CUIT Intermediate Divers. Bond (Q1 2013)

CBIS

Objective & Strategy – The Fund seeks current income and long-term capital appreciation by investing primarily in U.S. government, agency, corporate and mortgage-backed securities. Holdings are primarily investment grade (BBB to AAA, based on the three primary rating agencies), with no more than 10% of the portfolio rated below BBB. Duration generally ranges within +/– 20% of the benchmark's duration. Macroeconomic analysis along with fundamental industry and company research, which captures inefficiencies in the valuation of sectors and individual securities, are combined with duration management in pursuit of above-benchmark returns over a full market cycle. The Fund's value and yield are affected primarily by changes in U.S. interest rates.

Asset Managers – Dodge & Cox, Inc. (Since 1/1/95); Jennison Associates (Since 9/2/02); Reams Asset Management Co. (Since 7/1/08)
Benchmark – Barclays Capital Aggregate Bond Index
Fund Inception Date – Class A: January 1, 1995; Class B: January 1, 2003
Minimum Investment – Class A: No minimum; Class B: $10 million
Expense Ratio – Class A: 0.55%; Class B: 0.40%

All assets are invested in accordance with CBIS' Socially Responsible Investing Guidelines.

Performance*

Trailing	Three Months	One Year	Three Years	Five Years	Ten Years
CUIT Int. Divers. Bond A	-0.01	4.47	6.03	6.82	5.59
CUIT Int. Divers. Bond B	0.03	4.63	6.19	6.97	5.74
Barclays Agg. Bond Index	-0.12	3.78	5.52	5.47	5.03

Calendar Year	2012	2011	2010	2009	2008
CUIT Int. Divers. Bond A	6.05	7.22	7.20	18.40	-2.03
CUIT Int. Divers. Bond B	6.21	7.39	7.27	18.58	-1.80
Barclays Agg. Bond Index	4.22	7.84	6.54	5.93	5.24

*For disclosures relating to performance, see the Performance Disclosure Page.

Portfolio Analysis

Statistics	IDBF	BCAGG
Average Maturity	7.5 years	7.2 years
Effective Duration	4.6 years	5.3 years
Average Quality	AA	AAA
Yield-to-Maturity	1.7%	1.9%
Current Yield	3%	3.2%
# of Securities	692	8,286
Fund Size	$1,020 mm	

Effective Duration %	IDBF	BCAGG
0-1 years	24.7	1.2
1-3 years	26.6	30.2
3-4 years	8.6	18.1
4-6 years	10.6	24.0
6-8 years	3.6	11.1
Over 8 years	25.8	15.5

Market Sector Analysis

Allocations %	IDBF	BCAGG
Treasuries	34.7	36.5
Agency	3.2	4.8
Industrials	14.1	12.1
Finance	15.5	7.3
Utilities	0.9	2.4
Non-Corp.	0.0	4.1
MBS	18.2	29.4
CMO	1.5	0.0
CMBS	3.4	1.8
ABS	6.1	0.4
Municipals	1.2	1.4
Cash	1.2	0.0

Credit Quality %	IDBF	BCAGG
U.S. Treasury	34.7	36.5
Federal Agency	16.7	34.1
Aaa	14.3	3.9
Aa	3.5	3.6
A	16.2	11.3
Baa	12.0	10.7
Below Baa	1.3	0.0
Cash	1.2	0.0

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Q1 2013 Commentary

Trailing 3 months

The CUIT Intermediate Diversified Bond Fund returned -0.01% (Class B, 0.03%), slightly exceeding the Barclays Aggregate Bond Index's -0.12% return. The quarter brought modest improvement in economic news, such as higher retail sales, improving consumer confidence and a better employment outlook. As a result, investors began to speculate that the Fed might begin to curtail its monetary easing and debt purchases, and the 10-year Treasury yield rose by nine basis points and the 30-year by 15 basis points. These factors combined to produce the first negative quarter for the benchmark since the fourth quarter of 2010. A major factor that contributed to the Fund's relatively stronger performance was its above-benchmark weight in credit, particularly a meaningful overweight in financials; the financials sector generated a strong 88-basis-point return as spreads there continued to tighten. The Fund's underweight in mortgage-backed securities (MBS) was additive as spreads in the sector generally widened. Additionally, its exposure to asset-backed securities (ABS) — chiefly home equity issues along with modest positions in below-investment-grade debt and taxable municipals — added incremental return. Factors that limited outperformance included yield curve positioning (a higher exposure to the long end of the curve as rates rose), a lower yield relative to the Index (a result of the portfolio's more defensive position) and a modest overweight in the industrials sector. Industrials underperformed, returning -17 basis points, as spreads widened due to leveraged buy-out (LBO) concerns following the Heinz transaction. While still defensively positioned, the Fund reduced Treasury exposure from a two percentage point overweight at year-end to a modest 1.8 percentage point underweight, shifting into attractively priced issues among industrials, financials, MBS and commercial mortgage-backed securities (CMBS).

Trailing 12 months

For the trailing 12-month period, the Fund returned a strong 4.47% (Class B, 4.63%), exceeding the benchmark Barclays Aggregate Bond Index's 3.78% return. The Fund's meaningful corporate overweight was beneficial as the sector returned 7.5%. As in the recent quarter, the Fund's focus on financial issues, which returned 10.1% as spreads tightened, was the strongest source of value-added. Below-investment-grade holdings also outperformed as continued strong investor demand drove yields to new lows. The underweight in MBS was additive as spreads widened based on concern over valuations, prepayment speed and extension risk. The sub-advisers were also able to add value through opportunistic trades, moving among mortgage, corporate and Treasury issues, as well as by executing successful relative value trades across the yield curve. Higher-than-benchmark exposure to CMBS, ABS and taxable municipals (despite the Stockton bankruptcy), augmented by good issue selection, was additive. Factors that limited excess return included the Fund's shorter duration as yields declined (the 10-year Treasury yield fell 36 basis points and the 30-year fell 25 basis points), a below-benchmark yield due to the Fund's defensive positioning, and an underweight in Agency issues, which outperformed the Index.

The Fund continues to maintain the defensive position established in late 2012. The sub-advisers believe that risk assets are richly valued and that spreads do not adequately compensate investors for either known or unknown market risks. They plan to monitor market conditions and take advantage of opportunities as they arise.

Class B performance no longer includes performance of Class A shares for periods prior to the issuance of Class B shares. Performance from inception for each share class is shown on page 4 of the Investment Program Review.
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 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 a not-for-profit investment trust, the Catholic United Investment Trust (CUIT). Offering Memoranda / Disclosure Statements, which contain further information, are available by calling 800-321-7194. Such information should be carefully considered prior to investing in the Funds.