

# PRINCIPLES

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

Q4 2010



## Active Ownership in 2011

*Dialogue topics expand to include conflict minerals and food sustainability.*

In 2011, CBIS will engage 31 companies and begin work in two new topic areas: conflict minerals and food sustainability. We will dialogue with three companies — Layne Christensen (Nasdaq: LAYN), Siemens (NYSE: SI) and Tyson Foods (NYSE: TSN) — that are new to our active ownership efforts.

■ CBIS will co-file a resolution at Layne Christensen on sustainability reporting and water use.

■ We will lead a dialogue at Siemens concerning human and labor rights policies associated with its mineral supply chain in the Democratic Republic of the Congo.

■ CBIS will join a dialogue at Tyson Foods on the impacts on communities, workers and the environment from large-scaled food production.

While the 31 companies engaged in 2011 is fewer than the 34 of 2010, we have become more active in the dialogues we lead and have increased our related work in the areas of issue strategy, public relations and the coordination of supporting actions by participants.

### New Issues in 2011

**Conflict Minerals** — This new issue for CBIS relates to human rights abuses associated with the mining of tin, tungsten, tantalum and gold in the Democratic Republic of the Congo (DRC). These minerals are used in the manufacture of automobiles, transportation machinery and general electronic equipment. Mineral production

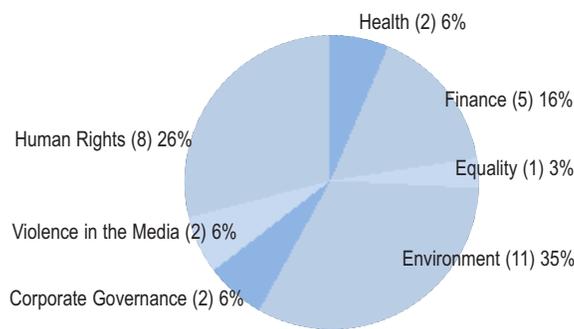
in eastern DRC is a primary source of funding for the ongoing war in the

“We will lead a dialogue at Siemens concerning human and labor rights policies associated with its mineral supply chain in the Democratic Republic of the Congo.”

region and has been linked to violence, labor abuses, environmental degradation and humanitarian crises. We will engage Siemens, a global industrial technology company headquartered in Germany, on the issue.

**Food Sustainability** — This new issue concerns the methods by which food is grown and harvested, related labor conditions, the treatment of animals grown for food, and environmental issues such as waste disposal. CBIS will join a dia-

Dialogues by Issue in 2011



logue at Tyson Foods, the world’s largest processor and marketer of chicken, beef and pork.

### Resolutions in 2011

Three of the four resolutions we will file in 2011 are re-filings from last year.

■ Goldman Sachs (Issue: separate positions of board chair and CEO; CBIS is the lead filer) — Our resolution received a vote of 19% in favor last year but little progress has been made.

(continued on page 3)

### In This Issue

Active Ownership in 2011	1
CBIS Leads Panel Discussion on Human Trafficking	5
Security Brief	5
CBIS Move is Complete	5
Mortgage Pools Unsafe for Swimming	6
Frequently Asked Questions	7
Announcements	8

## 2011 Resolutions and Dialogues

## ■ Resolutions

Company	Issue
BP	Report on safety risks and emergency response plans at major operations.
ExxonMobil	Create effective policy to reduce global greenhouse gas emissions.
Goldman Sachs	Separate positions of CEO and board chairperson.
Layne Christensen (N)	Report on sustainable use of water resources.

## ■ Dialogues

Company	Issue
Abbott Labs	Create human rights guidelines on access to health.
Alcoa	Establish environmental and social policies for global operations.
American Electric Power (M)	Establish a policy of reducing impacts of global warming.
Archer Daniels Midland	Report on sustainable use of water resources.
Best Buy	Report on efforts to reduce children's access to violent video games.
Capital One	Review and develop policies on predatory lending.
Cash America	Establish policies to prevent predatory lending.
Chevron	Improve environment and human rights policies and practices.
Cisco	Support advisory vote on executive compensation.
Citigroup	Implement social, environmental and human rights standards for lending in emerging markets.
Coca-Cola	Establish global human rights standards and water sustainability policies and practices.
Dillard's	Establish labor standards for contract suppliers.
Eli Lilly	Provide medications for malaria/TB in Africa.
Ford Motor	Implement fleet-wide greenhouse gas emissions reductions.
JPMorgan Chase	Implement social, environmental and human rights guidelines for lending in emerging markets.
Kraft Foods	Ensure sustainable use of water and manage water scarcity risks.
Macy's	Establish labor rights standards for contract suppliers.
Newmont Mining	Establish human rights and environmental justice policies for global operations.
Nucor Corp.	Oppose human trafficking and use of forced labor by suppliers.
Royal Dutch Shell	Establish a policy of reducing global greenhouse gas emissions.
Schlumberger Ltd	Assess human rights impact of operations in Sudan.
Siemens (N)	Assess supply chain to screen use of conflict minerals from The Democratic Republic of the Congo.
Target	Report on efforts to reduce children's access to violent video games.
Tyson Foods, Inc. (N)	Report on environmental sustainability of food production methods.
Wal-Mart	Report on advancement of women and minorities.
Wells Fargo	Report on efforts to reduce predatory lending.
Wyndham Worldwide	Establish policies that combat human trafficking.

(M) = Dialogue is in the monitoring phase. (N) = New engagement in 2011. / Blue type indicates that CBIS is the engagement leader and strategy coordinator.

**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.

■ **BP** (*Issue: corporate accountability; CBIS is a co-filer*) — CBIS co-filed last year, joining more than 100 U.S. and U.K. investors, and the resolution received 5.6% of the vote. Due to lack of progress and the widely publicized explosion at the Deepwater Horizon drilling rig in April 2010 in the Gulf of Mexico, we will refile for 2011. We are requesting information about the company's accountability for the Gulf cleanup, compensation for impacted communities, and safety measures at its restructured U.S. operations.

■ **Exxon** (*Issue: Climate change; CBIS is a co-filer*) — Last year's resolution requesting greenhouse gas emissions reductions received a vote of 27% in favor. CBIS has filed at Exxon in nine of the past 10 years.

■ **Layne Christensen** (*Issue: sustainability reporting/water use ; CBIS is a co-filer*) — Although a resolution filed by our ICCR colleagues requesting a sustainability report received 60% in favor last year, the company has not produced the report or met with shareholders. Lane Christensen, a small-cap company, is active in water services, mineral exploration and energy production.

### Ongoing Dialogues in 2011

We will continue to lead the engagement on executive pay with high-tech giant **Cisco Systems**, but will not file a resolution since the company agreed in July to give shareholders an advisory vote this proxy season on its executive compensation package.

We will also continue to lead a dialogue with **Cash America** on the topic of payday lending, but are unable to file in 2011 because CBIS' 2010 resolution received a vote of 9.0% in favor. SEC rules require that a proposal in its third year receive at least a 10% vote in order to refile the following year.

We will continue our leading work in opposition to the distribution of pornography and against human trafficking. Drawing on the success of our anti-human trafficking campaign in coordination with the 2010 World Cup soccer tournament, we will continue to

encourage hotel operators Hilton, Hyatt and Motel 6 to train staff to identify and respond to signs of human trafficking and to sign the industry code of conduct against child sexual exploitation. We will also continue to engage **Wyndham Worldwide**, encouraging it to train staff to identify victims of human trafficking and sign the industry code of conduct.

On the issue of vendor standards, we will contact retailers and manufacturers to encourage them to disclose the efforts they are making with suppliers to eradicate slavery in their supply chains, as required by the recently passed California Supply Chain Disclosure Act.

On the issue of pornography, CBIS will seek to engage the five media companies (Comcast, Time Warner Cable,

“We will also continue to engage **Wyndham Worldwide**, encouraging it to train staff to identify victims of human trafficking and sign the industry code of conduct.”

Dish Network, DIRECTV Group, and Cablevision) that received our letter in October 2010 in order to raise concerns about pornography distribution and to better understand each company's approach to the associated risks. We have requested disclosure on pertinent policies, revenues earned from pornography, and related strategic partnerships.

### Concluded Dialogues

We have concluded the following engagements:

■ **Lowes** (*Environmental Justice*) — Due to lack of responsiveness.

■ **McDonald's** (*Board Declassification*) — Progress made but no commitment to declassify.

■ **Sears** (*Vendor Standards*) — Our goals were attained.

■ **Sony** (*Violence in the Media*) — Due to lack of responsiveness.

■ **Occidental Petroleum** (*Global Human rights Standards*) — Lack of a primary filer.

■ **Felcor** (*Environmental Justice*) — Lack of responsiveness; shift in issue priority.

### New Issue Profile: Conflict Minerals

“Conflict minerals” refers to tantalum, tin, tungsten (the “3Ts”), and gold mined in The Democratic Republic of Congo (DRC), where the related revenue funds armed groups in the DRC and in neighboring countries. Extreme violence in the region has created an emergency humanitarian situation. It is estimated that more than five million people have lost their lives, due either to violence or through disease and malnutrition that is a direct result of the conflict. There are few systems in place that can monitor hazardous labor conditions and environmental degradation associated with mining of conflict minerals.

DRC minerals enter a complex supply chain and make their way into products such as cell phones, laptops and video game systems, as well as into components for automobiles, airplane engines and medical devices. Several industrial sectors, including automotive, transportation and electronics manufacturing, rely on minerals from the DRC. The electronics industry, for example, uses tantalum in microchips. At times there are acute shortages of some of these raw materials.

CBIS will engage the German company **Siemens**, a world leader in industrial products, integrated systems, freight locomotives and services for power trains (including high-speed trains). Siemens is held in the CUIT International Fund and in the CBIS Global Global Equity Fund.

Greater awareness of these issues has prompted some companies to investigate their supply chains and promote responsible sourcing of these minerals. While it appears that Siemens has joined

an electronics and technology industry initiative in this area, shareholders are requesting additional information so that we can understand the scope of the company's participation. Member companies of several multi-stakeholder initiatives created to address this issue have publicly stated that mineral extraction that fuels conflict is unacceptable, and they have acknowledged that members can influence conditions relating to purchased materials by developing methods of supply chain monitoring. However, Siemens does not disclose how it evaluates its supply chain for incorporation of conflict minerals, including potential use of independent audits and third-party certification firms. It also has not released information about its overall human rights policies and practices.

An additional rationale for corporate attention to supply chain auditing is the recently passed Dodd-Frank Act, which calls for companies to disclose the origin of minerals purchased in the DRC. Companies must release results of independent audits and disclose measures taken to determine the source of minerals. Companies must also specify the mine and the country where conflict minerals are processed or be in breach of the regulation.

CBIS recently signed an investor statement, along with more than 50 investment firms who collectively manage \$200 billion in assets, requesting that companies ensure that minerals from the DRC do not enter their supply chains and are not used in the consumer products they manufacture. The statement and related information can be found at [www.socialfunds.com](http://www.socialfunds.com) and [www.asyousow.org](http://www.asyousow.org).

A second human rights dialogue that involves supply chain conditions in a region impacted by armed conflict is our engagement with [Schlumberger](#) regarding its operations in Sudan. We are pleased that Schlumberger has been providing information to and engaging with shareholders.

### New Issue Profile: Food Sustainability

The topic of food sustainability relates to the production of food in the U.S. and abroad, including how the food is grown and harvested, the treatment of workers, the welfare of animals, and the environmental impact of operations. Industrial agriculture, known as factory farming, has produced an abundance of affordable food, but the hallmarks of industrial agriculture that support large-scale production — including commodity crops and confined animal feeding operations (CAFOs) — also require heavy use of pesticides, antibi-

“CBIS will spend time in 2011 researching and learning more about the issue of food sustainability, while engaging with colleagues and issue experts and participating in the company dialogue with our SRI partners.”

otics and other chemicals, as well as large amounts of fossil fuels. This can produce negative impacts on communities that live near CAFOs relating to waste disposal, pesticide use and wastewater run-off.

The dream that the age-old “food problem” has largely been solved for most Americans was sustained by the tremendous post-World War II increase in U.S. farm productivity made possible by chemical fertilizers and pesticides and by changes in agricultural policies. Beginning in the late 1980s, a series of food safety scandals revealed a food production system that had changed beyond recognition from the days of family farms. When BSE, or mad cow disease, surfaced in England in 1986, Americans learned that cattle, which are herbivores, were routinely fed the flesh of other cattle. This practice helped keep

meat cheap, but at the risk of a hideous brain-wasting disease. The 1993 deaths of four children in Washington State who had eaten hamburgers from Jack-in-the-Box (a fast food restaurant) were traced to meat contaminated with E.coli 0157:H7, a mutant strain of the common intestinal bacteria first identified in feedlot cattle in 1982. Since then, repeated outbreaks of food-borne illness linked to new antibiotic-resistant strains of bacteria (campylobacter, salmonella, MRSA) have highlighted the short-sighted practice of routinely administering antibiotics to food animals — not to treat disease but simply to speed their growth and allow them to withstand the filthy and stressful conditions in which they live. This practice is increasingly condemned by medical experts, who say it contributes to a growing scourge of modern medicine: the emergence of antibiotic-resistant bacteria, including dangerous E. coli strains that account for millions of bladder infections each year, as well as resistant types of salmonella and other microbes.

Several socially responsible investors, including ICCR members, have demonstrated growing interest in the issue of food sustainability and have initiated dialogues with food companies including Hormel, Smithfield and Tyson. Highly regarded non-profits, such as Oxfam, have also been closely tracking this issue.

While Hormel has willingly engaged investors and has made steady progress on social and environmental issues, Tyson has been difficult to engage. The ICCR team attempting to engage Tyson welcomes CBIS' involvement. We think we can add value to the dialogue and further demonstrate to the company shareholder interest in sustainability performance. CBIS will spend time in 2011 researching and learning more about the issue of food sustainability, while engaging with colleagues and issue experts and participating in the company dialogue with our SRI partners. ■

## CBIS Leads Panel Discussion on Human Trafficking

At this year's *SRI in the Rockies*, an annual conference attended by 500 SRI investment and research analysts, Julie Tanner, Assistant Director of Socially Responsible Investing at CBIS, moderated a breakout panel on human trafficking. The *SRI in the Rockies* conference is the premiere annual gathering of faith-based and other socially responsible investors working to direct the flow of investment capital in positive, healthy and transformative ways.

CBIS proposed the panel in order to

raise investor awareness of the issue and help companies, advocates and researchers better understand the expectations of members of The Interfaith Center on Corporate Responsibility (ICCR) relating to corporate policies and programs that can combat slave labor and human trafficking.

In addition to Ms. Tanner, other participants included:

- Deborah Cundy — Vice President, Office of the Chairman, Carlson Companies.

- Amy O'Neill Richard — Senior Advisor to the Director, U.S. State Department Office to Monitor and Combat Trafficking in Persons.

- David Schilling — Program Director - Human Rights & Resources, Interfaith Center on Corporate Responsibility (ICCR).

A full audio replay of the panel, as well as the option to download the audio file in MP3 format, is available at the CBIS website ([www.cbisonline.com](http://www.cbisonline.com)).

### Security Brief: Defend Yourself against Malware Attacks

Twitter, Facebook and even McDonald's — these are all mainstream websites that have recently been hit by hackers, exposing users to the risk of stolen email addresses and infection by malicious software (called Malware). Malware can steal your passwords, credit card numbers and other private information.

Malware is no longer a risk lurking only in the internet's backwaters. It's more sophisticated and threatening than ever and poses a danger for anyone who ventures online. Keeping anti-virus and operating system software updated is an important step, but you can do more to defend yourself.

Be aware of the signs of a malware infection. These include

spam emails to names in your address book using your email and redirects when you click a link produced by a search engine to a site other than the linked site. If you see these signs, your computer is almost certainly infected. Run a virus scan immediately and change your passwords using an uninfected computer.

Many people use the same password for all sites for convenience. But if malware gets access to your email and one password, it has a key to your entire internet presence. It's best to use different passwords for different sites and change your passwords regularly. This way, if your security is compromised you reduce the chances for a truly catastrophic outcome.

## CBIS Move is Complete

*Please note the new locations for the New York and Chicago offices.*

CBIS' New York and Chicago offices moved to new locations earlier this fall. Effective September 27, 2010 our new address in New York became:

#### New York Office:

777 Third Avenue, 29th Floor  
New York, NY 10017-1401  
Local/International: 212-490-0800  
Toll-Free: 800-592-8890  
Fax: 212-490-6092

Our Chicago-area office moved from suburban Oak Brook to downtown Chicago on November 15, 2010. The new Chicago address is:

#### Chicago Office:

20 North Wacker Drive, Ste 2000  
Chicago, IL 60606-3002  
Local/International: 312-803-6440  
Toll-Free: 877-550-2247  
Fax: 312-803-6441

Please note that individual extensions may have changed in our Chicago office.

For account information and general account correspondence, please continue to use the Denver address:

P.O. Box 3238  
Denver, CO 80201  
Toll-Free: 800-321-7194  
Local/International: 720-279-3318  
Fax: 866-205-1499

#### A Green Move

We made every effort to ensure that our move and our new office spaces reflect our commitment to environmental stewardship. Among the green features of our move:

#### Moving Process

- Used plastic re-usable cartons for packing, rather than cardboard boxes

#### Office Design

- Furnished our new spaces with existing furniture where possible
- Installed carpet made from recycled materials in the new office spaces
- Utilized low- and no-VOC paints
- Used upholstery made from recycled materials on new furniture purchased for the spaces
- Recycled, CFC- and HCFC-free insulation is used throughout the offices for energy efficiency and sound-proofing

#### Technology and Systems

- Energy-efficient technology/server room design maximizes airflow to limit air conditioning usage
- Motion-sensitive light switches minimize unnecessary energy usage
- "Smart" power systems monitor and minimize power usage by servers

# Mortgage Pools Unsafe for Swimming

*Current low yields are no compensation for the risks that lurk in murky MBS waters.*

by Frank Haines, Chief Investment Officer



Frank Haines  
Chief Investment Officer

Mortgage-backed securities (MBS) have been a well-established segment of the fixed-income markets for decades. They represented the largest sector of the Barclays Aggregate Index in

the second quarter, and only lost the top spot to Treasuries during the third because of heavy new Treasury issuance and reduced mortgage lending.

## Unpredictable Behavior

Mortgage bonds have long offered familiar features to investors. Historical mortgage payment data shows clear patterns in the areas of refinancing, defaults and overall homeowner credit profiling. But such predictable behavior has been overturned by recent events, as homeowners with no or negative equity simply walk away from mortgages or default and remain in their residence, effectively living in a home for free. In addition, stringent credit standards and fees have discouraged refinancing at levels typical of prior years, even as rates fall.

The mortgage finance crisis of the past several years had many causes, from poor underwriting standards, loans with low or no down-payment, demand for high-yield mortgages from collateralized debt obligations (CDOs), to bubble-level home prices. The write-downs in the value of subprime and private MBS in 2008 and 2009 represented the first phase of the mortgage problem for investors. The newest phase relates to documentation issues.

The financial press has recently focused most of its attention on the so-called “robo-signing” of mortgage documents and the lack of clear records that can substantiate a financial institution’s

legal right to foreclosure on delinquent borrowers. However, in most cases, these problems lend themselves to remediation as the economic interests remain quite clear. In other words, there is a physical property and a clear financial obligation — an economic interest, as recognized by the courts.

## Fraud, Put-Backs and Uncertainty

More recently, attention has turned to the potentially fraudulent initial characterization of many loans as conforming (i.e., meeting the requirements for inclusion in structured trusts) and moves by several large investors (BlackRock, PIMCo and others) along

**“Banks face tens of billions of dollars in potential earnings write-downs if put-backs to the originators continue and are successful.”**

with Fannie Mae to force the originators of such loans (such as Countrywide, now part of Bank of America) to take them back. Therein lays a substantial risk for the major banks, such as Citibank, Bank of America and some large European banks. Banks face tens of billions of dollars in potential earnings write-downs if put-backs to the originators continue and are successful.

Another noteworthy feature of the current mortgage origination market is the constrained availability of refinancing even for creditworthy homeowners. While this is reportedly due to tough underwriting standards by banks who are correcting for prior laxity, an equally likely but unpublicized reason

is that banks with good mortgage loans on the books at higher yields are reluctant to lose these to refinancing, especially when they have so many potentially costly mortgage problems yet to resolve. In general, the uncertainty that has surrounded investment in mortgages continues and it is unlikely to be quickly resolved.

## RCT Sub-Adviser Perspectives

The sub-advisers in the RCT fixed-income funds believe that yields currently offered by mortgage-backed securities are not sufficient compensation, in most cases, for the attendant risks. Although documentation and buyer put-back risks are mostly associated with private (non-Agency) MBS, the entire mortgage sector may be subject to price weakness if news worsens. These uncertainties alone seem likely to promote volatility and prompt higher yields, as will reports of higher servicing and litigation costs.

The MBS underweight in the two non-money-market RCT Funds should support relative return if mortgage spreads continue to widen. The [RCT Short Bond Fund](#) holds a 1.4% weight in legacy BlackRock issues (down from 6% in mid-2008 due to pay-downs and sales). The [RCT Intermediate Diversified Bond Fund](#) holds 0.4% of its portfolio in private MBS, all of which have good structure and are paying down on schedule. The RCT Short Bond Fund has a 9.4% MBS/CMO exposure. This is quite reasonable in relation to other short bond portfolios, which tend to emphasize non-Treasury sector exposure to enhance yield. The IDBF has a substantial underweight in the MBS sector, at 16% versus 32% in the benchmark, composed predominantly by Agency MBS, as noted. ■

Frequently Asked Questions

**Q:** Ireland's request for a bailout from the European Union and International Monetary Fund due to bad real estate loans by Irish banks is a reminder that some banks are still at risk from unwise lending during the credit bubble. Is CBIS Global's custodian, BNY Mellon Trust Company (Ireland), involved in this bailout and since parent-company BNY Mellon is custodian for CBIS' U.S. funds, is there cause for concern about the safety of U.S. participants' assets held in custody?

**A:** CBIS participants, whether they are invested in CBIS domestic or CBIS Global funds, can be confident that their assets are in safe and secure custody regardless of the condition of Europe's banks or the fiscal stability of its governments.

BNY Mellon Trust Company (Ireland) is a subsidiary of U.S.-based BNY Mellon, which is also custodian for CBIS' RCT and CUIT funds. BNY Mellon is the world's largest custodian, with total custodial assets of more than \$22 trillion, offices in 36 countries across six continents and worldwide staff of 47,700. It maintains strong investment-grade credit ratings for its short-term and long-term senior and subordinated debt, and is the only U.S. financial firm rated triple-A at the bank level by Moody's Investors Service. BNY Mellon was the only major U.S. financial institution to receive a credit rating upgrade during the financial crisis of 2008 and was named "Safest Bank in the U.S." in *Global Finance's* list of World's Safest Banks, 2010.

BNY Mellon Trust Company (Ireland) exclusively provides custody services for institutional clients. It is not licensed as a bank in Ireland and does not engage in retail or property lending. It has advised us that it does not need and will not receive bail-out money from the Irish government.

Moreover, the custodial function at any custodial institution offers reassurance by its very nature. At a custodian, assets held in custody are clearly identified and separated from the institution's assets by means of accounting control systems and regular audits. This offers protection for investors in the rare event of institutional insolvency of the custodian.

CBIS believes that the segregation of the investment process from the holding of participant assets, at independent institutions, is an internal control that provides an important measure of security to the RCT, CUIT and CBIS Global funds. An audit of the RCT, CUIT and CBIS Global funds is performed annually by an independent auditing firm, and part of the audit is the examination and testing of the effectiveness of internal controls, such as custodial arrangements. A copy of the findings of this audit is distributed annually to participants.

**Q:** Fed Chairman Ben Bernanke has given several media interviews recently to defend the Fed's second round of quantitative easing, colloquially known as "QE2"? What is QE2 and what is CBIS' perspective on its market impact?

**A:** Quantitative easing (QE) involves the aggressive purchase of government and corporate bonds by the Fed to inject reserves into the banking system, with the hope that interest rates will fall and that banks will lend more money to creditworthy borrowers. Due to the sluggish economy and persistently high unemployment, the Fed announced in early November 2010 a second round of QE, dubbed "QE2." The first round occurred in 2008-2009 in response to the financial crisis.

The Fed's latest move seems to have had a positive impact on stock and commodity prices and has raised investors' hopes for a solid holiday retail season. However, Treasury yields have been quite volatile and have risen considerably at intermediate and longer maturities since QE2 was announced in early November on concerns over ongoing U.S. government deficit spending. Nor has QE2 encouraged a weaker US dollar to help exports, if that was part of the Fed's plan, as the dollar has risen against the euro because of Europe's sovereign debt problems.

CBIS' bond sub-advisers have managed quite well given the volatile bond market conditions prompted by QE2. A short duration in the [RCT Short Bond](#) and [Intermediate Diversified Bond Funds](#) have offset some of the price impact from rising rates, and the heightened volatility has created opportunities for trading in the secondary market. For example, while corporate spreads are still generally attractive compared to mortgage spreads due to the strong balance sheets and interest coverage at many high-quality companies, our sub-advisers have taken gains among corporate issues since September 30th and shifted into greater Treasury exposure as Treasury yields rose. They view the recent sharp rise in Treasury bond yields as an overreaction by investors and believe that Treasuries will serve as a source of liquidity (and potential gains) until volatility moderates and corporate bond positions can be re-established at more attractive yield spreads.

There is growing criticism by economists opposed to QE2 and any future monetary stimulus. They are more concerned with the deficit and falling tax revenues, and are convinced that current fiscal policies have failed to stimulate private sector growth, which is the best solution to the problem of unemployment. These critics claim that QE is ineffective at stimulating the economy and only raises inflation fears. However, the government feels that it has to do something to spark growth and the Fed is an instrument to that end. This is similar to the Roosevelt administration's doctrine of continually trying new methods to end the Great Depression of the 1930s until something worked.



777 Third Avenue  
29th Floor  
New York, NY  
10017-1401

## Announcements

### Save the Date:

#### CBIS Announces Dates for 2011 Rome and Dublin Gatherings

CBIS will be hosting regional gatherings in Rome and Dublin for CBIS and CBIS Global participants in Europe. The Rome meeting will take place on Wednesday, March 2, 2011, while the Dublin gathering will occur on Tuesday, March 8, 2011. Please watch your mail for further details.

### SRI Action Center

Visit the SRI Action Center at [www.cbisonline.com/sriaction](http://www.cbisonline.com/sriaction) to find out how you can get involved in CBIS' SRI initiatives.

### Office Closings

CBIS offices will be closed on December 23 and 24 in honor of Christmas, on January 17 in honor of Martin Luther King, Jr. Day and on February 21 in honor of Presidents Day.

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

#### New York

777 Third Avenue, 29th floor  
New York, NY 10017-1401  
Tel: 800-592-8890  
212-490-0800  
Fax: 212-490-6092

#### Chicago

20 N. Wacker Drive, Suite 2000  
Chicago, IL 60606-3002  
Tel: (877) 550-2247  
(312) 803-6440  
Fax: (312) 803-6441

#### San Francisco

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

#### Account Services

PO Box 3238  
Denver, CO 80201-4838  
U.S. Tel: 800-321-7194  
Int'l Tel: 720-279-3318  
U.S. Fax: 866-205-1499  
Int'l Fax: 303-825-2575

#### CBIS Global Rome Service Centre

Via Aurelia, 476  
CP 9099 (Aurelio)  
00165 ROMA – ITALIA  
Tel: (39) 06 66 01 72 18  
Fax: (39) 06 663 88 21

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.  
©2010 Christian Brothers Investment Services, Inc. All rights reserved.