.

With a fortified institutional foundation, a new shareholder partner and exciting plans for future growth, we look forward to 2008 and beyond with renewed optimism and a heightened sense of possibility. We wish to thank all CBIS participants for your support during 2007 and we hope to be an even more effective agent on your behalf in 2008 and in future years.



A handwritten signature in black ink that reads "Raoul L. Carroll".

Raoul L. Carroll
Chairman of the Board



A handwritten signature in black ink that reads "Michael W. O'Hern, FSC".

Michael W. O'Hern, FSC
President and Chief Executive Officer

WITH A FORTIFIED INSTITUTIONAL FOUNDATION, A NEW SHAREHOLDER PARTNER AND EXCITING PLANS FOR FUTURE GROWTH, WE LOOK FORWARD TO 2008 AND BEYOND WITH RENEWED OPTIMISM AND A HEIGHTENED SENSE OF POSSIBILITY.

Christian Schools, will be a strong source of support in all these areas. In addition, mindful of the educational aspect of our mission, we will continue our educational outreach to Catholic fiduciaries in the U.S. and overseas. Where we differ from our competitors is in our commitment to not only serve participants' investment

Socially Responsible Investing

A Review of the Year

All our SRI efforts share one goal — to serve and advance the values of CBIS participants in the marketplace. Likewise, the theme of strengthening our institutional foundation for success, in order to enhance our ability to serve participants, was evident in our SRI program in 2007, similar to corporate-level efforts.

ADVOCACY RIGHTS & BIOETHICS

CBIS' SRI program consists of a broad range of activities including:

- Engaging with companies through dialogues and through the filing of shareholder resolutions;
- Collaborating with the broader SRI community to formulate strategy on issues of common concern;
- Monitoring corporate activities and policies across a wide diversity of SRI topics;
- Voting proxies at over 1,000 domestic and international companies each year;
- Supporting CBIS-sponsored community investment programs; and,
- Researching, analyzing and formulating SRI screening policy in light of Catholic social teachings and the mandate to produce competitive portfolio returns.

A major initiative of the year, albeit an unexpected one as 2007 began, was our campaign to defend the very right to file shareholder resolutions on behalf of participants. In early summer,

the Securities and Exchange Commission (SEC) undertook a broad reexamination of the legal framework that regulates shareholder rights and proposed rule changes that could have enabled companies to omit social resolutions from their proxy ballots and raised the first-year vote threshold required to re-file resolutions for a second and third year. Shareholder resolutions are a key tool in our effort to engage companies on issues of social justice. Additionally, in response to the SEC's moves, CBIS joined a coalition of investors that included the Interfaith Center on Corporate Responsibility (ICCR), the Social Investment Forum (SIF), public pension funds, union funds and other asset managers to fight these proposed changes. We traveled to Washington, D.C., and advocated for our interests on Capitol Hill; we submitted a detailed comment letter opposing the changes to the SEC, and sent one directly to SEC Chairman Christopher Cox. We also organized a participant campaign against the proposed incursion on shareholder rights, drafting a sample letter which participants could send directly to the SEC.

Fortunately, the broad effort was a tremendous success. Between CBIS, our ICCR partners, SIF and others, more than 30,000 letters were sent in opposition to the SEC's proposals — the largest response to a request for comments ever received by the agency. CBIS participants alone submitted over 50 letters. By year-end 2007, the SEC had decided to withdraw the troublesome

proposals and it reaffirmed its longstanding policy framework, thereby preserving our ability to use resolutions as a tool for corporate advocacy.

Also during 2007, we expanded our issue research capability and advanced our goal of expanding our network of alliances with Catholic institutions in the form of a partnership with the National Catholic Bioethics Center (NCBC) for the study of SRI policy in the area of embryonic stem cell research. Established in 1972, the NCBC is a leading Catholic organization engaged in research, consultation, publishing and education to promote human dignity in healthcare and the life sciences.

As faith-based holders of Newmont shares, we were concerned by a pattern of at-times violent community resistance to company operations in recent years in Peru, Indonesia and Ghana over issues such as mining waste disposal procedures, water pollution, development of sacred sites for mining operations, jobs and wages, and population resettlement from lands acquired for mining. Rather than oppose us, Newmont agreed to form a committee of independent board members to evaluate its global community relations policies, the reasons for such strong opposition to its operations in several countries, and to take steps to reduce such opposition. The company also agreed to publish the results of its review in a report to shareholders prior to its 2008 annual meeting.

ALL THREE CLIMATE CHANGE RESOLUTIONS ASKED THE COMPANIES TO MOVE BEYOND POLICY ANALYSIS AND PUBLIC RELATIONS PROGRAMS AND ADOPT QUANTITATIVE GOALS ALONG WITH TANGIBLE PLANS FOR EMISSIONS REDUCTION.

While some believe that embryonic stem cell research offers much potential for the development of treatments and cures for diseases, the destruction of developing human embryos violates Catholic teaching about the sanctity of human life. Medical research is moving quickly in this area, with considerable scientific advancement and change over the past several years. We are working with the NCBC to ensure that our Principled Purchasing policies on embryonic stem cell research are consistent with both Catholic teaching and our fiduciary duty.

ACTIVE OWNERSHIP SUCCESSES

Each year, most of the work we do takes place behind the scenes and seems, at times, to be measured more in inches than miles. But each year also brings a few gratifying breakthroughs that justify our larger, collective effort. Following are some of the highlights of 2007:

Newmont Mining Reviews Global Community Relations

In a first for a U.S. mining company, Newmont Mining Corporation (NYSE: NEM), one of the world's leading gold producers, agreed to support a social resolution sponsored by CBIS and ten other faith-based investors that called on the company to produce a report addressing community-based opposition to its operations in the U.S. and around the world. Our shareholder resolution, which was supported not only by leading proxy advisory firm Institutional Shareholder Services but also by Newmont's Board of Directors, received 91.6% of the vote at Newmont's annual meeting April 24, 2007, the highest vote total ever for a CBIS-sponsored resolution.

CBIS congratulates Newmont on this strong step. We hope the company produces a substantively thorough report that proves to all stakeholders that it takes this issue seriously.

Abbott Labs Lowers Price of Key AIDS Drug

During 2007, CBIS led an Interfaith Center on Corporate Responsibility (ICCR) shareholder group seeking dialogue with Abbott Laboratories (NYSE: ABT) seeking improved access to AIDS medicines by the poor in the developing world. In one well-publicized instance, Abbott decided not to register a new form of an important AIDS medication known as Aluvia in Thailand after price negotiations with the Thai government broke down. To our knowledge, no pharmaceutical company has ever withdrawn an AIDS medication in response to a pricing or licensing dispute. In late March, CBIS and 15 other ICCR shareholders issued a press statement criticizing Abbott's handling of the issue. Following negotiations with the World Health Organization, and pressured by criticism from CBIS and other socially responsible shareholders, Abbott subsequently announced that it would reduce the price of another important medication, Kaletra, by 50% — from \$2,200 to \$1,100 — in 40 low- and middle-income nations. Advocacy for better access to medicines by the poor in the U.S. and in developing nations remains a key element of CBIS active ownership initiatives, one that we believe supports shareholder value and social justice.

Companies Feel the Heat on Global Warming

Global public opinion in 2006 swung in favor of decisive government action to reduce international greenhouse gas emissions, and the 2007 proxy season followed suit with increasing

pressure on companies from institutional investors. The SRI news tracking website SocialFunds.com reported that 39 climate change resolutions were filed in 2007, asking companies to reduce emissions, report on their climate change strategies and invest more money in renewable energy.

CBIS joined with our SRI partners to file climate change resolutions with three companies — ExxonMobil, Ford and Chevron. All three resolutions asked the companies to move beyond policy analysis and public relations programs and adopt quantitative goals along with tangible plans for emissions reduction.

The most impressive vote total among the three was the 31% vote received at ExxonMobil. While the total is relatively high for an SRI-sponsored resolution, it is especially strong in this case because mainstream institutions are generally more comfortable supporting “reporting resolutions” (which ask a company to disclose data) than “policy resolutions” such as the one we filed (seeking a change in strategy).

THE PERCEPTION OF INEQUITY IS ONLY MAGNIFIED WHEN CEOs’ STOCK OPTION WINDFALLS AND BIG BONUSES ARE DRIVEN BY LAYOFFS AND OUTSOURCING.

The 14% vote at Ford was stronger than it appeared because the Ford family controls about 40% of the company’s outstanding voting stock, and it is likely that most of those shares did not support our proposal. Ford is attempting to recover profitability through difficult restructuring and repositioning of its product line. Our shareholder group believes the best way forward includes a commitment to much more fuel-efficient and climate-friendly cars and trucks, given the growing probability of carbon regulation, rising gasoline prices and the near certainty of continued growth in environmental concerns on the part of car buyers.

Chevron has done more than most oil companies to prepare for a low-carbon future, and we are generally satisfied with the progress of our multifaceted dialogue that encompasses reporting, public policy and strategy issues surrounding climate change. But shareholders need benchmarks and metrics in order to measure progress — thus our decision to file the resolution for the 2007

proxy season. The 8.5% vote total is respectable for a first-year resolution and large enough to allow us to file again next year if necessary, demonstrating the importance of the year’s campaign against the SEC’s proposals.

We plan to continue our engagements with all three companies and will file resolutions again in 2008 if we judge that to be the best way to encourage progress.

Shareholders Press Dillard’s on Vendor Standards

CBIS was the lead filer of a resolution with Dillard’s, one of the nation’s largest fashion apparel and home furnishings retailers, that asked the company to adopt a sourcing policy for vendors based on the United Nations’ International Labour Organization standards and to commit to a program of independent monitoring of vendor facilities. While CBIS is pleased that Dillard’s recently updated its ten-year-old policy, we believe it needs to incorporate more features that are now widely accepted as best practices among other retailers sourcing on a global basis. Other institutional investors agreed. Our resolution received crucial support from Institutional Shareholder Services, and in early October, Dillard’s reported that the resolution received 46.4% of votes cast — a very strong result that we hope persuades Dillard’s management to change its policy of non-engagement with shareholders on the issue. We look forward to continuing our dialogue with the company.

Cisco Vote Highlights Excessive Executive Pay

CBIS participants and other faith-based shareholders are concerned that the unchecked and growing concentration of wealth and privilege in corporate America does not promote the common good — either economically, ecologically, socially or politically. In 2006, CEOs reportedly earned 179 times as much, on average, as rank-and-file workers, about double 1994’s 90-to-1 ratio, according to a recent study by the Congressional Research Service. A June 2007 Bloomberg/L.A. Times poll found that 81% of Americans think CEO compensation is too high. And the perception of inequity is only magnified when stock option windfalls and big bonuses are driven by layoffs and outsourcing.

CBIS was lead sponsor of a first-year resolution at Cisco Systems, one of the world’s largest high-tech companies, asking it to allow shareholders to express an opinion about senior executive compensation through an annual advisory vote. Several large companies, including Aflac and Verizon, have agreed to adopt such a “say on pay” policy and many others are working with investors to create one. Resolutions asking companies to establish these policies received between 40%-50% favorable votes in 2007, showing broad shareholder support for the issue. Our resolution received support from nearly half of Cisco’s voting shareholders, with 48% of the votes cast in its favor.

Coke Advances Human Rights Policy

One of the most visible SRI successes in recent years was our 2006 breakthrough with Coca-Cola whereby the company agreed to revise and strengthen its human rights policy by incorporating independent monitoring and local community engagement, and by applying the policy to its bottler network around the world. Coke began compliance training and monitoring during 2006. In 2007, it performed compliance audits at a substantial number of its bottler facilities, and an increasing number of bottlers are adopting the new policy. In early 2008, we will begin a review of audit results.

PROXY VOTING & PARTNERS FOR THE COMMON GOOD

All investors who own publicly traded shares have the right to vote their shares for or against resolutions that appear on the proxy ballot at annual shareholder meetings. Investment managers generally vote in accordance with the recommendation of company management, sometimes in direct opposition to what would be considered a socially responsible vote. As a result, many institutions unknowingly lend support to forms of corporate behavior that we and other SRI investors are working hard to change. CBIS' comprehensive proxy voting guidelines govern how we vote across a wide range of environmental, social and governance issues and ensure that we take full advantage of the opportunity to influence corporate policy through proxy voting. In 2007, we voted proxies at over 1,250 U.S. and international corporations.

We also continued our strong support for Partners for the Common Good (PCG) in 2007. PCG is a community development investment fund that supports community-based organizations that promote affordable housing, create job opportunities in low-income and at-risk communities, and provide micro-loans to the poor in the U.S. and abroad. At year-end 2007, the fund had 85 investing partners and \$10.1 million in capital commitments. PCG distributed \$3.9 million in loans and investments during the year and had \$8.5 million in loans outstanding at year-end.

We plan to engage 36 companies in 2008 by filing 11 resolutions and participating in 25 dialogues, generally covering the same issues of concern as in 2007.

2007 Shareholder Resolution Vote Totals

Company	Resolution	Vote Total
Cash America	Develop policies to prevent predatory lending.	Omitted
Chevron Corporation	Establish business strategy for carbon-constrained world.	8%
Cisco	Report on pay disparity between executives and low-wage workers.	48%
Dillard's	Establish labor standards for contract suppliers.	46%
DuPont	Report on business risks from sale of genetically modified organisms.	7%
ExxonMobil	Disclose data that justifies its doubt of human-caused climate change.	31%
Ford	Improve strategy for carbon-constrained world.	14%
Lowe's Companies	Create policies to mitigate social and environmental store siting risks.	Not filed, in dialogue
Newmont Mining	Develop policies for community relations at mine sites.	92%
Royal Dutch Shell	Establish global environmental and human rights policy.	Not filed, in dialogue
Time Warner	Separate positions of CEO and Chairman of the Board.	15%

Note: Vote totals rounded to the nearest integer.

2007 Corporate Dialogues

Company	Dialogue
Abbott Laboratories	Expand access to medications for AIDS/malaria/TB in Africa.
ABN AMRO	Expand mortgage lending in low-income and minority communities.
Alcoa	Establish environmental and social policies for global operations.
Amer. Electric Power	Establish policy for reducing greenhouse gas emissions.
Best Buy	Report on efforts to reduce children's access to violent video games.
BP	Develop clean energy and social guidelines for development projects.
Capital One Financial*	Establish policies to prevent predatory lending.
Citigroup	Implement responsible lending standards for global project finance.
Coca-Cola	Implement global human rights policies.
Costco	Establish environmental and social policies for store siting.
Eli Lilly	Provide medications for malaria/TB in Africa.
Federated Dept. Stores	Establish labor standards for contract suppliers.
FelCor Lodging Trust*	Report on social and environmental performance.
GlaxoSmithKline	Provide access to AIDS medications in Africa.
JPMorgan Chase	Implement policies for responsible lending in emerging markets.
McDonald's	Declassify Board of Directors.
Merck	Improve affordability of and access to pharmaceuticals by the poor.
Newmont Mining	Establish human rights and environmental justice policies.
Occidental Petroleum	Implement human rights policies for global operations.
Schering-Plough	Expand access to pharmaceuticals in U.S. low-income communities.
Sears	Implement global code of conduct standards for contract suppliers.
Sony	Establish policies for accurate violent video game ratings.
Target	Report on efforts to reduce children's access to violent video games.
Tyco	Report on efforts to reduce toxic emissions.
Wal-Mart	Report on advancement opportunities for women and minorities.
Wells Fargo	Report on efforts to reduce predatory lending.

*New in 2007.

Shareholder Resolution — A proposal placed on the proxy ballot by a group of shareholders, and voted on by all shareholders at a company's annual meeting. Resolutions are non-binding, but high vote totals get management's attention and often spur them to action.

Corporate Dialogue — An ongoing communication between a group of shareholders and company management. The shareholders hope to convince management to take action on an issue of concern. A failed dialogue may result in the filing of a shareholder resolution.

2007 Investment Review

A Review of the Year

The credit crisis produced by rising defaults in U.S. subprime mortgage securitizations deepened as 2007 ended, and the outlook for recession in developed global markets intensified. As these forces took hold, the assumptions that had supported stock valuations over the past several years unwound, including confidence in steady corporate earnings growth spurred by rising trade between developed and emerging markets, and robust merger and acquisition activity driven by the availability of private equity capital and easy access to leverage.

Because of this crisis, investors quickly shifted their focus to risk. And the long run of value investing, amplified by a booming financial industry and rising commodity prices, gave way to a resurgence of growth investing.

Stocks declined in this worsening economic outlook, particularly those with any potential exposure to subprime lending — from the housing and furnishings industry to any sector subject to further weakness in consumer spending. The strongest sectors were defensive, including consumer staples, utilities and healthcare. Energy also produced strong gains as oil prices briefly reached the \$100-per-barrel level.

While the U.S. market was the most impacted by subprime troubles, European markets also felt the effects as loose underwriting standards, along with investments in collateralized debt obligations (CDOs) and short-term structured investment vehicles (SIVs) were present there as well. Weakness in European stock returns was somewhat masked by the strength of the pound and euro relative to the U.S. dollar, as non-dollar currencies were supported by divergence in central bank policies on short-term rates. The longstanding strength of Japan's exporters waned in 2007 on reduced expectations for global trade and economic growth, and Japan's domestic consumer spending remained stagnant. Strength in emerging markets, which rose 39.8% in dollar terms in 2007, offset the weaker results in developed markets.

U.S. bond returns were led by Treasuries as all other credit sectors were negatively impacted by wider interest rate spreads. Lower quality mortgages along with corporate and asset-backed issues witnessed sharply higher yields due to investor risk aversion, and high quality issues suffered moderately. Federal Reserve rate cuts brought short-term interest rates down from 5.25% to 4.25% and helped drive down rates across the yield curve, which supported solid total returns for bonds. And the U.S. Treasury yield curve steepened as the bond market began to anticipate further Fed rate cuts. The Banks of England and Canada also lowered rates, while Japan and the European Central Banks held rates steady. Coupled with central bank intervention to stabilize capital market problems in the latter half of the year, these actions supported modest positive returns for non-U.S. bonds.

With risk now at the forefront of investors' concerns, CBIS' focus on high credit quality in fixed-income portfolios and on strong fundamentals in actively managed equity portfolios should benefit participants during 2008. Indeed, it will likely take time for the recent excesses of abundant liquidity, poor underwriting standards, imprudent security structures and excessive leverage to be purged from securities markets. Despite the discomfort caused by the resulting downside volatility, the upside is that these market conditions create opportunities for active managers to augment returns for many years to come.

MANAGER CHANGES

Several changes were made within the CUIT fund programs in 2007. In May, we replaced Jarislowsky Fraser with Principal Global Investors as a sub-adviser in the CUIT International Equity Fund. Principal Global offers a quantitative international growth equity strategy with tight controls on sector, country, capitalization and individual issue exposure to maximize the contribution from stock selection. Their process also incorporates investor sentiment and momentum factors which, in addition to company fundamentals, have become increasingly important for successful growth investing in recent years. The change proved timely, as international equity managers with strong growth style characteristics became top performers as the year progressed.

To reduce CUIT Market Neutral Fund volatility as experienced during the third quarter of 2007, we added Martingale Asset Management as a third sub-adviser in the Fund in early October. Martingale was selected at the Fund's inception to be added as assets grew.

Finally, we directed CUIT Growth Fund sub-adviser Wellington Management to apply a more diversified growth strategy to its segment of the Fund in order to reduce volatility and in response to manager personnel changes at Wellington. Wellington's portfolio now holds 25% - 40% more issues than before and it has a more

moderate turnover. Stock selection will continue to draw upon the strength of the firm's global research platform.

FUND PERFORMANCE

Total Assets Under Management (in millions) 12/31/07	\$4,209.0
RCT - Fixed-Income	\$1,083.5
CUIT - Balanced & Equity	\$2,232.7
Individually Managed Portfolios	\$893.2

RCT FUND PERFORMANCE

The RCT fixed-income programs produced reasonably good results during 2007, a year in which the Federal Reserve began a policy of dramatic easing of interest rates to counter rising odds of a U.S. recession. Longer duration proved beneficial as interest rates declined by over 50 basis points during the year and the yield curve shifted from inverted to steep. RCT Fund returns were 4.56% for the Flex Cash Fund, 6.05% for the Short Bond Fund and 6.74% for the Intermediate Diversified Bond Fund (Class B, 6.91%). These results were generally quite favorable compared to peers due to the emphasis on high credit quality in the RCT programs.

The [RCT Flex Cash Fund](#) returned 4.56% for 2007 while the 91-Day Treasury Bill returned 5.00% and the median Lipper Government Money Market Fund manager returned 4.41%. The Fund began the year with an average maturity in line with that of its benchmark and a slight yield advantage of 30 basis points. At mid-year, a small position in AAA-rated home equity loans weakened as subprime loan problems surfaced, but this position steadily paid down as the year progressed and continued to do so in early 2008. We believe the Fund is well-positioned for the difficult market conditions prevailing at the start of 2008, with ample liquidity to take advantage of opportunities created by further spread widening or yield curve steepening.

The [RCT Short Bond Fund](#) returned 6.05% in 2007 compared to the Merrill Lynch 1-3 Year Treasury Index's 7.32% return. The strength of Treasuries compared to all other sectors explains the Fund's relative underperformance during the year, although the Fund's high credit quality supported solid relative performance compared to other short-duration managers. The Fund ended 2007 with a considerable two percentage point (200 basis point) yield advantage over its benchmark due to the sharp decline in Treasury yields in the second half of the year. This should provide a substantial return advantage as 2008 begins.

The [RCT Intermediate Diversified Bond Fund](#) produced a 6.74% total return in 2007 (Class B, 6.91%) comparable to the 6.97% return of the Lehman Aggregate Index. The primary detractors

from relative return were the negative impact of the Fund's shorter duration and its modest exposure to lower quality corporates. The Fund's yield curve positioning and its overall high credit quality (AA+) strengthened results. The 67 basis point decline in ten-year Treasury rates contributed to a superb year for bond investing given the relatively low absolute interest rate levels that prevailed at the start of the year. As investors reassess bond risk in 2008, we believe the Fund is well-positioned in regard to credit quality (it has no exposure to subprime, SIV or CDO issues) while its shorter effective duration than that of the benchmark should help relative return if interest rates rise due to inflation concerns.

CUIT FUND PERFORMANCE

Tempered by the stock market sell-off during the second half of the year, the majority of CUIT Funds produced moderate absolute returns in 2007. Small-cap and value results were particularly weak following a sustained period of success. On the other hand, both international and growth investing were quite successful, the former due in part to strong foreign currency gains against the U.S. dollar.

The [CUIT Balanced Fund](#) produced a 3.41% return in 2007 versus 6.22% for its weighted benchmark. Within the equity portfolio, stock selection in information technology and industrials produced the greatest relative weakness. Areas of strength included an underweight in financials and stock selection in healthcare. In the bond portfolio, the Fund's shorter duration and modest exposure to lower quality corporate issues were detrimental, while its yield curve positioning and overall high credit quality (AA+) supported relative results. The 67 basis point decline in ten-year Treasury yields contributed to a superb year for bond investing considering the relatively low absolute interest rate levels at the start of the year.

The [CUIT Market Neutral Fund](#) produced weak results in 2007, declining 1.14% compared to the 5.0% return of the 91-Day Treasury Bill. The Fund produced solid results through June and the underperformance was mostly attributable to a weak third quarter, when the majority of quantitative long/short programs posted negative returns caused by liquidation of a number of leveraged hedge and long/short strategies. A lesser cause of the relative weakness was the market's transition from value to growth, as fundamentals took second stage to momentum traits in stocks. Prospects for 2008 appear to be more favorable than what was presented by 2007's difficult market environment, as the valuation spread between cheaply and richly priced stocks has widened appreciably and now offers greater apparent opportunity for added value.

Following four consecutive years of strong positive returns, large-cap value stocks retrenched in 2007. The [CUIT Value Equity Fund](#) declined 0.80%, approximating the benchmark's -0.17% return. The Fund produced relative gains in financials and information

technology but had a weak showing in the volatile energy, consumer staples and telecom services sectors. Within information technology, an overweight and strong stock selection proved beneficial as growth issues outperformed as the year progressed. To a lesser degree, underweights and stock selection in consumer staples and telecom services, both strong performing sectors, weighed on results.

The [CUIT Core Equity Index Fund](#) generated a 5.03% return (Class B, 5.17%) to trail the benchmark by 46 basis points in 2007. The Fund excluded an average of 26 of the benchmark's 500 stocks. These restricted stocks as a group returned 9.1% and outperformed the benchmark by 3.7 percentage points (370 basis points). Overall, SRI screens in the healthcare sector benefited the Fund's performance as poor returns by two excluded companies disadvantaged the benchmark. On the other hand, strong returns in the tobacco sector boosted the S&P 500 relative to the Fund.

ON THE OTHER HAND, BOTH INTERNATIONAL AND GROWTH INVESTING WERE QUITE SUCCESSFUL, THE FORMER DUE IN PART TO STRONG FOREIGN CURRENCY GAINS AGAINST THE U.S. DOLLAR.

The [CUIT Growth Fund](#) rebounded strongly in 2007 and produced a robust absolute return of 16.95% (Class B, 17.26%) which exceeded the Russell 1000 Growth Index's 11.81% return. Last year we commented on the atypical market environment experienced during 2006 and its impact on the portfolio, and this year's strong result was primarily driven by many of the same holdings, selected for their long-term fundamental growth characteristics. Stock selection was additive in nearly all sectors (consumer discretionary and consumer staples were the exceptions) and the portfolio's strong emphasis on information technology and healthcare issues, both traditional growth areas, was successful. While the equity markets may face a number of headwinds entering 2008, we believe our sub-advisers' fundamental, disciplined approach to growth investing will benefit participants.

For the year, the [CUIT Small-Capitalization Equity Index Fund](#) marginally lagged the Russell 2000 benchmark on a net-of-fee basis, returning -2.30% (Class B, -2.10%) versus the benchmark's

-1.57% return. The difference was mainly attributable to a slight cash drag during the first quarter (due mostly to high M&A activity among Index companies) and the very modest impact of restrictions within the healthcare sector. Although a number of restricted companies in healthcare and aerospace and defense produced strong performance in 2007, the negative impact was largely offset by re-weighting of permitted names in the portfolio.

The **CUIT International Equity Fund** produced a positive return of 9.50% (Class B, 9.97%) in 2007, although the Fund trailed the MSCI EAFE Index benchmark's 11.63% return. Negative factors over the course of the year included stock selection in consumer discretionary, financials and information technology. Positive contributions were made by stock selection in healthcare, industrials, telecommunications and utilities. A primary cause of the Fund's lower relative return was the sector allocation in the terminated sub-adviser's portfolio during the first quarter. In addition, the Fund's relatively low exposure to emerging market companies hurt results versus other international managers in 2007, although in the volatile and weak economic environment at the start of 2008 we view this strategy as a constructive one.

INDIVIDUALLY MANAGED PORTFOLIOS

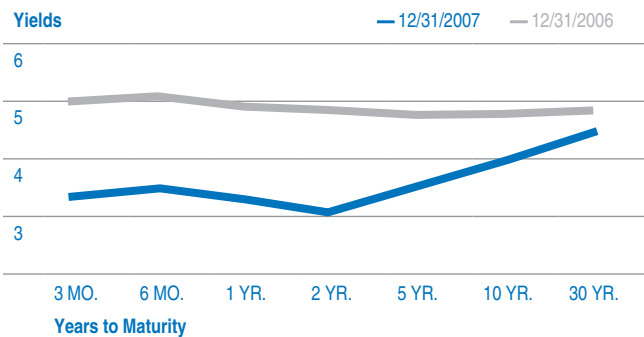
CBIS administered 44 individually managed portfolios (IMPs) at the end of 2007 with \$893 million in total assets, representing a decline from the prior year. A large indexed portfolio was closed during the year and several bond portfolios were converted into the RCT Intermediate Diversified Bond Fund. The majority of IMP assets, 56% of the total by market value, were fixed-income mandates. Of the remainder, 24% was in balanced portfolios and 20% in various equity portfolios.

Dodge & Cox manages over 80% of CBIS IMP assets and has been an IMP sub-adviser since 1992. The fixed-income accounts returned from 4.5% to 5.6%, net of fees, depending on specific participant guidelines and cash flows. These results trailed the Lehman Aggregate Index's 6.97% return for the year. The Federal Reserve began easing interest rates at mid-year in response to the growing liquidity crisis among financial institutions caused by rising subprime defaults, and also in reaction to signs the U.S. economy was slowing significantly. The Dodge IMPs maintained a shorter effective duration than that of the benchmark due to the low absolute level of interest rates and prospects for rising inflation. This was the primary cause of the Fund's relative performance shortfall, as the ten-year Treasury yield declined by 67 basis points over the year. An overweight position in lower-rated corporate bonds detracted from results as the year progressed due to investors' heightened risk aversion and growing concern about credit quality.

While value equity portfolio returns trailed growth in 2007, Dodge & Cox was able to add relative value for participants. Equity IMP

net-of-fee returns ranged from -0.1% to 0.8% for the year, which compared favorably with the -0.2% performance by the Russell 1000 Value Index. A comparison with the S&P 500's 5.49% return is less compelling, with the shortfall resulting from the value-style emphasis of the Dodge portfolios coupled with stock selection. Investors shifted focus from financial and cyclical sectors, which benefit from expectations for sustained strong global trade and global demand for resources, into more defensive issues during the second half of the year. Additionally, volatile growth issues in the technology sector were strong performers in 2007. While Dodge had increased its exposure to growth sectors such as technology, healthcare and media, due to their compelling valuations and earnings growth prospects, these were relatively weak in contrast to other growth issues with stronger momentum. Additionally,

U.S. Treasury Yield Curve



stock selection in energy, consumer staples and telecom issues detracted somewhat from results. Nonetheless, it is characteristic of Dodge & Cox's long-term approach to portfolio structuring that its performance may lag as the investment cycle transitions from one theme to another. Such is the case currently, as investors have shifted expectations from high GDP growth to slower growth and have turned away from cyclical and momentum stocks in favor of better-valued issues.

Dodge & Cox produced returns for its balanced portfolios ranging from 1.6% to 3.3%, net of fees, depending on investment restrictions and differences in asset allocation. This trailed the performance of a 60% S&P 500 Index / 40% Lehman Aggregate benchmark, which would have returned 6.2% during 2007. The portfolio's value emphasis detracted from results relative to the S&P 500 despite a substantial underweight in financial issues, the S&P 500's weakest sector in 2007. Bond portfolio results relative to that of the Lehman Aggregate Index were impacted by their shorter duration, as interest rates declined substantially, and by greater exposure to lower-rated corporate debt.

[Jennison Associates](#) managed four separate bond portfolios at year-end and produced returns ranging from 7.3% to 8.75%, net of fees, for 2007. These results substantially exceeded the Lehman Aggregate Index's 6.97% return due primarily to Jennison's yield curve strategy, as the Federal Reserve began lowering rates at mid-year 2007, steepening the curve, and to the portfolios' emphasis on high credit quality. The firm has been very successful in profiting from aberrations in yield curve shapes, most recently during 2005, and had viewed credit and mortgage spreads as far too tight at the start of 2007. The portfolio had consequently been underweight in both sectors and emphasized higher quality issues. With subprime concerns making headlines over the summer, this paid off handsomely as corporate and mortgage spreads widened sharply on concerns over market liquidity and a possible recession. As the year ended, Jennison began to expand its mortgage exposure as credit spreads became far more attractive.

[RhumbLine Advisers](#) managed two indexed portfolios at year-end, both benchmarked against the S&P 500. Results for the year ranged from 5.5% to 6.25%, matching or exceeding the benchmark's 5.5% return. Results differed between the two portfolios due to customized SRI restrictions. Of the industries affected by screens — pharmaceuticals and health management, aerospace and defense, and tobacco — many tobacco and defense-related issues produced strong results during 2007, while the impact of healthcare restrictions was mixed. Tobacco stocks, which exhibit defensive characteristics and predictable cash flow,

were particularly strong as economic growth slowed globally. Re-weighting and reallocation from the restricted securities to unrestricted names offset some, but not all, of the negative impact of the restrictions. In healthcare, some of the largest restricted pharmaceutical companies posted negative returns, and greater weighting of unrestricted health management and medical device companies contributed positively to results.

CBIS Fund Performance as of December 31, 2007

Fixed-Income	3 Month	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date***
RCT Flex Cash Fund**	1.07	4.56	3.77	2.50	3.22	4.53	Jan 85
Lipper Government for MM Funds	0.99	4.41	3.70	2.44	3.23	*	
Merrill Lynch 91-Day T-Bill Index	1.05	5.00	4.29	3.06	3.77	5.14	
RCT Short Bond Fund	1.93	6.05	4.07	3.11	4.78	6.41	Jan 85
Merrill Lynch 1-3 yr Treasury Index**	2.36	7.32	4.28	3.12	4.84	6.59	
RCT Intermediate Diversified Bond Fund Class A	2.64	6.74	4.54	4.30	5.71	6.64	Jan 95
Lehman Aggregate Index	3.00	6.97	4.56	4.42	5.97	6.98	
RCT Intermediate Diversified Bond Fund Class B	2.60	6.91	4.70	4.45	*	4.45	Jan 03
Lehman Aggregate Index	3.00	6.97	4.56	4.42	*	4.42	
Alternative							
CUIT Market Neutral	0.29	(1.14)	*	*	*	1.83	Jan 06
Merrill Lynch 91-Day T-Bill Index	1.05	5.00	*	*	*	4.91	
Equity							
CUIT Balanced Fund	(1.96)	3.41	6.76	10.61	7.31	9.82	Dec 83
60% S&P 40% LBAgg†	(0.80)	6.22	7.07	9.51	6.09	9.57	
CUIT Value Equity Fund Class A	(5.61)	(0.80)	8.56	15.38	8.18	12.13	Jan 95
Russell 1000 Value Index	(5.80)	(0.17)	9.32	14.62	7.68	12.77	
CUIT Value Equity Fund Class B	(5.53)	(0.43)	8.94	15.73	*	15.73	Jan 03
Russell 1000 Value Index	(5.80)	(0.17)	9.32	14.62	*	14.62	
CUIT Core Equity Index Fund Class A	(3.55)	5.03	8.26	12.93	6.12	11.20	Jan 95
Standard & Poor's 500 Index††	(3.33)	5.49	8.62	12.83	5.92	11.27	
CUIT Core Equity Index Fund Class B	(3.50)	5.17	8.38	13.05	*	2.95	Mar 00
Standard & Poor's 500 Index††	(3.33)	5.49	8.62	12.83	*	2.62	
CUIT Growth Fund Class A	1.37	16.95	7.31	11.07	3.30	9.31	Jan 91
Russell 1000 Growth Index*	(0.77)	11.81	8.68	12.11	3.94	9.84	
CUIT Growth Fund Class B	1.42	17.26	7.64	11.39	*	11.39	Jan 03
Russell 1000 Growth Index*	(0.77)	11.81	8.68	12.11	*	12.11	
CUIT Small Cap Equity Index Fund Class A	(4.78)	(2.30)	*	*	*	(2.30)	Jan 07
Russell 2000 Index	(4.58)	(1.57)	*	*	*	(1.57)	
CUIT Small Cap Equity Index Fund Class B	(4.67)	(2.10)	*	*	*	(2.10)	Jan 07
Russell 2000 Index	(4.58)	(1.57)	*	*	*	(1.57)	
CUIT International Equity Fund Class A	(2.18)	9.50	13.54	16.79	8.64	9.67	Jan 95
MSCI EAFE-Gross Index	(1.71)	11.63	17.31	22.08	9.04	8.46	
CUIT International Equity Fund Class B	(2.08)	9.97	14.00	17.17	*	3.07	Mar 00
MSCI EAFE-Gross Index	(1.71)	11.63	17.31	22.08	*	6.28	

* Data not available.

** Benchmark Index: ML 1-3 Yr. Treasury Index eff. 7/1/01; ML 1-5 Yr. G/C Index eff. 7/1/97; 50% Lehman Intermediate Govt Index/ 50% Lehman 1-3 Yr. Govt Index eff. 5/1/96.

† Benchmark Index: 60% S&P 500/ 40% LBAgg eff. 1/2/03; 60% S&P 500/ 30% LBAgg/ 10% 91-Day T-Bill eff. 4/1/91; 60% LBAgg/ 40% S&P 500 in prior periods.

†† "S&P 500" is a registered trademark of McGraw-Hill Companies, Inc. ("McGraw-Hill"). The CUIT Core Equity Index Fund is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the fund.

‡ Benchmark Index: Russell 1000 Growth Index effective June 1, 2000; prior to this date, historical returns reflect Russell Mid-Cap Growth Index.

*** The RCT Money Market Fund was renamed the RCT Flex Cash Fund on June 30, 2006. The RCT Flex Cash Fund changed its investment approach from overnight repurchase agreements, its approach since fund inception, to an actively managed MM portfolio effective 8/1/01.

***Performance for Class B shares no longer includes performance of the Fund's Class A shares for periods prior to the issuance of Class B shares.

Performance for each share class is shown from the inception of that share class. Performance for periods of one year and longer are annualized. All fund performance (including that of comparative indices) is reported net of any fees and expenses, but inclusive of dividends and interest. Past performance is not indicative of future performance. The return and principal value of the Fund(s) will fluctuate, and upon redemption, shares in the Fund(s) may be worth less than their original cost. The RCT Flex Cash Fund is not guaranteed by the U.S. Government and there can be no assurance that a stable net asset value of \$1.00 can be maintained. The comparative indices represent unmanaged or average returns on various financial assets, which can be compared to the Funds' total returns for the purpose of measuring relative performance. Comparative index information is provided by Lipper Analytical Services, Inc. and Mellon Bank; information regarding composition of indexes may be obtained from provider or CBIS. CBIS offers pooled funds on behalf of two not-for-profit investment trusts, Religious Communities Trust (RCT) and Catholic United Investment Trust (CUIT). Offering Memoranda / Disclosure Statements, which contain further information, are available by calling either 800-592-8890 or 800-321-7194. Such information should be carefully considered prior to investing in the Funds.

Diversity

Looking Within

CBIS asks that portfolio companies hire a diverse workforce and disclose workforce demographic data on an annual basis. We hold ourselves to these same standards. Each year, we report on our commitment to diversity in our annual report to participants. The CBIS diversity policy is defined by the following premises:

- We value each person for his or her unique contribution to our service.
- We value the different backgrounds and perspectives that each person brings.
- We work to allow each person to develop his or her potential.
- We work to integrate our collective talent for the benefit of our participants.

We also favor investment managers who meet our diversity criteria. Each prospective CBIS sub-adviser is asked to detail its organizational structure, including the number of women and racial minorities on its executive team and in senior management positions. We also ask about each firm’s anti-discrimination policies and the specific actions undertaken to meet its diversity commitment. Finally, we ask for data that outlines the composition of its workforce, just as we provide here. All this information is carefully evaluated during the manager selection process.

CBIS employed a total of 55 individuals at year-end 2007. The tables below compare our workforce demographics to those of the securities industry in general. While we are a relatively small firm by securities industry standards, we believe the data confirms our commitment to diversity and supports the perception by our employees, participants and SRI industry partners that CBIS is dedicated to building and maintaining a diverse workforce.

2007 CBIS Diversity

%	Male	Female	White	Black	Hispanic	Asian
All	47	53	74	18	4	4
Officers	100		67	33	0	0
Supervisors	78	22	100	0	0	0
Professionals	48	52	76	14	5	5
Office & Clerical Workers	16	84	63	27	5	5

2006 EEO-1 Aggregate Report - Security & Commodity Brokers

%	Male	Female	White	Black	Hispanic	Asian
All	58	42	75	11	5	9
Officials & Managers	66	34	84	6	3	7
Professionals	59	41	74	8	4	14
Office & Clerical Workers	41	59	67	19	8	6

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