

PRINCIPLES



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Q1 2006

2006 Active Ownership Strategy

New dialogues on video game violence, predatory lending, environmental justice

In 2006, CBIS plans to conduct dialogues with 27 companies and file 9 shareholder resolutions, engaging with a total of 36 companies. The chart on the right indicates the distribution of our 2006 initiatives by issue area; this will be substantially the same as in 2005.

Our objective this year will be to maintain consistent focus on the existing priority issues for CBIS participants, as expressed through the most recent SRI survey and through informal discussion.

Five New Dialogues

We will initiate five new dialogues this year, covering three issue areas:

- Restricting children's access to violent video games;
- Providing fair and affordable financial services to the poor; and,
- Ensuring that corporations work with local communities to minimize the harmful impacts of corporate operations.

As the leader of three of these dialogues, CBIS will organize the dialogue group, serve as the primary contact for company management, and delegate tasks among the participating shareholders.

Video Game Violence

Capitalizing on last year's successful engagement with **Best Buy** (NYSE: **BBY**) that resulted in substantially improved in-store policies for prohibiting minors from purchasing vio-

lent video games, we have joined a dialogue with retailer **Target Corp.** (NYSE: **TGT**) seeking the same result.

We will also lead a dialogue with **Sony** (NYSE: **SNE**), maker of PlayStation (a popular video game player), on its ethical standards for video game development. Last year, Sony found itself at the center of controversy when it was revealed that *Grand Theft Auto*, a game available in PlayStation format, included a pornographic scene not disclosed by the developer. We will ask Sony about the effectiveness of its policies for ensuring that games developed under its brand are properly rated and disclose all content of potential concern to parents. Engaging Sony also expands our work on this issue from retailers to game developers.

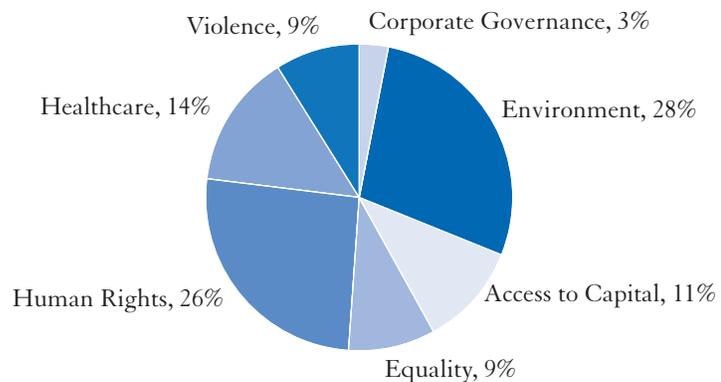
Predatory Lending

We are seeking a dialogue with **Cash America International** (NYSE: **CSH**),

a provider of payday and pawnshop loans and short-term cash advances in low-income communities, on the issue of predatory lending. Cash America's payday loans in some states come with annual percentage interest rates of 469%—a rate that seems far in excess of anything that can be justified by repayment risk. CBIS will lead the dialogue. Our engagement with Cash America also advances our goal of increased SRI activity in the small-cap area. Cash America's market cap is approximately \$700 million.

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2006 Active Ownership by Issue



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Environmental Justice

In the wake of dozens of often bitter community-level controversies across the United States and Mexico over sites selected for “mega stores,” CBIS and Domini Social Investments developed in 2005 a set of nine guidelines that major retailers can use when making decisions about store site locations. CBIS will draw on these guidelines in 2006 and lead a dialogue with big-box home improvement retailer [Lowe’s \(NYSE: LOW\)](#) that will ask the company to develop a corporate policy for the siting of new stores.

Concluded Dialogues

A number of dialogues have concluded, allowing us to add new companies to our strategy. [Unocal](#), [May](#), and [Gillette](#) have been acquired by other companies. CBIS portfolios no longer hold [Kemet](#), which took steps to diversify its board following our dialogue. Our dialogues with [SBC Communications](#) (board declassification) and [Citigroup](#) (predatory lending) have met our objectives and have therefore concluded. We have also ended our involvement in dialogues with [General Electric](#) and [Dow](#) because the dialogue leaders have decided not to pursue engagement with the companies.

Shareholder Resolutions

The plan to file a shareholder resolution is often subject to the progress of our engagement with the company on the issue of concern. As of early January, CBIS intends to file ten shareholder resolutions in 2006. We are the lead filer on four—with [Coca-Cola \(NYSE: KO\)](#) on the issue of global human rights standards, with [DuPont \(NYSE: DD\)](#) on the issue of the health impact of genetically modified organisms (GMOs), with [Exxon Mobil \(NYSE: XOM\)](#) regarding the company’s refusal to acknowledge the science of climate change, and with [Time Warner \(NYSE: TWX\)](#) on the issue of executive pay. Participants can track the progress of these and other SRI initiatives at the CBIS web site. ■

2006 Resolutions and Dialogues

Company

Abbott Laboratories
Cisco
[Coca-Cola \(P\)](#)
Dillard’s
[DuPont \(P\)](#)
[Exxon Mobil \(P\)](#)
Federated Dept. Stores¹
Ford Motor
[Time Warner \(P\)](#)
Wal-Mart

Company

ABN Amro
Alcoa
Amer. Electric Power
[Best Buy](#)
BP
[Cash America*](#)
Chevron
Citigroup
Citigroup
Costco
Eli Lilly
GlaxoSmithKline
[JPMorgan Chase](#)
[Lowe’s*](#)
[McDonald’s](#)
Merck
Newmont Mining
Occidental Petroleum
Schering-Plough
[Sears](#)
[Sony*](#)
Target*
[Tyco](#)
VF Corp.
Wells Fargo
Yum! Brands

Resolution

Improve access to AIDS/Malaria/TB medications in Africa.
Report on pay disparity between highest and lowest paid workers.
[Establish global human rights standards.](#)
Establish fair labor standards for contract suppliers.
[Report on health risks from genetically modified organisms.](#)
[Justify position on climate change with peer-reviewed data.](#)
Establish fair labor standards for contract suppliers.
Reduce carbon emissions from vehicles.
[Report on pay disparity between highest and lowest paid workers.](#)
Provide better professional opportunities to women and minorities.

Dialogue

Expand mortgage lending in low-income and minority communities.
Establish environmental and social policies for global operations.
Establish policy for reducing greenhouse gas emissions.
[Report on efforts to reduce children’s access to violent video games.](#)
Develop cleaner energy, social guidelines for development projects.
[Establish policies to prevent predatory lending.](#)
Develop strategy for carbon-constrained world.
Implement responsible lending standards for global project finance.
Adopt policies for international community investment.
Establish environmental and social policies for store siting.
Provide medications for Malaria/TB in Africa.
Provide access to AIDS medications in Africa.
[Implement policies for responsible lending in emerging markets.](#)
[Establish environmental and social policies for store siting.](#)
[Declassify board of directors.](#)
Improve affordability and access to pharmaceuticals by the poor.
Establish human rights and environmental justice policies.
Implement human rights policies for global operations.
Expand access to pharmaceuticals in U.S. low-income communities
[Implement global code of conduct standards for contract suppliers.](#)
[Establish policies for accurate violent video game ratings.](#)
Report on efforts to reduce children’s access to violent video games.
[Report on efforts to reduce toxic emissions.](#)
Establish fair labor standards for contract suppliers.
Report on efforts to reduce predatory lending.
Establish global human rights standards.

*(P) = primary filer. / Blue type indicates that CBIS is the engagement leader and strategy coordinator. *New in 2006. / ¹Federated acquired May Department Stores in August 2005. We will continue the engagement with Federated.*

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.

CUIT Market Neutral Fund Launched on December 30, 2005

This new addition to the CBIS family of institutional funds seeks to neutralize the impact of market moves on investment returns, and targets an absolute positive return in all equity and fixed-income market environments. CBIS encourages all participants to learn about the new CUIT Market Neutral Fund. For more information please see the CBIS web site.

Q&A with Ford Motor Company

What an icon of global business really thinks about CSR, competitiveness and working with CBIS

CBIS and our SRI partners believe that a strong commitment to corporate social responsibility (CSR) enhances a company's long-term profitability and boosts shareholder value. CBIS views active ownership as an essential aspect of our fiduciary duty. But what do companies think?

In a recent interview with CBIS, Niel Golightly, Ford Motor Company's Director, Sustainable Business Strategies, offers Ford's perspective on the meaning of

social and environmental sustainability, how CSR impacts global competitiveness, and what it's like to work with CBIS and the Interfaith Center on Corporate Responsibility (ICCR) on the issues of human rights and climate change.

Niel's role at Ford includes developing sustainable business strategies, reporting externally on the company's environmental and social performance, and leading Ford's engagement with non-government organi-

zations and other stakeholders. Anyone who thinks that active ownership by informed SRI investors is misguided social activism or is somehow detrimental to shareholder value will learn a lot from what Niel has to say—about CSR and about CBIS' and ICCR's impact on Ford.

An extract of the interview is presented below; please see the CBIS website (www.cbisonline.com) for the complete interview.

CBIS: Earlier this year, several articles appeared in the financial press critical of SRI and corporate social responsibility (CSR). They argued that SRI and CSR are well-intentioned but misguided, that a corporation has no responsibility other than to maximize profits and boost shareholder value. How does Ford see this debate?



Niel Golightly

Niel Golightly (N.G.): These people set up a false dichotomy—between CSR as an extraneous cost to business on the one hand and business' obligation to share-

holders on the other. In this view, either you're paying attention to shareholders or you're paying attention to social and environmental issues, but you can't do both. That is false.

Serving your shareholders in the conventional sense, making a profit in a conventional sense, securing your long-term competitiveness as a business in a conventional sense is going to depend more and more on managing the different forms of capital, including social and environmental capital.

Mainstream investors are beginning to pay more attention to this too. Investors like Goldman Sachs and others are starting to look at their invest-

ment decisions through a prism of who's competitive in this space. Markets are shifting as more and more consumers become aware of factors like their

“Serving your shareholders in the conventional sense, making a profit in a conventional sense . . . is going to depend more and more on managing the different forms of capital, including social and environmental capital.”

carbon footprint and the environmental consequences of their consumer choices. They're going to demand alternatives that are more environmentally friendly, with less of an environmental impact. Regulatory pressure is going to keep moving business down the road toward a more progressive view of social and environmental capital.

So I reject the notion that if you're doing CSR you're automatically somehow undermining your obligation to your shareholders.

CBIS: The concept of economic capital is clear, but what do you mean by “environmental and social capital”?

N.G.: Environmental capital is the whole stock of resources that the globe supplies. We use a lot of natural resources in the manufacture and use of our product, such as steel, copper, oil and rubber. Most, if not all, of those resources are non-renewable. It's about how we manage that fund of resources, that stock of environmental capital, to maximize the value that comes from it.

Social capital is a little more esoteric. In our view, social capital is the capacity of the communities and the societies where we operate to fully participate in the production and the consumption of our products and services. It has to do with the education, the working standards, the working conditions, the social footprint of our business in those markets where we operate.

CBIS: How should investors look at Ford's CSR program? What sort of questions should they ask about it?

N.G.: The question investors should ask is very simple. Does CSR make us more competitive? That's the question we ask ourselves as we develop our sustainability strategy.

Now, the beauty of this is that there's a

growing convergence, in my opinion anyway, between what makes a business successful and competitive in a hard-bitten, conventional sense, and what's right for the environment and right for society. That convergence is the exciting space we're trying to move ourselves into. So when an investor looks at our CSR program they should ask: Is it going to allow us to be more profitable and more competitive in the marketplace? Does it allow us to win new customers and enter new market niches? Is it going to allow us to manage the cost of regulations more effectively? Is it going to help us manage the cost of materials more effectively? Are we using non-recyclable resources that have to be thrown away at the end of the day, or are we using recyclable resources that can be used over and over again, thereby reducing the capital base?

It's those kinds of questions that investors can and should be asking. The convergence, the overlap between what's right for our business and what's right for the environment and society is where CSR will really bear fruit.

CBIS: You mentioned that CSR is a long-term value creator. A theme that has come up in our discussions with Ford is that there can be a tension between delivering short-term results and creating long-term value. Is there a tension in this area with respect to CSR?

N.G.: Yes, especially in an industry that's under as much stress as ours is at the moment. The entire U.S.-based automotive industry is going through a fundamental restructuring. A lot of attention these days is being paid to questions such as: How big should we be? What products should we make? Which customers should we serve? How many plants should we have? How many employees should we have? These are serious questions that need to be addressed right now. But at the same time, they force us to define the foundations for long-term success.

In the short-term, to remain viable we have to deliver products and services that today's customers want. That means we're going to be selling some products environmentalists might not like. But at the same time, we're laying down the foundation for the capacity and flexibility to meet changing market needs — and even shape those needs — going forward. Hence our aggressive hybrid program, our sustainable manu-

“There's a growing convergence between what makes a business successful and competitive in the hard-bitten conventional sense, and what's right for the environment and right for society. That convergence is the exciting space we're trying to move ourselves into.”

facturing strategies, and new products we have in the pipeline.

CBIS: When Ford considers the kinds of customers to go after, the kinds of products to put out there, how do you resolve the potential tension between marketing these beautiful SUVs with really great commercials that persuade people to want to go get one versus making a conscious choice, perhaps, to market something with a lower environment impact. Do you see any tension here as a company, and if so, how do you navigate it?

N.G.: Yes, there is tension there. There's tension all over the place. And if there wasn't, all of this would be a whole lot

easier than it is. But it's a good question because that's another area where there's a bit of pushing and pulling. One extreme side of the debate says, “We spend several billion dollars in advertising, and if we just advertise environmentally responsible products then consumers would all rush out and buy them.” The other extreme says, “All we're doing is pandering to what customers want, and there's not much else we can do about it.” The more appropriate approach is in between.

Marketing experts tell me that advertising is a matter of drawing people to your products once they've already made up their mind what they want. If a customer wants an SUV, there's nothing the advertiser can do to hard wire that customer's mind into buying a two-seat, 50-mile-per-gallon vehicle. What you might be able to do, however, is to get that customer to buy your SUV instead of somebody else's.

Now having said that, our industry could do a better job of placing bets on where the market might go and where the next big thing is. The hybrid segment is a good example. Toyota, Honda and Ford have all placed a bet on hybrids and I think it's a bet that's paying off. Nobody was sure if customers were really going to go for these things. As it turns out, they are. The bet could have gone horribly wrong, but it didn't.

I think that's where we need to focus, not on advertising one sort of technology over another, but on being astute enough to recognize that more and more customers are going to be looking for products that are more energy efficient and that have less of an environmental impact—along with all of the other things that they want, like performance and styling.

CBIS: OK, let's move away from philosophy and on to some more tangible questions. How would you characterize your relationship with CBIS and ICCR? Walk us a little bit through the history

of it. Do you find it's a different animal than your relationship with your other institutional shareholders, who we're quite sure also have some pretty strong opinions about how Ford should conduct its business?

N.G.: The full history of the relationship predates me, but I do remember that I was working in Bill Ford's office when Sister Pat Daly first knocked on the door. So I was there at that beginning. Then I went off to Europe for several years and wasn't able to watch how it progressed.

I will say that over the year that I've been in my current role [Director, Sustainable Business Strategies] the relationship has been an especially rich one for me and for Ford. It does differ fundamentally from our relationship with the mainstream investment community in that SRI institutional shareholders are a bellwether for where the mainstream investment community is going.

For example, the two major issues that Sister Pat, ICCR, CBIS and others have focused on over the past four or five years are human rights and climate change. As a result of our dialogue, Ford's understanding of these issues has become richer and our ability to anticipate some of the challenges around them has become stronger. Now, we're seeing the mainstream investment community start to pay more attention to these issues. For Ford, the relationship offers us a clear indicator of where mainstream thinking is going. We benefit from it by being smarter and having a little bit clearer crystal ball.

CBIS: What are some of the specific suggestions that CBIS and ICCR have made that Ford has incorporated?

N.G.: I'll give you two examples. One is the human rights area, specifically the working conditions code that these groups have helped us develop. The code sets some very clear requirements for human rights and working condi-

tions, not only in our own plants but in suppliers' plants as well. It's not just something that gets framed in a nice 8.5" by 11" frame and tacked to the wall. The code has been fully embraced by our purchasing organization and implemented across our supply base. It's a working concept that is auditable, actionable and part of the performance criteria for the purchasing area and others within the company. That's one

“The [working conditions] code sets some very clear requirements for human rights and working conditions, not only in our own plants but in suppliers' plants as well. . . . That's one very specific outcome of the work we've done with ICCR and CBIS.”

very specific outcome of the work we've done with ICCR and CBIS.

The other is the first-ever automotive industry climate change report. This came out of a shareholder resolution that was filed in late 2004 [CBIS was a co-filer]. A similar resolution had been filed in previous years and was always rejected. This year we looked at it, and at ourselves, and said, “Why do we keep rejecting this thing? Is there anything that should keep us from doing a climate change report? Wouldn't it be helpful in terms of positioning the debate and the dialogue around the issue in a way that expresses our point of view instead of waiting for somebody else to express their point of view?”

The upshot is that we have done one and it was released in December. Certainly, a big part of the impetus for doing that was the shareholder resolution.

CBIS: Looking forward, do you see an ongoing benefit in continuing the dialogue with CBIS and ICCR?

N.G.: Absolutely, for all of the reasons we talked about before in terms of being a bellwether. This industry, in particular the U.S.-based industry, is notorious for having a fairly constrained view of the world. I'm sitting here on the second floor of world headquarters in Dearborn, Michigan and I look out my window at what most of us at Ford see everyday—a couple of major highways with lots of cars going back and forth, many of them American made.

CBIS: That's an optimistic view.

N.G.: Yes, and there's an upscale hotel and a shopping mall across the street. It looks like all's right with the world if that's all we see. Our industry is pretty good at identifying current consumer trends, but we don't typically pay a lot of attention to the larger political, social, environmental and cultural trends that are going to drive our marketplace in the future—not just in the U.S. but around the world. We don't do as good a job getting at what these emerging trends are.

But we're starting to. We're starting to look at the emerging need for sustainable mobility and bottom-of-the-pyramid opportunities and the kinds of needs in the big world outside our traditional markets.

Groups like CBIS and ICCR and others allow us more insight, more understanding of what's happening in the world around us, beyond the sort of scenes we normally see.

Please see www.cbisonline.com for the complete interview.

Creating Alpha in a Short Bond Portfolio

A Conversation with BlackRock's Todd Kopstein

The RCT Short Bond Fund produced approximately 20 b.p. of excess return (net of fees) over its Merrill Lynch 1-3 Year Treasury Index benchmark for the one-, three- and five-year periods ending December 31, 2005.

This success is due almost entirely to the effectiveness of BlackRock, Inc., manager

of the Fund since July 2001. In the following January 2006 interview with CBIS, BlackRock Managing Director Todd Kopstein describes BlackRock's fixed-income investment philosophy and explains how the firm has been able to deliver consistent excess return in the RCT Short Bond Fund while controlling volatility.

Todd also offers BlackRock's take on risk in consumer mortgage securitizations and Fed Chairman Alan Greenspan's January 31, 2006 retirement. Todd's primary responsibility at BlackRock is the management of total return portfolios with an emphasis on short duration securities. He is a member of the firm's Investment Strategy Group.

CBIS: First, give us a quick overview of BlackRock the firm. When was it founded, how has it developed and what is its core focus area?



Todd Kopstein (T.K.): The firm was founded in March 1988. In 1999, BlackRock completed an initial public offering of 14% of its common stock

(NYSE: BLK). Today, employees and the public own approximately 38% of the firm and The PNC Financial Services Group, Inc. retains a 62% stake from its 1995 acquisition of BlackRock.

On January 31, 2005, BlackRock acquired SSRM Holdings Inc., the holding company of State Street Research and Management and State Street Realty. The transaction enhanced BlackRock's investment management platform with additional U.S. equity, alternative investment, and real estate equity management capabilities. While BlackRock continues to focus on the development of its equity, alternatives, and liquidity platforms, the fixed-income platform continues to account for the majority of assets under management (see Table I).

CBIS: How long have you offered a Short Bond program?

T.K.: The inception date of the BlackRock Short Duration composite is

December 1, 1989. It's composed of all fully discretionary, total return, short duration accounts that invest in the full spectrum of high-quality fixed-income securities with at least \$25 million in assets. BlackRock manages over \$17 billion in the short duration strategy.

CBIS: Could you give us a general, not-too-technical summary of BlackRock's fixed-income investing philosophy?

T.K.: Our philosophy has not changed since the inception of the firm. In our view, the basis of successful fixed-income investing is research and analysis of sectors and securities, not interest rate speculation. We believe that market-timing strategies are highly volatile and produce potentially inconsistent results. Our record of consistent outperformance while controlling risk validates our approach to creating alpha within a risk-controlled framework.

CBIS: What's your competitive edge as a short-duration bond manager compared to other bond firms?

T.K.: The substantial investment that BlackRock has made in proprietary developed analytical systems and in personnel. BlackRock's emphasis on risk management serves to meet our objective of generating excess return within a risk-controlled investment framework. Our real-time analysis of a vast array of risk measures allows us to assess the potential impact of various sector and security strategies on total return. As a

result, we can consistently add value while controlling volatility.

CBIS: Do you maintain a view on the likely movement of interest rates and does this impact portfolio positioning even to a modest degree?

T.K.: We manage each portfolio within a narrow band (+/- 20%) around a pre-set duration target. In the case of the RCT Short Bond portfolio, the target is equal to the duration of the Merrill Lynch 1-3 Year Index. We do this because we believe that value is added by using a rigorous quantitative approach to the valuation of securities and portfolios, not through taking interest rate bets. Chart II illustrates our historically conservative interest rate stance versus the benchmark.

CBIS: Clearly, bond investing is far more credit-sensitive than equity investing. How do you avoid the credit downgrades that can hurt fixed-income returns?

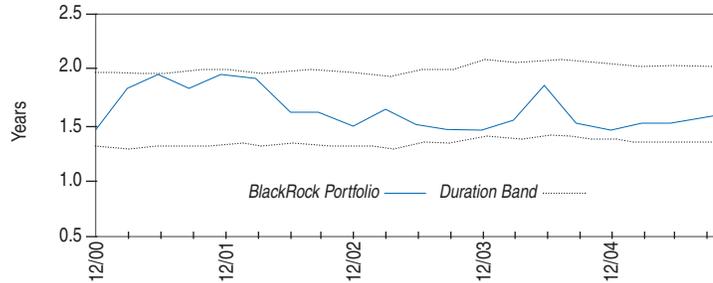
T.K.: The goals of credit research are to identify opportunities to add value, to avoid credit problems and to successfully navigate problems that may surface. Accordingly, we have assembled a global credit research team of 30 sector-specific taxable (investment grade and high yield) and municipal analysts who actively participate with portfolio managers in the investment process.

We emphasize fundamental analysis and employ a disciplined review process

I. BlackRock, Assets Under Management
(at 12/31/2005)

Total Assets	\$452 billion
Real Estate	\$9 billion
Alternatives	\$16 billion
Equity	\$40 billion
Liquidity	\$86 billion
Fixed-Income	\$301 billion

II. Representative Short Duration Portfolio
Narrow Duration Band vs. Benchmark



that focuses on a thorough analysis of an underlying issuer’s creditworthiness and a relative value comparison that details the merits of each security. We apply the same discipline to the ongoing surveillance of all holdings as we do to the initial purchase decision. The process ensures that all credit positions benefit from the combined experience of our team of investment professionals.

BlackRock Solutions has developed Galileo™, a credit risk management system designed to enhance BlackRock’s credit research process. Galileo gives credit analysts and portfolio managers the ability to quickly and easily view real-time issuer exposure in portfolios. The research platform allows both fixed income and equity investment professionals to store and access comprehensive data on companies, including relationships to subsidiary and parent companies, capital structure, financials, and equity and fixed income market data and analytics. Galileo supports a workflow that formally integrates research views into the investment management process.

CBIS: What role does liquidity play in issue selection?

T.K.: BlackRock portfolios reflect a focus on highly liquid securities. Due to relative value concerns, we avoid structured notes and non-Rule 144A private placements, especially in times of less market liquidity. While we may have passed on some incremental value, we have escaped major portfolio devaluations from unanticipated or unavoidable volatility associated with these types of securities. In order to ensure that portfo-

lios have reasonable liquidity relative to the benchmark, we compute a liquidity measure for each security based on bid/ask spreads.

CBIS: Some market analysts believe that consumer lending standards have eroded so badly in recent years that credit risk in the more aggressive consumer credit and home mortgage securitizations is far greater than is widely believed. Is this a risk that impacts the Short Bond Fund strategy?

T.K.: Innovations in mortgage lending over the last 5-10 years have enabled many borrowers to afford higher monthly payments, and rising home prices have permitted over-levered borrowers to take equity out of their homes to pay bills when money has been tight. But there is little empirical data that shows the behavior of these borrowers in various economic and interest rate environments. If home prices decline, some market participants expect that borrowers will default on their loans in record numbers.

BlackRock shares these concerns and has positioned portfolios accordingly. In the Short Bond Fund, we’ve avoided exposure to sub-prime consumers, the section of the borrower base new to debt, who we think have a higher debt burden than they can afford should the labor and housing markets experience a downturn. In prime mortgage securities not guaranteed by Fannie Mae or Freddie Mac, we’ve often required more security than the rating agencies deem necessary. For securities that BlackRock has determined to be riskier than what the rating agencies have found, we’ve

negotiated extra credit protection that has the potential to eliminate the possibility of mortgage credit problems affecting valuations.

CBIS: What effect will Alan Greenspan’s retirement as Fed Chairman have on the bond market?

T.K.: Alan Greenspan was able to garner tremendous confidence from the financial markets. He helped to establish credibility that the Fed would effectively control inflation expectations. His successor, Ben Bernanke, is widely regarded as a highly qualified steward for U.S. monetary policy. In the past, Bernanke has expressed his desire to increase the transparency of the Fed’s approach and to be quite hawkish with respect to taming inflation. While the announcement of the succession to Chairman Greenspan certainly had the potential to roil the bond market, the choice of Bernanke has not had a meaningful effect due to his esteemed reputation. The predictability of monetary policy may increase with the new Chairman, but any other effects seem difficult to discern at this point. We anticipate little change in how we manage the portfolio.

CBIS: Have CBIS’ SRI screens ever prevented you from implementing your preferred strategy in the RCT Short Bond fund?

T.K.: In only a few circumstances have we found value in securities that were prohibited in the Fund. The effect on portfolio performance has been minimal.

CBIS: Thanks, Todd.■



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Announcements

■ Regional Gathering in Rome on March 2nd

CBIS will host our annual Regional Gathering in Rome, Italy on Thursday, March 2 at 10:00 A.M. at the Generalate of the Christian Brothers. CBIS Chief Executive Officer Michael W. O'Hern, FSC, and Regional Director and Investment Advisor Tim Mitchell will provide an update on our investment programs and will be available for individual meetings. For additional information, please contact the Rome Gathering coordinator: RomeGathering@cbisonline.com.

■ Daily Fund Pricing Now Available On-Line

The CBIS web site now features daily fund pricing. Select "Daily Fund Prices" in the "Investment Programs and Performance" menu to see your Funds' net asset values from the previous business day.

■ CUIT Small-Capitalization Equity Fund Manager Change

As of January 3, 2006, Rhumblin Advisors and Freeman Associates have replaced Reams Asset Management in the CUIT Small-Capitalization Equity Fund. Please visit our web site for more information about the change.

Your CBIS Investment Advisor is ready to assist you.

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