

PRINCIPLES



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Q3 2007

SRI Update: 2007 Proxy Season Recap

CBIS presses climate change, executive pay, payday lending concerns

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 rising 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.

Climate Change: From Talk to Action

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, based on current technologies, for reducing total greenhouse gas emissions from the company’s products and operations . . . and report to shareholders by September 30, 2007 on its plans to achieve these goals.”

The most impressive result among the three was the 31% vote received at ExxonMobil. While the vote is relatively high for an SRI-sponsored resolution in general, 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 (which seek a change in strategy).

CBIS attended the annual meeting

and had the chance to ask ExxonMobil CEO Rex Tillerson his view on the likely mix of global energy sources over the next two decades. He told us he sees very little change from today’s fossil-fuel dominance. This is unrealistic, in our view, and suggests a real lack of quality scenario planning at the company. But we take some satisfaction in the fact that the strong vote for our resolution suggests a critical mass of the company’s institutional shareholders favor our view.

The 14% vote at Ford was stronger

“CBIS and our SRI partners filed climate change resolutions with three companies — [ExxonMobil](#), [Ford](#) and [Chevron](#). The most impressive result among the three was the 31% vote received at ExxonMobil.”

than it appeared because the Ford family controls about 40% of the company’s outstanding voting stock, and it’s likely that most of those shares did not support our proposal. As is clear from the business news headlines, Ford is attempting to recover profitability through a difficult restructuring and repositioning of its product line. Our shareholder group believes that 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 multi-faceted 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 it is large enough to allow us to file again next year if need be.

We plan to press forward with all three companies during the rest of 2007, and will file resolutions again in 2008 if we judge that to be the best way to encourage progress.

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2007 Shareholder Resolution Vote Totals

<i>Company</i>	<i>Resolution</i>	<i>Vote Total</i>
Cash America (P)	Develop and implement suitability standards for loan products.	Omitted by SEC
Chevron Corporation	Adopt quantitative goals for reducing greenhouse gas emissions.	8.5%
Cisco (P)	Allow shareholders to vote on the board compensation committee report.	Fall 2007 annual meeting
Dillard's (P)	Establish labor standards for contract suppliers.	Results released in Fall 2007
DuPont	Report on business risks from sale of genetically modified organisms.	7.2%
ExxonMobil	Adopt quantitative goals for reducing greenhouse gas emissions.	31%*
Ford	Adopt quantitative goals for reducing greenhouse gas emissions.	14.1%
Lowe's Companies (P)	Create policies to mitigate social and environmental risks associated with store siting.	Withdrawn
Newmont Mining (P)	Develop policies for improved community relations at mine sites.	91.6%
Royal Dutch Shell	Establish a global environmental and human rights policy.	Not Filed
Time Warner (P)	Separate positions of CEO and Chairman of the Board.	15%*

(P) = CBIS is primary filer and engagement team leader. / * = Preliminary count.

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.

2007 Proxy Season Recap (cont.)

Out-of-Control Executive Pay

The concept of giving shareholders an advisory vote on executive pay has caught the attention of major institutional investors and some federal legislators this year, who seek to reign in egregiously out-of-control CEO pay packages.

Corporate directors are the official representatives of shareholders in all issues related to corporate strategy, and compensation committees are usually formed to negotiate CEO pay on shareholders' behalf. The acquiescence of some committees to CEO pay inflation suggests (in our view and in that of many other SRI investors) an ignorance of the demoralizing influence of runaway CEO compensation packages on employee morale and on the entire notion of economic justice.

Our resolution at [Cisco](#) asks the company to allow shareholders to vote on the board compensation committee's executive pay package decisions. The vote would not override the committee, but would simply allow shareholders to indicate whether they believe executive compensation is reasonable. CBIS has filed for the past three years on this issue with good results (about 11% support), but the company remains unwilling to engage us in dialogue. We

are hopeful that a strong vote this year can demonstrate broader institutional support, and may give Cisco incentive to take the issue more seriously. Cisco's annual meeting will be held this fall.

The March 2006 report "Pay for Failure" produced by The Corporate Library featured [Time Warner](#) as one

“SRI investors believe that corporate directors can exercise better discretion over executive pay when the CEO is not also the board chair.”

of 11 major companies with negative returns to shareholders and underperformance compared to its peer group and index over five years, but whose CEOs were paid in excess of \$15 million in each of the last two years.

SRI investors believe that corporate directors can exercise better discretion over executive pay when the CEO is not also board chair. Our resolution at Time Warner, which asked the company to separate these positions, received 15% of the vote at its May annual meeting,

down slightly from the 16.5% received last year.

Time Warner recently appointed a “lead director” to offset the power inherent in Richard Parson's combined Board Chair/CEO role. In our view, the lead director is independent in name only and a real separation of the two roles is necessary. However, we are pleased that Time Warner's corporate secretary recently joined a group of companies, including Schering-Plough, J.P. Morgan Chase, and AIG, that are willing to discuss the potential of putting the board compensation committee report to a shareholder vote.

The Payday Lending Debt Trap

The difficulties many low-income Americans face finding steady jobs that pay a living wage stands in sharp contrast to the unethical excesses of some CEO pay packages. In order to meet day-to-day expenses between pay periods, low-income workers sometimes rely on “payday loans”, where a post-dated check or a checking account is used as collateral for a short-term cash advance. Yet payday loans frequently come with hidden fees and interest rates so onerous that borrowers get trapped in a cycle of debt with interest charges that amount to more

than the original loan. According to research by The Center for Responsible Lending (CRL), a not-for-profit advocacy group, payday lending exceeds \$28 billion per year nationwide and costs borrowers more than \$4 billion per year in excessive fees. And lenders collect 90 percent of their revenue from repeat borrowers rather than one-time users seeking immediate cash for a short-term financial emergency.

In 2006, CBIS sought to initiate a dialogue with [Cash America](#) regarding its payday lending program. Cash America operates pawnshops and provides payday loans nationwide, in some cases with annual rates of interest that exceed 400%. The company refused to speak with us, so we filed a shareholder resolution for the 2007 proxy season that asked it to develop and implement customer suitability standards for its lending products. Many mainstream consumer finance companies have suitability standards that match lending products with the ability of targeted borrowers to repay the loans.

Even though the SEC issued a no-action letter, allowing Cash America to omit the resolution from the proxy ballot, our resolution helped persuade the company to begin a dialogue with

“Payday loans frequently come with hidden fees and interest rates so onerous that borrowers get trapped in a cycle of debt with interest charges that amount to more than the original loan.”

us. We met with Cash America’s CEO, Dan Feehan, in March.

While he refused the request embodied in the resolution, he did express a willingness to listen to us and continue a discussion. We will now try to recruit other institutional share-

holders and form a group to create more influence with the company. We will refile an amended resolution with the SEC next year if need be.

Vendor Standards at Dillard’s

CBIS was the lead filer of a resolution with [Dillard’s](#), one of the nation’s largest fashion apparel and home furnishings retailers, that asks the company to adopt a sourcing policy for vendors based on United Nations’ International Labor Organization (ILO) standards and to commit to a program of independent monitoring of vendor facilities.

Dillard’s current policy, now ten years old, only prohibits use of vendors that employ child and slave labor, and fails to incorporate mechanisms for incenting improvement in vendor labor practices. CBIS believes Dillard’s should create a more robust policy, one that incorporates many of the features that are now widely accepted as best practices among other retailers sourcing on a global basis.

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SRI Issue Brief: Executive Pay

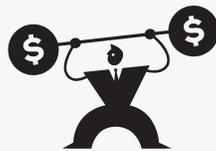
CEOs make 179 times as much, on average, as rank and file workers, double 1994’s 90-to-1 ratio, according to a recent study by the Congressional Research Service. If you get irritated by news of lavish CEO and top executive pay packages, you are not alone. A June 2007 Bloomberg/L.A. Times poll found that 81% of Americans think CEO pay is too high. And the perception of inequity is only magnified when stock option windfalls and big bonuses are driven by layoffs and outsourcing.

The issue, however, is not a simple one. Shareholders have a legal right to pay their CEO whatever they wish. The board of directors’ compensation committee, which represents shareholder interests, typically negotiates CEO pay. And directors often claim that lavish pay is required to attract top executive talent.

CBIS and other SRI investors believe that directors sometimes conduct too narrow a search for capable CEO candi-

dates. Equally effective leaders can be found for more reasonable pay. And large option awards are an imperfect motivational tool — stock prices and profits can be driven by economic forces beyond management’s control.

We think executive pay should also be linked to benchmarks that transcend



short-term financial performance, such as environmental impact, workforce stability, diversity, global human rights records and other social metrics. We believe this enhances workforce morale and inspires companies to think more broadly and creatively about how important social and environmental goals can be integrated into business strategy — enhancing the company’s long-term sus-

tainability and promoting social and economic justice in society at large.

CBIS and our Interfaith Center on Corporate Responsibility (ICCR) colleagues advocate for more reasonable executive compensation through shareholder dialogues, media outreach and by evaluating and voting proxies at more than 1,000 domestic and international companies each year. We support executive compensation plans only under the following circumstances:

- They spread benefits of corporate success widely throughout the company.
- They reward excellence and align management and shareholder interests.
- Pay does not exceed what a fair-minded person would consider reasonable.
- Compensation committee members are independent directors.

See the Shareholder Advocacy Directory at the CBIS website (www.cbisonline.com) for a more extensive overview of this issue.

Let the Buyer Beware

When it comes to some of Wall Street's newest structured credit products, it's "caveat emptor."

by Frank Haines, Chief Investment Officer



Frank Haines

The start of the summer of 2007 has been anything but dull in the financial markets.

Sub-prime mortgage lending came under congressional scrutiny, while losses from sub-prime exposure forced Bear Stearns to commit billions of dollars to bail out one of its hedge funds and were a catalyst for cancellation of several high-yield bond offerings designed to support private equity financing.

The Treasury yield curve “conundrum” was resolved, with interest rates rising substantially during June and the yield curve reverting to a more normal positive slope. And rising interest rates threatened to slow the record amount of private equity mergers and acquisitions which have long been a factor supporting stock valuations.

All this fixed-income turmoil caused a setback for global equity prices, with the Dow Jones Industrials falling 2.5% from its all time high reached on June 4th. Investors seem to be focusing increasingly upon risk — a consideration long overdue after the generous returns we have seen for the past four years.

Wall Street's Risky Investment Schemes

Sub-prime lending is just one example of some of the riskier investment schemes introduced by Wall Street over the past decade or so. Others, such as collateralized debt obligations (CDOs), collateralized loan obligations (CLOs), credit default swaps (CDSs), and various other structured products, have permitted the dissemination of risky securities among a multitude of investors.

Credit and currency structured mar-

kets now exceed \$325 trillion in notional size, well in excess of the \$100 trillion estimated value of actual stocks and bonds worldwide. Such financial instruments have permitted investors to more selectively manage risks and have provided additional liquidity to financial markets. However, they have also disseminated risks in opaque form among many less sophisticated investors.

If today's global liquidity dries up and newer risky credit products (such as sub-prime loan securitizations) fail to meet their modeled return expectations, it may be lights out for complacent investors.

Of course, this has all been lucrative business for financial firms, as demonstrated by their profits and growing prominence by market capitalization in equity indices. But it will not end without its costs — which are likely to be born primarily by investors.

Globalized Investment Flows

Liquidity has been another driver of systemic risk-taking, reflecting the globalization of investment flows and the declining control of central banks over the control of credit within their own boundaries.

The U.S. Federal Reserve may set short-term interest rates in order to

control inflation and economic growth, yet bank lending is no longer the primary source of credit. Companies can directly access the debt markets here and abroad, almost regardless of their credit quality, as well as vast pools of private equity capital. Or they can securitize assets or receivables to raise cash, again bypassing the banking system. Investors have multiple means of implementing leveraged positions, including borrowing in one low-cost country and reinvesting in a higher-yielding one.

The Buck Stops Where?

The behavioral aspects of these market developments are intriguing. The concept of responsibility is another interesting attribute of securities transactions besides the well-known cycle of fear and greed that drives both buyers and sellers. That is, will someone be held responsible for the financial decisions underlying my investment and will any potential losses be shared with the originator?

Twenty-five years ago mortgages were traditionally underwritten, financed and retained by banking institutions. The underwriters and loan officers who approved the loans were held responsible for their performance, which, in turn, determined the financial health and profitability of their institution.

Newer financial intermediaries, such as FannieMae and Freddie Mac, have diluted that direct responsibility by packaging home mortgages and enlarging a secondary market for such debt. However, these Agencies at least have minimum standards for extending credit.

More recent Wall Street innovations, including sub-prime loans and their conduits — CDOs — have removed

direct responsibility for loan creation almost entirely, translating it into a fee generation business whose profits are based simply on the volume of debt issued.

The economic incentives of Wall Street drive this supply, rating agencies bless the complex structured products with investment-grade ratings, and investors buy them based upon these ratings, which are premised on the reassurance of Wall Street's mathematical models and default risk assumptions.

But who is responsible when something goes wrong, such as sub-prime loan defaults rising to levels that Wall Street's models did not forecast? Who are the holders of these securities, and

were they being responsible investors when they made the purchases?

Caveat Emptor

We at CBIS take this issue of responsibility seriously, as do the sub-advisers in our various investment programs. Whether by demanding meaningful bond covenants or by not "reaching for yield" when credit spreads are tight, our bond sub-advisers measure risk independently of rating agency assessments.

Our equity sub-advisers regularly review the rationale for exposures in more volatile areas, such as REITs and emerging markets. And the investment guidelines that CBIS applies to sub-advisers restrict exposure to many of

the securities now raising concern in the financial press.

It has been a glorious run for the markets, with stocks up 15% to 20% annually over the past four years, and riskier strategies such as emerging market equity and debt, high yield bonds and REITs, producing even stronger results.

But as in musical chairs, the future looks troubling if the music should stop, liquidity dries up and structured products, like sub-prime loans, fail to produce their modeled return outcomes.

Each generation of investors, it seems, relearns the lessons of risk and return and reacquaints itself with the phrase "caveat emptor." Let the buyer beware. ■

2007 Proxy Season Recap (cont.)

We attended Dillard's 2007 annual meeting and had the chance to present our views to the CEO, William Dillard II, who suggested that the company is doing the best it can on the issue.

Other institutional investors disagree. Our resolution received crucial support from the widely followed institutional proxy advisory firm, Institutional Shareholder Services (ISS), which advises large institutional investors such as endowments, foundations, retirement plans and mutual funds on proxy voting strategies. ISS evaluates resolutions principally in terms of their impact on long-term shareholder value. Dillard's will not announce the vote total until the fall,

but we are hopeful that a strong vote will encourage management to reconsider its thinking on this issue.

Newmont Backs CBIS Resolution

Finally, CBIS led an investor group that filed a resolution at [Newmont Mining](#) one of the world's leading gold producers, asking the company to produce a report addressing community-based opposition to its operations in the U.S. and around the world.

As faith-based holders of Newmont shares, we were concerned by a pattern of at-times violent community resistance to its operations in recent years in Peru, Indonesia and Ghana over issues such as mining waste disposal proce-

dures, water pollution, development of sacred sites for mining operations, jobs and wages, and population resettlement from lands acquired for mining.

Support for the resolution from both ISS and Newmont management (as covered in the Q2 PRINCIPLES story on the issue) produced an exceptionally strong 91.6% vote for our resolution. This marked the first time a U.S. mining company has called on shareholders to vote for a social resolution. The strong vote should reinforce to Newmont the importance of producing a thorough and substantive report. ■

Visit the Shareholder Advocacy Directory at the CBIS website (www.cbisonline.com) for the current status of all dialogues and resolutions.

Security Brief: Shred It!

Most people associate identity theft with internet or telemarketing scams, where clever criminals trick you into revealing private financial data such as credit card, bank account and social security numbers. But even in a high-tech world, would-be identity thieves sometimes employ decidedly low-tech methods.

Dumpster diving is one way they can put you at risk. By searching through dumpsters for discarded credit card statements, bank statements, employee and payroll records, direct mail solicitations and other documents that may contain private



data, criminals look for information that might be their key to your wallet. Churches, charities and schools that employ staffs and keep regular business hours are appealing targets — they offer numerous potential victims and a cloak of darkness during off hours for safe rummaging.

CBIS recommends that participants take this simple step for protection: shred all your documents before throwing them away. Shredders are relatively inexpensive and shredding prevents identity thieves from leaving your dumpster with anything more than tired arms and dirty hands.

CBIS Recommends Increased International Exposure

Valuation inefficiencies, Japan's resurgence and U.S. dollar risk support overseas return potential

IN EARLY JULY, CBIS changed the Recommended Asset Allocation by increasing the **CUIT International Equity Fund** allocation from 15% to 25% of total equity exposure, funded by a corresponding reduction in the **CUIT Core Equity Index Fund** allocation from 30% to 20% of total equity exposure. This is a strategic long-term recommendation, where the benefits should play out over time, rather than a short-term tactical move.

The rationale for the change is as follows:

- Enhanced portfolio diversification, as non-U.S. equity markets represent over 50% of global stock market capitalization.
- The Japanese market, at over 20% of global non-U.S. market capitalization and after fifteen years of disappointing results, now appears to offer superior upside potential.
- There are more numerous inefficiencies in overseas markets.
- International exposure hedges the risk of continued long-term U.S. dollar depreciation.
- The reduction in indexed assets reflects the greater potential for added-value from active management in a moderate-return global stock market environment.

Enhanced Diversification

Globalization has positively impacted non-U.S. markets and international trade in recent years, benefiting the infrastructure and financial stability of many economies in addition to those of developed nations. Overseas companies have become more competitive and shareholder-focused, spurred by merger and acquisition activity, privatization, hedge fund investors and global corporate governance initiatives.

As developing markets become more liquid, transparent and priva-

tized, they represent an increasingly attractive portfolio diversification option for U.S. investors.

A Resurgent Japan

Japan now represents a potentially strong positive driver of international stock returns. Following fifteen years of deflationary retrenchment, Japanese economic growth is expected to match that of Europe and the U.S. in 2007 and 2008. With any upturn in domestic demand, and with its proximity to the Asian boom, Japan could surprise on the upside. And its previously elevated

“Overseas companies have become more competitive and shareholder-focused, spurred by acquisition and merger activity, privatization, hedge fund investors and global corporate governance initiatives.”

price/earnings multiples have declined to levels in line with other G-7 markets, offering improved potential for merger and acquisition activity.

Ongoing Privatization Potential

Inefficiencies in corporate structures, ownership and financial practices still remain prevalent abroad, offering fertile opportunities for privatizations, consolidation of family-controlled businesses, and institutionalization of less-developed markets (i.e., growth of insurance and retirement products, credit cards, asset securitization and derivative markets).

Valuation is another factor often cited to support increased non-U.S.

equity exposure, but in fact, it is currently neither supportive nor contrary to greater allocation abroad. European stock market valuations, for example, are often cited as more attractive than those in the U.S. However, when adjusted for the greater presence in the U.S. of high P/E industries such as technology and healthcare, valuations are quite similar.

Currency Considerations

The U.S. dollar faces formidable downside pressures over the long-term. While the reserve currency feature of the U.S. dollar in global trade has been a considerable source of support over past decades, dollar purchases by foreign central banks and energy exporters through investment in Treasury securities are unlikely to be sustainable at recent high levels. Instead, the trend here is increasingly toward diversification into multi-currency baskets, and more recently into infrastructure or equity investments.

The U.S. has long attracted capital due to the depth and liquidity of its financial markets. Additionally, the U.S. has offered the highest relative yields of the G-7 markets over the past several years. Within the past year, given rising interest rates in the U.K., continental Europe and even marginally in Japan, overseas bond yields have become more competitive and will become increasingly so as further tightening takes place.

An added concern is the risk inherent in the heavy volume of non-Treasury U.S. debt which has been sold abroad. If credit spreads widen or mortgage problems deepen, foreign holders of U.S. bonds and structured products will likely be sellers — or at least unlikely purchasers of more exposure. Rising credit risk coupled with a falling dollar could become a self-reinforcing cycle.

CBIS Recommended Investment Allocation — Model Portfolios

Fund	100% Equity		60% Equity/ 40% Fixed-Income	
	New	Previous	New	Previous
CUIT Core Equity Index Fund	20%	30%	12%	18%
CUIT Growth Fund	20%	20%	12%	12%
CUIT Value Equity Fund	20%	20%	12%	12%
CUIT Small-Cap Equity Index Fund	15%	15%	9%	9%
CUIT International Equity Fund	25%	15%	15%	9%
RCT Intermediate Div. Bond Fund	-	-	40%	40%
Total	100%	100%	100%	100%

The traditional drivers of currency strength — fiscal discipline, balance of trade and interest rate differentials — all portend further dollar weakening. U.S. consumer savings is low compared to that of many other nations, reflecting a decade or more of high debt-financed consumption. U.S. fiscal policies have also been expansive, supporting military as well as non-discretionary health and retirement programs. Similar to the late 1960s, when the U.S. pursued a “guns and butter” economy during the Vietnam War, these factors will only exacerbate pressure on the U.S. dollar.

Allocation to Active Strategies

Longer-term projections for both U.S. and international equity returns remain moderate (i.e., 6% to 8% annually, on average) based on the outlook for average earnings and economic growth, little probability of P/E expansion, and relatively low current dividend yields. Coupled with a global trend of stable to rising interest rates, in contrast to the sustained interest rate decline of the 1980s and 1990s, return expectations are understandably muted. Under this scenario, value added from active management becomes a more significant

contributor to total portfolio return. The change from an active to a passive indexed approach in the CUIT Small-Capitalization Equity Fund at the end of 2006 raised the weighting of indexed assets in the Recommended Investment Allocation. The current recommendation for more international equity exposure increases the emphasis on active management in the overall portfolio.

We urge CBIS participants who follow CBIS’ Recommended Asset Allocation to consider increasing international equity exposure at their next investment policy review. While currency moves and global stock market trends may not support this shift over the short term, we believe the move will be quite beneficial to long-term portfolio performance. Please contact your CBIS Investment Advisor to discuss this recommendation or to implement the change. ■

Are you interested in understanding how SRI considerations affect portfolio performance? See the CBIS white paper “SRI’s Impact on Investment Return”.

Principal Global Appointed New CUIT International Equity Manager

Effective in May, Principal Global Investors replaced Jarislowsky Fraser as co-manager of the [CUIT International Equity Fund](#). We believe that this change better positions the Fund to deliver competitive performance over the long term.

While we have seen marked improvement in the performance of the Fund since we retained Causeway Capital Management in February 2005, the investment style favored by Jarislowsky Fraser limited the extent of this improvement.

Jarislowsky Fraser’s sector emphasis and focus on larger-capitalization companies in developed markets was out-of-sync with investor sentiment favoring small- and mid-capitalization companies, emerging markets and cyclical issues. While we believe that Jarislowsky Fraser’s fundamental

process remains sound, market conditions have not been conducive to their approach. We believe that Principal Global Investors, identified through our ongoing review of international managers, will augment performance of the Fund while limiting volatility.

In addition to better controlling portfolio risk vs. the MSCI EAFE benchmark, this change marks a clear delineation between growth and value approaches in the Fund. After six years of value-style success in global equity markets, positioning the Fund to benefit from any growth resurgence was also a motive for our decision.

Moreover, the Fund’s large-capitalization exposure will now result from tactical manager decisions rather than a structural bias, and there will generally be greater small company exposure, creating a more diversified

portfolio. Please contact your CBIS Investment Advisor if you have any questions about this manager change.

About Principal Global Investors

Based in Des Moines, Iowa, Principal Global Investors offers an international growth equity program with proven success. The firm uses a quantitative process with tight controls on sector, country, capitalization and individual issue exposures to maximize the contribution of stock selection. The process also incorporates investor sentiment and momentum factors, which have increasingly been requirements for successful growth investing in recent years. The firm’s approach very effectively complements that of the Fund’s other sub-adviser, Causeway Capital Management.



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Announcements

■ You can help protect shareholder rights!

Securities and Exchange Commission Chairman Christopher Cox has proposed new rules that could weaken or eliminate shareholders' rights to file shareholder resolutions.

For three decades, shareholder resolutions have enabled CBIS participants to advocate with companies on behalf of economic justice, equality and environmental stewardship. Help us protect this fundamental shareholder right. [To find out what you can do, visit www.cbisonline.com.](http://www.cbisonline.com)

■ CBIS offices will be closed on Monday, September 3 for Labor Day and on Monday, October 8 for Columbus Day.

■ Save-the-Date: CBIS will be hosting its annual Rome Gathering on Wednesday, February 27, 2008 at the Christian Brothers Generalate. Watch for more information soon.

Your CBIS Investment Advisor is ready to assist you.

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