

PRINCIPLES

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

Q4 2007



SEC Proposals Threaten Social Resolutions

CBIS Leads Participant Campaign for Shareholder Rights

by John Wilson, Director of Socially Responsible Investing



John Wilson

The most visible evidence of CBIS' SRI program at work is the progress we achieve helping companies improve their environmental, social and govern-

ance-related business practices. Far less visible is the diligent attention we give to developments in the court system, at the Securities and Exchange Commission (SEC), and in Congress relating to the rules that determine shareholder rights and our means of expressing these rights.

This past summer, in response to a federal court proceeding that challenged the SEC's framework for shareholder nomination of directors, the agency proposed several broader changes to shareholder rights that could weaken, or even eliminate, our ability to file shareholder resolutions on the issues that concern us all as Catholic investors.

CBIS went immediately to work, fighting against these SEC proposals and for our our participants' continued right as shareholders to express their values through engagement with portfolio companies.

The Importance of Resolutions

When CBIS files a shareholder resolution with a company — asking it to take action on global warming, human rights, healthcare and other issues — we

do so under long-standing rules that establish filing procedures. CBIS, along with other shareholders concerned with corporate social responsibility and corporate governance, file hundreds of resolutions each year that are voted on by all shareholders at company annual meetings.

CBIS went immediately to work, fighting against these SEC proposals and for our our participants' continued right as shareholders to express their values through engagement with portfolio companies.

Indeed, shareholder resolutions form the foundation of our efforts to engage companies on issues of social justice. Although they are non-binding on management, and do not force companies to act, they often persuade management to open a dialogue with us about our issue of concern, particularly if the resolution receives a strong vote. Unpressured by the publicity and broad shareholder support that can be created by resolutions, many companies would choose to ignore the issues that we bring forward.

Background: SEC and Proxy Access

The primary focus of the SEC's new proposed rule changes is not actually the shareholder resolutions that we file, but a related idea known as "proxy access." Proxy access refers to the ability of shareholders to directly nominate candidates for a company's board of directors. Under current procedures, responsibility for nominating directors lies with the board's nominating committee. And the SEC has historically allowed companies to reject shareholder resolutions having to do with director nominations.

This past year, however, a federal court challenged this longstanding practice and allowed a shareholder resolution on proxy access to appear on a proxy ballot. The court's action forced the SEC to clarify its rules regarding shareholders' ability to nominate direc-

(continued on page 2)

In This Issue

| | |
|--|---|
| SEC Proposals Threaten Social Resolutions | 1 |
| Dillard's Shareholders Support CBIS-Sponsored Resolution | 3 |
| CBIS Fund News | 3 |
| An SRI Perspective on the Subprime Meltdown | 4 |
| SRI Impact on Performance | 5 |
| The Importance of Portfolio Rebalancing | 6 |
| Frequently Asked Questions | 7 |
| Announcements | 8 |

SEC Proposals Threaten Social Resolutions (cont.)
 tors. The SEC is now reexamining two ideas: whether proxy access should be allowed under very limited circumstances, or whether it should be allowed at all.

Although CBIS supports the concept of proxy access in principle, the outcome of this aspect of the SEC's deliberation will likely have little impact on us. Even if proxy access is permitted, it would likely be limited to shareholders who own at least 5% of a company's stock, a figure much higher than the individual company positions we hold in CBIS funds and separate accounts.

The Impact on Social Resolutions

Embedded within the SEC's reexamination of proxy access rules, however, are some worrisome proposals that might limit the ability of shareholders to file resolutions on matters other than director nominees. The SEC's decision to consider such changes to the broader rules governing shareholder resolutions came as a surprise to us, since the court decision that forced the SEC to re-examine its rules for proxy access did not address these types of shareholder resolutions at all.

The SEC's Worrisome Proposals

Three of the SEC's proposals (for which the agency solicited public comment over the summer and fall) are of particular concern to us:

1. The first would allow companies to develop their own rules about how to handle shareholder resolutions. In the extreme, this could allow companies to prohibit any shareholder resolution from appearing on the proxy ballot.

2. The second proposal suggests the substitution of electronic shareholder forums, or "chat rooms," for the shareholder resolution process. Under this proposal, a company would set up internet forums where shareholders could post comments and file petitions on company matters. Our concern about this proposal is that there would be no

requirement that either shareholders or management monitor these discussions. Moreover, it is unclear whether chat room discussions would be germane or professional. A survey of the typical discourse on stock message boards gives us little optimism that it would be.

3. The third is a proposal to raise the vote thresholds for refiling a previously filed resolution. Under current rules, resolutions cannot be submitted for a second year if the same proposal received less than 3% support the first year. This hurdle climbs to 6% for proposals submitted for two years and 10% for three years. The SEC proposal contemplates raising these thresholds — as high as 10%, 15% and 20%, respectively. Approximately two-thirds of

More than 30,000 letters were sent in support of our position — the largest response ever received by the SEC. CBIS participants submitted over 50 letters.

shareholder resolutions filed on social issues would be eliminated under this proposal. In fact, many resolutions begin with very low support but receive rising favorable votes over the years as investors become more educated about the issue. For example, our first resolutions on climate change in the late 1990s received 6-8% support; this past year our resolution at Exxon Mobil received over 30% support.

Along with many other investors, CBIS concluded that we should oppose all three of these SEC proposals.

The Campaign

Beginning in August, CBIS joined with other investors in a campaign to assert our continued right to file resolutions. The coalition included our SRI partners from the Interfaith Center on

Corporate Responsibility (ICCR) and Social Investment Forum (SIF), as well as public pension funds, union funds and other asset managers. Working independently, and as a member of this coalition, we undertook a number of actions that promoted our point of view and the interests of CBIS participants:

- We wrote SEC Chairman Christopher Cox and members of congress to alert them to our concerns.
- We submitted a detailed comment letter to the SEC opposing the proposals.
- We established an "action alert" section on the CBIS website that profiled the issue and encouraged participants to send letters to the SEC. We provided a sample letter which participants could use or modify as they saw fit.
- We advocated for our views on Capitol Hill, meeting with the staffs of several representatives and senators, including CBIS' New York Congresswoman Carolyn Maloney and Chicago Congresswoman Judy Biggert.
- We participated in two news conferences to educate the media about the issue, which resulted in a number of stories in the press.

The broad campaign has been a tremendous success. Between CBIS, our ICCR partners, the Social Investment Forum, and others, more than 30,000 letters were sent in support of our position — the largest response ever received by the SEC. CBIS participants submitted over 50 letters.

A number of influential legislators, including House Financial Services Committee Chair Barney Frank have spoken out in favor of shareholder resolutions and proxy access. (Rep. Frank advised the SEC to "start over.") The news media has been generally supportive of our position as well, and a few articles on the issue have appeared in the Catholic press.

The SEC's comment period ended on October 2, 2007. We are monitoring the situation closely and will keep you informed of any developments. ■

Dillard's Shareholders Support CBIS-Sponsored Resolution

As reported in Q2 2007 PRINCIPLES, CBIS was the lead filer of a shareholder resolution at nationwide retailer Dillard's May 2007 annual meeting that asked the company to prepare a sustainability report, improve its outdated vendor sourcing standards, and commit to a program of independent monitoring of vendor facilities.

Dillard's current sourcing policy only prohibits use of vendors that employ child and slave labor, and fails to incorporate mechanisms for incentivizing improvement at supplier factories. Many other nationwide retailers have more advanced and robust policies.

In early October, Dillard's reported that our resolution received 46.4% of votes cast — a very strong result that we hope persuades management to change its policy of non-engagement with shareholders on the issue.

Other resolution sponsors included the Connecticut Retirement Plans and Trust Funds, the New York City Pension Funds, and Amalgamated

Bank's LongView Collective Investment Funds.

In addition to our SRI coalition's support, the strong vote was due in part to a recommendation from the widely followed proxy advisory firm

“Dillard's reported that the resolution received 46.4% of votes cast — a very strong result that we hope persuades management to change its policy of non-engagement with shareholders on the issue.”

Institutional Shareholder Services (ISS), which advises large institutional investors such as endowments, foundations, retirement plans and mutual funds on proxy voting strategies.

Commenting on the vote, CBIS Corporate Advocacy Coordinator Julie Tanner said, “Given the company's cur-

rent lack of disclosure and the fact that preparation of this report will provide shareholders with a more complete view of the company's policies — especially related to the strength of its existing supplier code of conduct — we encourage Dillard's to join the mainstream of retail industry practices. Apparel manufacturers and retailers such as The Gap, Nike, Target and Timberland have recognized the growing relevance of global labor standards practices and have disclosed their supplier codes of conduct in publicly available reports. We know that Dillard's cares a lot about these issues and does not want to be looked upon as a laggard in the industry.”

Nearly 2,000 companies — including a number of U.S. retail industry leaders — now release sustainability reports that disclose information about their environmental, social and governance performance.

In the months ahead, CBIS will continue our campaign with Dillard's. ■

CBIS Fund News: *Growth Fund Refines Strategy, Market Neutral Team Expands*

Growth Fund Targets Reduced Volatility

Effective September 30, 2007, CBIS instituted several minor changes in the CUIT Growth Fund's investment strategy in order to decrease the Fund's volatility. We have selected a more conservative growth investment style offered by sub-adviser Wellington Management (50% of assets) — one that places a stronger emphasis on valuation and earnings quality while reducing minimum market capitalization and expanding the number of holdings. The move results in a slightly more diversified portfolio with more moderate turnover than the former portfolio. The new approach continues to incorporate Wellington's strong fundamental research ability.

The transition was handled by Wellington at a minor cost of approxi-

mately 1 basis points (bps) to the Fund. Of the 69 issues in the original portfolio, 41 were retained (although position sizes were adjusted) and 28 were sold. The new portfolio holds 79 names.

The changes resulted in a 360 bps boost in energy sector exposure, and increases in materials, healthcare and telecom exposure ranging from 100 to 160 bps. Exposure to consumer discretionary (-420 bps), financials (-280 bps), and industrials (-60 bps) was reduced.

Growth Portfolio — Wellington Mgmt.

| | Former | Current |
|-----------------|----------------|---------------------------------|
| Focus | High growth | Growth, valuation & EPS quality |
| Max Cap. Size | >\$4 bil. | >\$1 bi. |
| No. Holdings | 40-70 | 60-90 |
| Turnover | Moderate/High | Moderate |
| Sector bands | 15% | 20% |
| Max. Issue Size | 7% or 2%>Index | 7% or 2%>Index |

Third Manager Added to Market Neutral

Also effective September 30, CBIS added Boston-based Martingale Asset Management (www.mgale.com) as a third sub-adviser to the CUIT Market Neutral Fund. The move implements the plan at the launch of the fund to add a third manager as assets grow.

Martingale offers one of the longest records in market neutral management (since 1991), and manages \$5.6 billion in total assets with a value-style focus. Its market neutral strategy emphasizes a behavioral finance approach, seeking to model and exploit investor reactions to stock price trends and analyst estimate revisions.

The Fund's three managers employ distinct and complementary investment strategies, which we believe will help limit Fund volatility.

An SRI Perspective on the Subprime Meltdown

Predatory Lending Helped Fuel Subprime Meltdown, Worsened Investors' Losses

by Bill Baue, SRI World Group, Inc. (www.sriworld.com)

Editor's Note: From time to time, *PRINCIPLES* publishes guest articles that offer insightful perspectives on SRI-related topics. The meltdown in the value of mortgage securitizations triggered by rising defaults in subprime mortgage pools in early summer 2007 is a forceful example of the risks borne by shareholders and society as a whole when greed overwhelms integrity as a driver of business decisions. While predatory lending is only one of many factors that caused the

current crisis (irresponsible mortgage borrowing and speculative homebuying are also to blame), some SRI investors saw it as an early warning sign of trouble to come. And its after-effects have certainly amplified the destruction of shareholder value at financial institutions and across institutional portfolios. Following is an edited version of an article previously published by SRI World Group, Inc. (www.sriworld.com). It is reprinted here with permission.

THE SUBPRIME MARKET MELTDOWN: you could see it coming for miles — if you were wearing the right colored glasses. Socially responsible investing (SRI) is one such set of lenses. Shareowner activists began engaging banks on predatory lending years before regulators started noticing (but not acting on) red flags in the subprime market in late 2003 — the beginning of a “chronology of neglect” according to Senate Banking, Housing, and Urban Affairs Committee Chair Chris Dodd (D-CT).

Some SRI funds avoided the worst impacts of the meltdown by excluding mortgage-backed securities containing predatory loans. And in October 2006, when Fitch, Moody's, and S&P still rated the subprime market as essentially secure, SRI researchers predicted the meltdown.

In theory (and sometimes in practice), subprime lending benefits low-income borrowers with marred credit histories that disqualify them for prime-rate loans, as it gives them access to credit — albeit at higher interest rates (to offset the risk linked to their histories.) Unfortunately, the rise of the subprime market was fueled in large part by the profitability of loans with abusive terms, such as “exploding ARMs” (adjustable-rate mortgages) that offer a barely-affordable “teaser” rate which mushrooms to an unaffordable rate a few years later.

Shareowner activists took note of this trend as early as 1999 after a keynote speech at SRI in the Rockies by Martin Eakes, founding CEO of Self-Help, a North-Carolina-based community development financial institution

(CDFI). Thereafter, SRI firms such as Trillium Asset Management, [Christian Brothers Investment Services \(CBIS\)](#), Pax World, and Neuberger Berman joined Responsible Wealth (a project of United for a Fair Economy) to engage companies on predatory lending. For example, they filed a shareowner resolution at Wells Fargo, one of the largest subprime lenders in the U.S., that asked the company to link executive compensation to fighting predatory lending.

Shareowner activists began engaging banks on “predatory lending” years before regulators started noticing (but not acting on) red flags in the subprime market in late 2003.

Shareowner engagement with Citi over a number of years prompted the company to discontinue multiple abusive subprime lending practices. For example, Citi quit offering single-premium credit life insurance, which adds an upfront charge for insurance to cover mortgage payments in case of death or sickness, with interest lasting the life of the mortgage while insurance coverage typically lasted only three to five years. The practice, labeled “the nation's worst insurance rip-off” by the Consumer Federation of America,

“basically stripped thousands of dollars of equity out of homeowners' financial situation,” according to Deborah Momsen-Hudson of Self-Help. Shareowner activists such as CBIS ended their engagement with Citi in 2006 after achieving their objectives.

Social concerns were the driving force behind the shareowner engagement, but the investors also recognized that socially responsible practices often link to financial performance. Irresponsible practices create reputational, as well as legal and market, risks that can be avoided. On the opportunity side, more responsible practices can further enhance reputation, as well as create more stable market positioning.

Going forward, social investors are advocating for regulatory relief in the form of loan modifications, which have already been called for by Congress, as well as federal, state and local regulators. Momsen-Hudson of Self-Help points out that lenders and their investors typically lose \$40,000 on a foreclosed \$100,000 loan (due to lost interest as well as expenses for fixing up and reselling the house).

“What we and a lot of folks in the economic justice community are advocating is that the investors should allow those loans to be modified so the investor only loses \$20,000 and the family will stay in their house with a lower payment,” Momsen-Hudson said. “It's good for the families and it's good for the institutions — sort of like reverse engineering the problem into what should have been the solution to begin with, making the loan sustainable instead of abusive and predatory.”■

SRI's Impact on Performance: Fall 2007 Update

CBIS recently updated an analysis of the impact of Principled Purchasing restrictions on the long-term performance of our CUIT core equity and value equity portfolios. Following are highlights:

Key Performance Drivers

The return produced by any SRI program depends primarily on two factors:

1. The results produced by the underlying investment program, independent of SRI policies.
2. The degree to which SRI policies constrain investment strategy (primarily the impact of stock screens).

Portfolio strategy is the central driver of an SRI program's return, but burdensome SRI criteria can impair a manager's ability to implement its preferred strategy.

A Focus on Active Ownership

Active ownership, rather than stock screens, is the focus of our SRI program. Our stock screens (what we call Principled Purchasing) focus only on activities that so violate the core values of our participants that they are unwilling to profit from them. For

example, as of September 30, 2007 only 26 companies (about 5% of the S&P 500) were restricted from the [CUIT Core Equity Fund](#), an S&P 500 index tracking portfolio.

SRI Portfolio Construction

The potential impact of our screens on investment return is further reduced by the way our managers construct their CBIS portfolios.

1. **Screening** — The manager removes screened companies.
2. **Substitution** — The manager substitutes unrestricted companies for the restricted companies. Often, these are companies operating in the same industry as the restricted company.
3. **Rebalancing** — If close substitutes are not available, the manager may choose to reallocate the remaining capital across the unrestricted portfolio holdings, synchronizing the structure of the SRI portfolio as closely as possible with that of the comparable non-SRI portfolio.

Measuring SRI Impact

The net effect of screening, substitution and rebalancing constitutes the impact of our SRI policies on return. We

measure this as the difference in performance between the CBIS portfolio and the manager's comparable unscreened portfolio.

Conclusion

The relatively small size of CBIS' Principled Purchasing list and the very large universe of unrestricted stocks available for substitution give our managers considerable leeway to counter any potential impact from our screens.

The CUIT Core Equity Fund, for example, returned 11.75% annually (net of fees) from its January 1995 inception through September 30, 2007 — nearly identical to the S&P 500's 11.80% average annual return over the same period.*

Our analysis of long-term performance clearly demonstrates that CBIS' SRI restrictions do not constrain our ability to deliver investment returns that are comparable to those available through our managers' equivalent non-SRI programs. ■

Contact your CBIS Investment Advisor for a copy of the complete report.

*Performance for periods of one year and longer are annualized. All fund performance (including that of comparative indices) is reported net of any fees and expenses, but inclusive of dividends and interest. Past performance is not indicative of future performance. The return and principal value of the Fund(s) will fluctuate, and upon redemption, shares in the Fund(s) may be worth less than their original cost.

Security Brief: Phishers are Out to Catch You

Phishing is an updated internet version of an old telemarketing scam: a caller pretends to represent a company you do business with and tries to obtain your credit card number, banking information, social security number and other personal data over the phone.

Phishers send you a trick email that links to a fake web site designed to accomplish the same thing. Being caught by a phisher is easy to avoid if you take a few simple precautions. Here are some tips from the Anti-Phishing Working Group (www.antiphishing.org).

- Be wary of any email that contains an urgent request for personal financial information. Phishers typically include upsetting or exciting false statements in their emails to get people to

react immediately. And they typically ask for information such as usernames, passwords, credit card numbers, social security numbers and dates of birth. Most reputable companies do not send emails that request this information.



- Don't use the links in an email, instant message, or chat to get to any web page if you suspect the message might not be authentic. Call the company on the telephone instead. Or log

onto their website by typing their web address into your browser.

- Avoid filling out forms in email messages that ask for personal financial information.

Communicate this only via a secure website or over the phone.

- Always ensure that you're using a secure website when submitting credit card or other sensitive information via your web browser.

Help stop phishers by reporting fraudulent email. Forward the entire email with its original header information to:

- reportphishing@antiphishing.org, and
- spam@uce.gov

You can also report the email to the company being faked at the real company's website.

The Importance of Portfolio Rebalancing

Recent financial market volatility makes rebalancing the right move

ACADEMIC STUDIES SHOW that a portfolio's asset allocation strategy is a key factor in determining the long-term performance of that portfolio. Over time, however, asset allocations tend to move away from initial targets due to the varying performance of asset classes. This may raise the portfolio's risk profile above the investor's comfort level.

With equities up substantially from their 2002 lows (despite the recent pull-back) a portfolio's exposure to fixed income may now be lower than the desired allocation. Investors must decide whether or not they want to rebalance and bring their portfolio's asset allocation back in line with the original targets.

CBIS Advocates Periodic Rebalancing

CBIS recommends that participants establish a rebalancing policy. A rebalancing policy involves systematically reviewing a portfolio at regular, set intervals, and making adjustments as necessary to bring the portfolio's asset allocation back in line with long-term targets. Participants should also period-

ically review the long-term targets with their CBIS Investment Advisor, to ensure that the portfolio's return expectations remain aligned with its investment objectives and risk tolerance, and with their organization's short-term and long-term funding needs.

"We view current market conditions, characterized by high volatility and relatively low correlation between stocks and bonds, as a period that will clearly benefit rebalancing strategies."

Controlling Risk

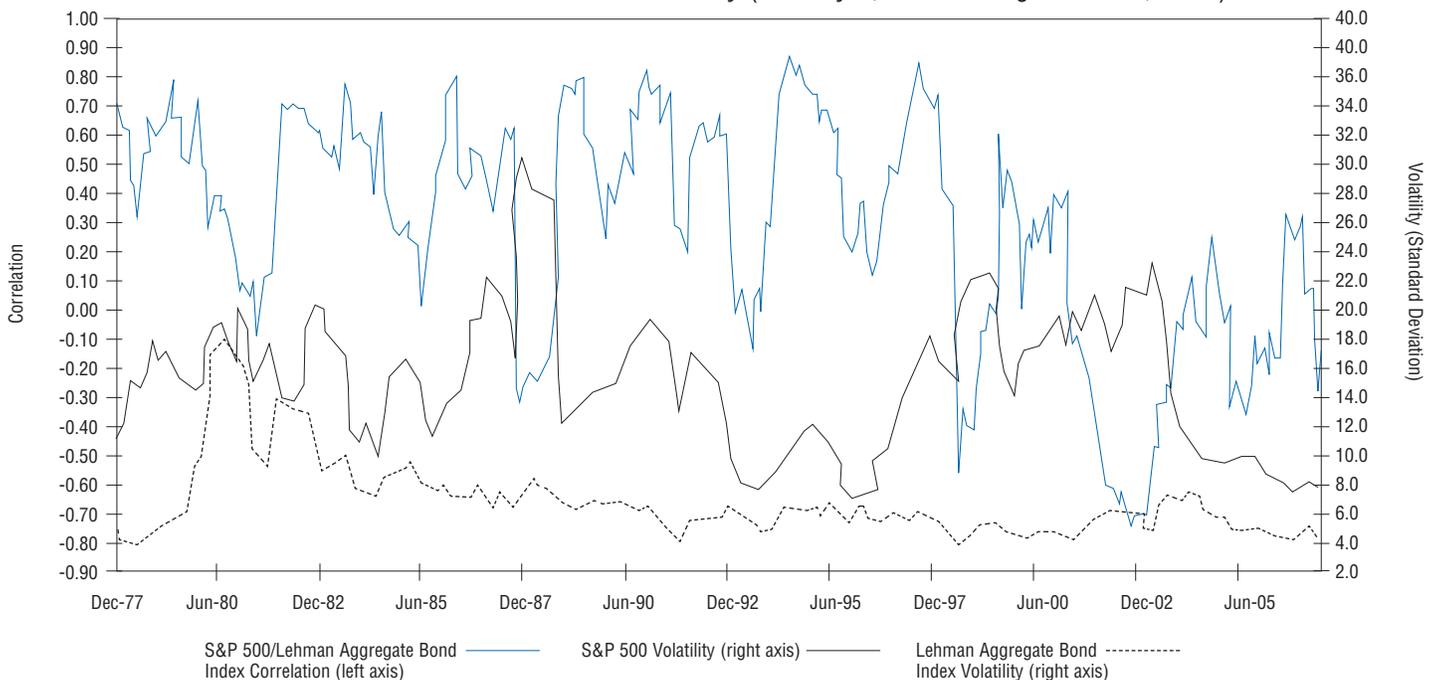
A disciplined rebalancing policy is an effective way to manage investment risk. If an investor decides not to systematically rebalance, and allows market fluctuations to drive asset allo-

cation, a portfolio can become overweighted in a particular asset class, potentially increasing the overall risk in the portfolio.

In the short term, allowing allocation weights to drift can boost performance by increasing exposure to the highest-returning asset classes. However, as the portfolio becomes more concentrated in these asset classes, it can become increasingly vulnerable when they go out of favor.

During the bull market of the 1990s, for example, portfolios that were not rebalanced developed higher and higher allocations to U.S. large capitalization stocks, especially technology stocks. When the equity bull market shifted into a bear market, accompanied by especially severe declines in tech stocks, these portfolios experienced significant losses. While rebalancing may not always boost return during a particular period of time, it controls long-term risk by bringing drifting allocations back to target levels, thereby eliminating large exposures to richly valued segments of the market.

Stocks and Bonds: Correlation and Volatility (January 1, 1978 through June 30, 2007)



Eliminating Subjectivity and Emotion

A disciplined rebalancing policy also helps to eliminate the subjectivity and emotion that can thwart investment decision-making. Many investors base their investment decisions primarily on the recent performance of asset classes or products, and tend to let their emotions influence their judgment. This can cause them to chase returns, which generally proves to be an unsuccessful investment approach in the long run because investors frequently end up buying at or near the top of the market. In addition, the volatility and unpredictability of the markets can cause investors to second guess or time the markets.

Rebalancing is an exercise that essentially forces investors to buy low and sell high. It can eliminate market timing, and can capture gains for a portfolio before a particular asset class declines in value due to market volatility.

The Rebalancing Process

The actual rebalancing procedure can be done in a number of ways. Current

asset weightings can be realigned with their targets by investing new cash deposits in asset classes that have declined in value.

Another way is to sell investments that have greatly appreciated and use the proceeds to increase exposure to underweighted asset classes.

A third method is to make all cash withdrawals from asset classes that have appreciated to overweight positions relative to target allocations.

Asset allocation can be monitored quarterly, and should be reviewed annually on a formal basis. If weightings drift from targets by more than 5%, then adjustments should be considered. CBIS believes that rebalancing is most effective when done once a year. Rebalancing too frequently can increase transaction costs without capturing meaningful gains.

Ripe for Rebalancing

We view current market conditions — characterized by high volatility and relatively low correlation between stocks and bonds — as an environment that

will clearly benefit rebalancing strategies. As the chart on page 6 indicates, bonds and stocks have become significantly less-correlated since the late 1990s stock bubble, when stock and bond prices were driven higher by the secular decline in interest rates and inflation.

The chart also points out the substantial decline in stock market volatility since 2002 (During August of 2007, stock volatility surged from relatively low levels, perhaps presaging a new upwards trend). Bond market volatility is subdued due to the long-term decline of nominal interest rates since 1982. However, as the recent sharp volatility in short term interest rates during mid-year 2007 pointed out, bond volatility may also be reawakening.

Your CBIS Investment Advisor is available to discuss rebalancing with you, and to help you develop a policy that is appropriate for your organization. If you currently work with an investment management consultant, your CBIS Investment Advisor will work with your consultant. ■

Frequently Asked Questions

Each quarter, PRINCIPLES will present answers to questions relating to CBIS funds, our market view, the SRI program and other topics of interest to participants. Please send your questions to the publisher, Michael VanDam: mvandam@cbisonline.com. Indicate "FAQ" in the subject line.

What is CBIS' perspective on investing in the Chinese stock market?

Despite its recent record-setting surge, China's stock market has not been particularly rewarding for direct investors over the longer-term. While Chinese stocks have risen strongly since early 2006, this has occurred only after a near decade-long period of weak results.

The Chinese market is populated by inefficient, holdover companies from the country's communist past — with little transparency of accounting, partial or majority control by the PLA (China's army) and rampant corruption. These stocks trade more on speculative characteristics than investment merit. A flood of retail money into the market has been a primary driver of price appreciation, which now appears to represent a bubble with serious risk of collapse.

Our managers believe that exposure to some of China's neighbors and trading partners is a better way to benefit from China's growth, without undue risk. Moreover, the benchmark for the [CUIT International Fund](#) is the MSCI EAFE Index, which holds no emerging market exposure. The CUIT International Fund's 3.6% exposure to emerging markets (at 9/30/07) is accomplished through selective bottom-up investment in promising companies with healthy market valuations.

How exposed are CBIS funds to risks such as subprime exposure?

It is one thing to accept share price volatility to achieve the long-term upside offered by stocks, but investors should carefully avoid calamitous risks. CBIS avoids risks that we believe to be

unrewarded or difficult to measure, such as those posed by subprime and Alt-A (the tier above subprime) mortgages. As is clear from recent news headlines, such debt permeates many investment vehicles ranging from money market funds, to securitized CDO and asset-backed bonds, to bond mutual funds.

Our RCT programs, however, emphasize high credit quality and have exposure only in the Flex Cash Fund to a small percentage of short-dated asset-backed home equity loans (AAA-rated tranches). CUIT equity programs have no direct exposure to subprime issuers (although the [CUIT Market Neutral Fund](#) has been short several subprime lenders), only to global banks and insurers with diverse operations, in some cases including subprime lending.



CBIS

90 Park Avenue
29th Floor
New York, NY
10016-1301

FIRST CLASS
U.S. POSTAGE
PAID
Long Island City, N.Y.
Permit No. 198

Announcements

Holiday Office Closings

CBIS offices will be closed Thursday, November 22 for Thanksgiving; Tuesday, December 25 for Christmas Day; and Tuesday, January 1 for New Year's Day. All of us at CBIS wish you a blessed and joyous Christmas season.

Save the Date: CBIS Rome Gathering

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

Glad to See You at NATRI

Thanks to all of our participants for visiting our booth and joining us at the CBIS/CBS Joint Reception at this year's NATRI National Conference. We enjoyed seeing you, and we were able to donate all of the excess food from the reception to Miami's Camillus House, which is operated by the Brothers of the Good Shepherd and provides humanitarian services to poor and homeless men, women and children.

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

PRINCIPLES is published quarterly by Christian Brothers Investment Services, Inc. CBIS manages and administers the Religious Communities Trust (RCT) and the Catholic United Investment Trust (CUIT). RCT and CUIT are separately organized investment trusts with independent boards of trustees. This newsletter is neither an offer to sell securities nor a solicitation of an offer to buy securities. The offering and sale of securities is made exclusively through CBIS Financial Services, Inc., a wholly-owned subsidiary of CBIS. Past performance is no guarantee of future results. For further information about the services and investment programs offered by Christian Brothers Investment Services, call 1-800-592-8890.



© 2007 Christian Brothers Investment Services, Inc. All rights reserved.
Printed on 100% Recycled Fiber Paper Stock
30% Post Consumer Waste Recyclable