

# PRINCIPLES

A Quarterly Newsletter published by Christian Brothers Investment Services, Inc.

Q1 2009



## Active Ownership in 2009

*SRI survey spurs initiatives on human trafficking, responsible use of water*

**C**BIS plans active ownership initiatives with 34 companies in 2009 — about the same number as the 36 in 2008 — including 30 corporate dialogues and four shareholder resolutions. Last year, several companies agreed to engage us in meaningful dialogue and the resolution process is no longer a part of these initiatives. As a result, we plan to file considerably fewer resolutions this year than the 11 filed last year.

Our issue focus remains substantially unchanged in 2009 (see Table I). Human rights (11 engagements) and the environment (7 engagements) account for about half the total. Human rights includes issues such as global labor standards, vendor standards, corporate activities in Sudan, and a new issue for 2009, human trafficking. Environment includes climate change, environmental justice, and a second new issue for 2009, access to water.

We will continue in 2009 our engagements with four international companies — Royal Dutch Shell, GlaxoSmithKline, Sony and BP. Our dialogue on environmental issues with FelCor Lodging, a company in our small-cap portfolios, will also continue.

### Human Trafficking & Responsible Water Use

Last year, CBIS conducted its fourth formal survey of participant attitudes about socially responsible investing (SRI). Based on survey results, we are initiating engagements on two new issues this year: human trafficking and responsible use of water.

Human trafficking exploits human

beings for revenue through sex, forced labor and sale of human organs. One form of human trafficking is commercial sexual exploitation (CSE), the business of sexual activity for money or some other type of compensation such as housing, clothing or food. CSE also includes the network of providers, enablers and consumers who are complicit in these activities. Among the many individuals affected by CSE, the most vulnerable are children forced

**“We are initiating engagements on two new issues this year: human trafficking and responsible use of water.”**

into prostitution and child sex tourism. The issue of human trafficking ranked high in the 2008 SRI survey’s list of participant concerns.

CBIS is new to this issue and our SRI partners at the Interfaith Center on Corporate Responsibility (ICCR) have only recently begun addressing it, so we plan to engage in a dialogue with global hotel chain Wyndham Worldwide to examine the ways hotel operators can prevent use of their facilities by human traffickers. We will also work with non-profit groups and government agencies already active on the issue.

Participants rated responsible use of water as another top concern. In 2009, we will engage in dialogues to better understand how companies are

Table I. Corporate Engagement by Issue in 2009

	Number	% of Total
Corporate Governance	2	6
Environment	7	21
Equality	2	6
Finance	5	15
Health	4	12
Human Rights	11	33
<u>Violence in the Media</u>	<u>3</u>	<u>9</u>
Total	34	100

ensuring that communities impacted by their operations have affordable and fair access to clean water, and how companies make sure that their business processes and products are designed with sustainable water use in mind. We will initiate a new dialogue with global agricultural conglomerate Archer Daniels Midland on this issue, as well as broaden our current engagement on human rights with Coca-Cola to include the company’s water use. Coke has created and implemented a policy that seeks to reduce the amount of water used in beverage production and to conserve water in communities where it operates.

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Active Ownership in 2009 (cont.)

### Operations in Sudan

Survey results showed participants remain concerned about corporate activities in Sudan. In 2009, we will engage with global oil services giant Schlumberger about its operations in Sudan, continuing a dialogue that began in 2008. CBIS' current strategy for companies operating in Sudan is active ownership, consistent with our general approach to human rights issues. We believe that engaging companies can bring about change more successfully than can divestment.

Schlumberger is a U.S. oil services firm with some project work in Sudanese oil fields. Although the company facilitates oil production which provides revenue to the Sudanese government, Schlumberger is a subcontractor and does not control the fields. The company has agreed to monitor its use of security forces and is making efforts to ensure that its business partners are not directly involved in human rights violations in Sudan.

We will also continue to include in our broad dialogues with JPMorgan Chase and Citigroup a review of their adherence to the human rights criteria we use to assess investments in companies with operations in Sudan.

### Letter-Writing Campaign

CBIS will conduct a letter-writing initiative in 2009 to address participants' concerns about corporate connections to pornography distribution and charitable contributions to organizations, such as Planned Parenthood, that violate Catholic life ethics standards. The letters will ask about companies' involvement with these activities and about corporate policies in these areas and will express our views and beliefs on these issues to the companies.

### Ongoing Focus on Wal-Mart

CBIS will continue our work with Wal-Mart in 2009. Wal-Mart's size and the scope of its operations — with two million employees, an iconic status in

## 2009 Resolutions and Dialogues

### Company

Cash America (P)  
Chevron Corporation  
ExxonMobil  
Time Warner (P)

### Resolution

Develop policies to prevent predatory lending.  
Develop quantitative goals for reducing greenhouse gas emissions.  
Develop quantitative goals for reducing greenhouse gas emissions.  
Separate positions of CEO and board chairman.

### Company

Abbott Labs  
Alcoa  
Amer. Electric Power (M)  
Archer Daniels Midland\*  
Best Buy  
BP  
Capital One Financial  
Cisco  
Citigroup  
Coca-Cola  
Dillard's  
Eli Lilly (M)  
FelCor Lodging  
Ford Motor  
GlaxoSmithKline  
JPMorgan Chase  
Lowe's Companies  
Macy's  
McDonald's  
Merck  
Newmont Mining  
Occidental Petroleum  
Royal Dutch Shell  
Schlumberger  
Sears (M)  
Sony  
Target  
Wal-Mart  
Wells Fargo  
Wyndham Worldwide\*

### Dialogue

Create human rights guidelines on access to healthcare.  
Establish environmental and social policies for global operations.  
Establish policy for reducing greenhouse gas emissions.  
Report on sustainability water use.  
Report on efforts to reduce children's access to violent video games.  
Develop clean energy and social guidelines for development projects.  
Establish policies to prevent predatory lending.  
Allow shareholders to vote on executive compensation.  
Implement responsible lending standards for global project finance.  
Implement global human rights policy.  
Establish labor standards for contract suppliers.  
Provide medications for Malaria/TB in Africa.  
Establish policies for sustainable property development.  
Reduce greenhouse gas emissions from products and operations.  
Provide access to AIDS medications in developing nations.  
Implement policies for responsible lending in emerging markets.  
Establish sustainability policies for store siting.  
Establish labor rights standards for contract suppliers.  
Declassify board of directors.  
Improve affordability of and access to pharmaceuticals.  
Establish human rights and environ. justice policies for global operations.  
Implement human rights policies for global operations.  
Establish environmental and human rights policies.  
Evaluate human rights impact of Sudan operations.  
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 advancement opportunities for women and minorities.  
Report on efforts to reduce predatory lending.  
Establish policies that help prevent human trafficking.

(P) = primary filer. (M) = Dialogue is in the monitoring phase.

Blue type indicates that CBIS is the dialogue leader and strategy coordinator.

\*New in 2009.

**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.

American retailing and more than 70,000 global suppliers — create substantial media attention and give our work nationwide visibility. Progress with Wal-Mart can positively influence

how other companies approach SRI-related concerns. CBIS has experience working directly with senior members of Wal-Mart management on advancement of women and minorities and on

vendor standards for its global supply chain.

In October 2008 in Beijing, Wal-Mart launched an initiative to improve environmental performance at its suppliers through collaborative efforts such as sharing of best practices and rewarding top-performing vendors with larger and longer-term contracts. In addition, in the spring of 2006, after 13 years of dialogue with faith-based investors including CBIS, Wal-Mart agreed to publish data describing gender and racial diversity among employees and management, as well as programs for attracting and promoting female and minority employees. The company recently published its 2008 data and, in our view, continues to make strides on this issue. The company has also been responsive to many domestic employee-related concerns raised by faith-based investors in the areas of wages, benefits and health insurance. Wal-Mart has conducted studies, at our request, comparing its wages and benefits to those of competitors, and it has taken our feedback into consideration in policy development.

Many faith-based investors, however, believe that Wal-Mart can still do more to address social concerns about its supply chain, including excessive overtime, low wages and benefits, and unsafe working conditions in some cases. CBIS and faith-based investors continue to raise these concerns with Wal-Mart and we continue to

encourage improved transparency and performance.

#### TimeWarner and Cash America

CBIS was not satisfied with the progress made last year at several companies where we lead dialogues, including Time Warner (executive compensation) and Cash America (predatory lending). Indeed, both dialogues relate directly to issues at the center of today's economic crisis.

Both engagements stood in contrast

**“Recently, CBIS led members of ICCR in constructive, positive discussions with the chair of TimeWarner board’s nominating and governance committee.”**

to the progress made late in 2008 with global high-tech giant Cisco Systems on the issue of excessive executive compensation. That dialogue produced an agreement by Cisco to give shareholders more information and better transparency regarding its executive compensation policies. As a result of the agreement, we withdrew our “Say on Pay” resolution that asked Cisco to put its executive pay decisions up for an advisory vote by shareholders. The res-

olution was set to be voted on by shareholders at Cisco’s November 13, 2008 annual meeting.

Cash America is a payday lender, and we are concerned that its business model may rely on borrowers who become caught in debt traps from which they do not emerge. We have re-filed last year’s resolution asking the company to adopt policies and practices to prevent predatory lending. However, we remain hopeful that dialogue with management will produce an agreement that enables us to withdraw our resolution before the company’s April annual meeting. In 2008, our resolution received 9% of votes cast.

For the third year, CBIS led ICCR members in filing a resolution that asked TimeWarner to separate the positions of CEO and board chairman. Our concerns included excessive compensation for the top executive team given the company’s poor corporate performance and significant layoffs.

The resolution received a strong 44% vote at the 2008 annual meeting. Recently, CBIS led members of ICCR in constructive, positive discussions with the chair of TimeWarner board’s nominating and governance committee concerning the board’s leadership structure. Shortly thereafter, the board released what we believe to be a substantive and innovative policy that outlines how it will evaluate the company’s leadership each year and the factors that will be reviewed and analyzed to test that the board structure is appropriate. The board has also committed to release a report annually with its decision and rationale. We continue to encourage the company to separate the positions of board chair and CEO since we believe this is a best practice in corporate governance. However, we appreciate the steps taken by the TimeWarner’s board to address our concerns and we feel that a robust process to examine this crucial issue is now in place. ■

Summaries of all 2009’s 34 active ownership engagements can be found in the Shareholder Advocacy Directory at the CBIS website.

### Security Brief: Hack-Proof Passwords

Let’s face it. Many people don’t use much creativity when creating online account or computer passwords.

Passwords in the form of birthdays and mother’s maiden names are easy to remember, but they are also easy for identity thieves and other cyber criminals to crack. A complex, “uncrackable and unguessable” password will really enhance your online account security.

A really good password is a non-word with one or more numbers inserted in the middle and at least one

upper-case letter. You can use the letters from a phrase or song as a guide for easy recollection.

Remember that wonderful trip to Paris two years ago? You can immortalize it in a password. “I love Paris in the spring for Sure!” becomes IIP1ts4S1, with the number “4” used instead of “for” and the number “1” used in place of the “i” in “in” and added at the end of the character string in place of “!”.

It’s easy. A little creativity can make your password fun and hack-proof.

# A Catholic Perspective on the Financial Crisis

*Faith-based principles offer guidance for a just and sustainable global economy.*

by Michael O'Hern, FSC, President and Chief Executive Officer of CBIS



Michael O'Hern, FSC

As socially responsible faith-based investors, we at CBIS have watched the crisis that has overwhelmed financial markets since mid-September and the accompanying foreboding felt by investors the world over. We well understand how participants could be both incredulous at these events and bewildered as to what to do in response. When governments, financial authorities, politicians and central bankers are themselves incredulous, shocked and bewildered, there is good excuse for the rest of us to be.

CBIS' Chief Investment Officer, Frank Haines, has well-articulated our financial advice to participants and our interpretation of the causes of this global financial upheaval. He and his investment team are closely monitoring market conditions and are in regular contact with our sub-advisers and members of CBIS' Investment Advisory Committee. We will continue to communicate with you and offer advice and guidance as market events unfold.

We understand the righteous anger expressed by many Americans — and no doubt felt by many CBIS participants — at the government bailout of the same banks and financial institutions whose leveraged speculation and willful ignorance of common sense in lending created the mountain of bad debt at the center of the crisis. It is a complicated mess, to be sure, one where reasonable people can profoundly disagree on the appropriate, if sadly necessary, policy responses.

Whatever our political points of view as Americans, there is a perspective on this crisis that we share as Catholic socially responsible investors. We often

say that our active ownership initiatives promote the development of a just and sustainable economy, one that distributes its benefits broadly and fairly, and that meets the needs of the current generation without compromising the ability of future generations to meet their needs.

We agree that there is something profoundly wrong with a financial system that rewards Wall Street bankers, traders and hedge fund managers with millions of dollars a year in salaries and bonuses when asset prices are rising, only to call on the government and middle-class taxpayers to repair the damage caused by their reckless specu-

**“At the heart of it all has been a distinct lack of integrity in the making and implementing of many key business decisions.”**

lations when asset prices fall. Such a transparent socializing of risk and privatizing of gain is neither just nor sustainable.

We agree that there is something profoundly wrong with a corporate governance system that rewards corporate CEOs and top executives with tens of millions of dollars a year in compensation packages and severance benefits, while many Americans struggle in lower-wage jobs working directly or indirectly for those same corporations or even worse are now losing their jobs.

And there is something profoundly wrong when executive compensation is enhanced not through the creation of enduring shareholder value but

through the value of stock options that rise with loose monetary policy and cost cutting, outsourcing and layoffs that often come at the expense of investment in communities and sustainable business practices.

CBIS participants have long supported active ownership initiatives that sought to address some of the causes of today's crisis. Our SRI program has pressed companies to halt predatory lending, develop sustainable lending standards, restrain excessive executive compensation, and promote fairness and sustainability in global finance. Religious investors working through the Interfaith Center on Corporate Responsibility (ICCR) have pressed global financial firms for better disclosure of off-balance sheet liabilities, better assessment of counterparty risks, greater transparency of their complex trading strategies, and the need for more conservative capital adequacy ratios.

The near breakdown of the global financial system is a complex crisis with many causes. Yet it is fair to say that faith-based investors have demonstrated long-standing concerns about many of the most important ones. At the heart of it all has been a distinct lack of integrity in the making and implementing of many key business decisions, and the abandonment of ethical principles by lenders and many borrowers alike. The job of rebuilding domestic financial regulatory policies and negotiating the global agreements that govern international finance has just begun, and the majority of this work is falling on the new Obama administration.

When the panic eases, when public outrage fades, and normality returns to global banking, it will be all too easy for financial and political leaders to overlook the larger principles essential for

*(continued on page 5)*

## 2008 SRI Survey Highlights Participant Concerns

In spring 2008, CBIS conducted the fourth survey of participant attitudes about Socially Responsible Investing (SRI). The previous survey was conducted in 2004.

### Purpose of the Survey

The web-based questionnaire seeks participants' perspectives on a range of social issues and SRI strategies. Survey results are a critical component of our effort to develop SRI policies consistent with the shared values of participants as Catholic institutions. The survey complements ongoing informal discussions with participants by creating a formal vehicle to give all organizations the chance to precisely convey their concerns. The survey seeks to determine:

- Issues of priority to participants;
- The SRI strategy preferred for each issue (Active Ownership or Principled Purchasing); and
- The degree of participant satisfaction with our current SRI program.

### 2008 Survey Results

Human trafficking, abortion and companies that support governments engaged in genocide or terrorism were the three topics cited most often by participants as SRI concerns.

Human trafficking — a new issue in 2008 — involves the exploitation of humans for purposes of sex and forced labor. CBIS and our Interfaith Center on Corporate Responsibility (ICCR) partners will engage with a number of major hotel chains in 2009, including Wyndham Worldwide Hotels, to better understand how these companies combat the use of their facilities by human traffickers.

Wyndham has established a training program and uses communications materials to raise awareness among employees of the company's anti-trafficking policies. In 2009, CBIS will work to convince Wyndham to sign an international code of conduct to protect children from sexual exploitation in the travel and tourism industry. While 800 companies worldwide support the code, only five U.S. firms have signed.

CBIS participants also rated environmental justice, labor standards at sweatshops/contract supplier standards, and access to water/responsible use of water resources among top issues of concern. Closing out the top 10 list of priorities are military weapons contractors, global warming/climate change, production of pornography, and pharmaceutical prices/universal access to healthcare.

In another important survey finding, 85% of respondents said that active ownership has a positive impact on corporations. Active ownership initiatives try to change corporate behavior through proxy voting, dialogue with management, and filing shareholder resolutions. We are pleased that participants view our shareholder advocacy work as an important and effective means of addressing their concerns.

We would like thank all who participated in the 2008 survey. Your opinions and feedback help us maintain CBIS' as the global leader in Catholic socially responsible investing. ■

### *A Catholic Perspective on the Financial Crisis (cont.)*

the construction of a just and sustainable economy. From a Catholic SRI perspective, we frame these principles in this way:

**Human Dignity** — Human beings are created in God's image. The economy serves the human person, not the other way around.

**Justice** — The moral measure of any economy is how the weakest are faring. A fundamental concern for investors and corporate executives must be the impact of their actions on the well being of families and children, particularly the poor.

**Stewardship** — We are stewards of God's creation, which it is our responsibility to nurture, respect,

preserve and protect for future generations.

**Shared Prosperity** — Wealth is a gift to be shared, and work must be fairly and justly rewarded.

**Responsible Ownership** — Ownership of capital should be used to promote the common good.

**Corporate Social Responsibility** — Business must be responsible to shareholders, employees, and the communities in which it operates.

When taken seriously, these principles offer guidance for our individual behavior and for the policies and principles that govern the conduct of our financial and regulatory institutions. They form the ethical foundation for a

just, lasting and widely shared prosperity. As global governments and financial leaders seek to repair the damage done in recent years by the abandonment of these principles, we hope there will be a conscious effort to fully integrate them into specific regulatory and policy measures.

For our part, we will continue to advocate for the adoption of these principles by corporations worldwide in our SRI initiatives on these crucial topics. The crisis of the past year only reinforces the need for ethics and integrity to be placed at the center of business strategies and decisions. And the critical relevance of the teachings of our faith to the conduct of global finance has never been more obvious than it is now. ■

# “What Now?” A Q&A with Frank Haines, CIO

*Taxpayer-funded bailouts and stimulus plans fail to placate nervous markets.*



Frank Haines  
Chief Investment Officer

Financial news seems to go from bad to worse and stocks continue to find new lows. What's going on here?

Frank Haines: In our early January 2009 *Participant Update* we said that “deleveraging will probably continue through at least mid-year 2009 and financial news will likely worsen over the same period.”

That's pretty much what has happened so far this year. December and January brought hints of a possible market bottom for stocks and bonds. However, coincident with this were more requests for capital support by financial institutions, the auto industry bailout, a somewhat clumsy approach to revising the Troubled Asset Relief Program (TARP) by new Treasury secretary Timothy Geithner, and a historic fiscal stimulus package that raises federal deficits relative to GDP to levels not seen since the wartime 1940s.

The stock market's reaction to all this has been negative. Bonds fared slightly better as market liquidity and demand for yield gradually unfroze debt markets. Nevertheless, the absence of much of the dealer community, through collapse (i.e. Bear Stearns and Lehman Brothers) or restraint by capital-starved parents continues to weigh on pricing.

**So the financial system's basic problems are still unresolved?**

That's right. The financial markets are still struggling to come to terms with two related problems: the value and disposition of the so-called toxic debt at troubled financial institutions and the reality that debt-financed consumption is no longer a sustainable model for global economic growth.

Unfortunately for investors, the inconsistent approach by the Bush administration to solving the bad debt

problem has persisted under the Obama administration. The complexity of the crisis demands some flexibility, yet the lack of clear rules and the government's ability to selectively wipe out shareholders has discouraged private investment capital. The private equity firms and sovereign wealth funds that took equity stakes in U.S. banks earlier in the crisis learned that lesson the hard way.

The world is also struggling to find a sustainable economic framework. Years of debt-financed consumption in the U.S. and in some European countries produced overcapacity in export-ori-

**“A complete solution requires private investment, but government interventions often come with unintended consequences that create uncertainty for investors.”**

ented emerging markets, overextended consumers in the U.S., saw businesses staffed and financed for unrealistic growth expectations, and witnessed local, state and federal governments grow in size and spending well beyond sustainable levels.

The current economic recession is a first step in resolving these imbalances. Yet governments are desperately trying to sustain growth through deficit spending. Given the social costs of a systemic collapse and economic depression, this is understandable and predictable.

**Why aren't the markets more confident in government intervention?**

The problems are too big and too complicated for governments to quickly solve. A complete solution requires private investment, but government inter-

ventions often come with unintended consequences that create uncertainty for investors. Interventions are unpredictable and favor select industries — such as the Big Three auto manufacturers, some large financial institutions at the expense of others, and alternative energy innovation — while creating disadvantages for economic segments not favored by subsidy.

Protectionism is also a concern. It's often said we learned a hard lesson from the damage done by the Smoot-Hawley tariff in 1930. But politicians everywhere are often driven by political survival more than sound economic theory. The “Buy American” provisions of the stimulus bill are echoed by pressures in European capitals to favor national companies and by repatriation of U.S. Treasury assets by emerging market nations such as China and Russia to solve their own domestic problems. Such self-preservation seems politically inevitable, but it undermines the potential for a faster recovery.

Tax hikes may also be coming. While governments have delayed implementing tax increases to support expanded spending, these are likely inevitable and could undercut the segment of the economy most critical to recovery — small business, the source of most new job creation.

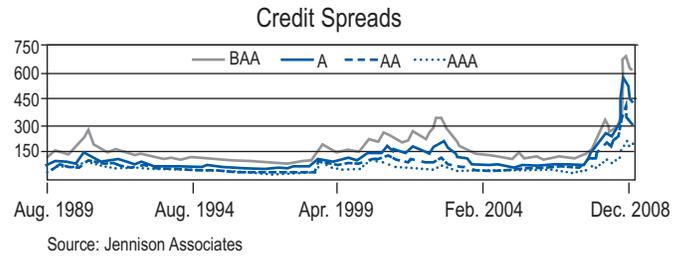
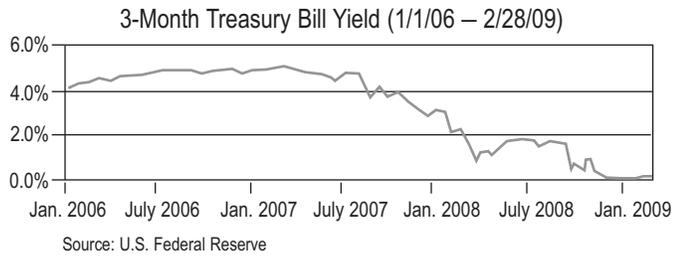
Finally, because the U.S. dollar is the world's reserve currency, the U.S. has the option (which also may be unavoidable) to depreciate its currency via inflation and thereby reduce the debt burden. However, this will come at a serious cost to prudent investors and to future economic growth.

These concerns produce the wall of worry facing financial markets.

**What is your assessment of stock and bond values at this point?**

Despite a stock market decline of more than 20% through February, the near-

“Bonds are priced for historic rates of default and write-offs, even among high quality issues.”



term equity outlook is still questionable due to uncertain earnings, deleveraging, mutual fund redemptions, and the absence of price support from stock buy-backs. For a number of individual companies, prices seem attractive based on their relatively confident earnings prospects and strong balance sheets. However, given the attractiveness of high quality bond spreads relative to likely volatile near-term equity performance, we recommend an incremental and gradual rebalancing from bonds to stocks.

Bonds are priced for historic rates of default and write-offs, even among high quality issues. But many market sectors remain illiquid and it is unclear how soon prices will improve. Yet unlike stocks, bonds produce substantial interest income and roll down in matu-

riety over time. The price recovery problem is self-correcting for patient investors, even net of defaults, which are quite likely in the financial sector.

Tactical decisions on equity and bond positions are critical in such an uncertain and volatile market. Other than SRI Principled Purchasing restrictions, CBIS leaves portfolio selection up to our Funds’ sub-advisers.

**Should participants just move to cash?**

It is tempting to consider moving smaller portfolios to cash to await better times. But it takes a lot of luck to make the correct decision twice, when locking in losses and reentering the market. Equity and bond values have been discounted substantially, and large sums of institutional cash (estimated at \$4 trillion or more) wait for opportunities. It

may be painful for much of 2009 to follow a long-term investment policy, but this remains the best way to avoid emotional mistakes. As noted by one financial pundit, it is “too late to sell but too early to buy.”

**What can participants do that is productive while they wait for a recovery?**

We recommend that finance committees review long-term asset allocation targets and reassess their risk tolerance, cash needs and return expectations. These are the most critical decisions that can be made and a more conservative strategy may be appropriate given the problems weighing on the markets. As noted above, we believe this is a time for investors to be patient and allow the markets to recover and price risk appropriately. ■

Editors Note: Please see the CBIS website ([www.cbisonline.com](http://www.cbisonline.com)) for a more extended commentary by Chief Investment Officer Frank Haines on the financial markets and CBIS investment recommendations.

*Frequently Asked Questions*

**The sudden failure of some banks and Wall Street firms has been an especially shocking outcome of the financial crisis. How secure is CBIS and should participants be concerned about their account safety?**

The current financial environment is certainly a cause of much stress. However, participants can be assured of CBIS’ financial solidity and the firm’s ability to continue to be a trusted provider of investment management services.

Our ownership structure offers considerable stability. We are owned by the six districts of the Christian Brothers in the United States and the Center of the Institute of the Brothers of the Christian Schools in Rome, Italy. All are financially stable.

Moreover, CBIS was not exposed to the reckless derivative trading or lending that has imperiled some institutions. We suspended securities lending for cash collateral in late 2007 due to our concern about collateral quality at our custodian. We strategically sought to minimize the risk of net asset value (NAV) deterioration and counterparty risk in anticipation of major investment banks failing or recapitalizing. These risks outweighed the additional basis point or two of yield.

Participants should rest assured that their funds are safe and liquid, and that CBIS is not at risk of financial failure.

*In Memoriam*



Raoul Carroll, CBIS Board Chairman

All of us at CBIS send our condolences to the family and friends of Raoul L. Carroll, CBIS Board Chairman, who passed away on December 28, 2008. He was 58 years old and leaves a wife and two daughters. Mr. Carroll’s family is establishing a scholarship in his name at Morgan State University, his alma mater. CBIS will make a donation to that scholarship fund. Mr. Carroll joined the CBIS Board in 1996 and became its Chairman in 2004. He was a valued colleague and friend, and we will greatly miss his counsel and presence on the Board. May he rest in peace.



CBIS

90 Park Avenue  
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New York, NY  
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## Announcements

### Principles Going Electronic

As part of our continuing effort to further our environmental stewardship goals, we have decided to make *Principles* an electronic-only newsletter. Starting with the next issue, we will distribute *Principles* through our website only. For those who prefer hard copy, a printer-ready PDF file will be available.

Participants who have signed up for our E-Delivery program will be notified when each issue is published. If you haven't already done so, you can sign up for E-Delivery at [www.cbisonline.com/edelivery](http://www.cbisonline.com/edelivery).

### CBIS Office Closings

CBIS offices will be closed on Monday, May 25 for Memorial Day and on Friday, July 3 for Independence Day. The offices will also close at 12:00 noon E.T. on Friday, April 10 in honor of Good Friday.

*Your CBIS Investment Advisor is ready to assist you.*

#### New York

90 Park Avenue, 29th floor  
New York, NY 10016-1301  
Tel: 800-592-8890  
212-490-0800  
Fax: 212-490-6092

#### Chicago

1200 Jorie Boulevard, Suite 210  
Oak Brook, IL 60523-2262  
Tel: (800) 321-7194  
(630) 571-2182  
Fax: (630) 571-2723

#### San Francisco

One Embarcadero Center, Suite 500  
San Francisco, CA 94111-3403  
Tel: (800) 754-8177  
(415) 623-2080  
Fax: (415) 623-2070

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