CUIT Short Bond (Q1 2013)

CBIS

Objective & Strategy – The Fund seeks to preserve capital while providing current income in excess of cash market yields. Moderate emphasis is placed on capital appreciation. The fund invests primarily in U.S. government, agency, corporate, asset-backed and mortgage-backed securities with an average maturity of less than five years. Up to 10% of the portfolio may be invested in securities rated below investment-grade. Issues may be domestic, supranational or foreign, but all are U.S. dollar-denominated. Extensive credit research is employed to minimize downgrade risk. The Fund's value and yield are affected primarily by changes in U.S. interest rates.

Asset Manager – Longfellow Investment Management Co. (Since 7/1/08)
Benchmark – Merrill Lynch 1–3 Year Treasury Index
Fund Inception Date – January 1, 1985
Minimum Investment – No minimum investment required.
Expense Ratio – 0.35%

All assets are invested in accordance with CBIS' Socially Responsible Investing Guidelines.

Performance*

Trailing	Three Months	One Year	Three Years	Five Years	Ten Years
CUIT Short Bond	0.41	2.60	2.59	3.26	3.31
ML 1-3 Year Treasury Index**	0.12	0.64	1.25	1.75	2.67

Calendar Year	2012	2011	2010	2009	2008
CUIT Short Bond	2.98	2.31	3.34	7.44	1.95
ML 1-3 Year Treasury Index**	0.43	1.55	2.35	0.79	6.61

*For disclosures relating to performance, see the Performance Disclosure Page.

Portfolio Analysis

Statistics	SBF	ML 1-3 Yr
Average Maturity	2.2 years	1.9 years
Effective Duration	2 years	1.9 years
Average Quality	AA-	AA
Yield-to-Maturity	1.4%	0.3%
Current Yield	3.5%	1.5%
10 Largest Holdings	10%	17.3%
# of Securities	235	73
Fund Size	$247.9 mm	

Effective Duration %	SBF	ML 1-3 Yr
0-1 years	30.7	1.4
1-3 years	46.0	98.6
3-4 years	17.8	0.0
4+	5.5	0.0

Market Sector Analysis

Allocations %	SBF	ML 1-3 Yr
Treasuries	1.7	100.0
Agency	9.8	
Industrials	14.4	
Finance	13.6	
Utilities	3.4	
Non-Corp.	0.0	
MBS	6.5	
CMO	2.8	
CMBS	18.4	
ABS	26.7	
Municipals	1.5	
Cash	1.2	

Credit Quality %	SBF	ML 1-3 Yr
U.S. Treasury	0.0	
Federal Agency	0.0	
Aaa	53.0	100.0
Aa	8.8	
A	11.5	
Baa	20.2	
Below Baa	5.4	
Cash	1.2	

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Q1 2013 Commentary

Trailing 3 months

The CUIT Short Bond Fund returned 0.41% for the quarter, surpassing the benchmark Merrill Lynch 1-3 Year Treasury Index's 0.12% return. Short-term yields remained miniscule, although shorter-dated Treasuries managed to produce positive results in a quarter that saw negative returns for Treasuries on the whole due to a strengthening in economic growth to a projected 3.0% in Q1 from a 0.4% pace in Q4 2012. The Fund's story remained much the same as in recent quarters. Excess return came from its credit risk exposure and resultant enhanced yield versus the all-Treasury benchmark. The Fund started the quarter with a 1.5% yield-to-maturity versus the benchmark's 0.3%. The Fund's holdings in utilities, financials and industrials produced the strongest income advantage. Slightly higher spreads caused price erosion among commercial mortgage-backed security (CMBS) and collateralized mortgage obligation (CMO) positions, which offset some of the portfolio's return derived from yield.

The Fund began 2013 with a 13% allocation to Treasury and Agency debt versus the benchmark's 100% Treasury weight. Otherwise, the Fund had a cumulative 27% exposure to finance, industrials and utilities issues, 28% to asset-backed securities (ABS) and about a 25% exposure to mortgage-backed securities (MBS) and commercial mortgage-backed securities (CMBS). At year-end 2012, the portfolio had a 7.3% exposure to below-investment-grade debt, primarily corporates. During the first quarter, the Fund's sub-adviser reduced the portfolio's Treasury allocation and reinvested proceeds in Agency paper. They also reduced ABS exposure — including auto, credit card and equipment securities — through a combination of pay-downs and sales. The portfolio's allocation to finance paper was increased; the sub-adviser views this as one of the few sectors in the short-maturity part of the curve that still offers attractive yields. By quarter-end, the portfolio's high-yield allocation had been reduced to 5.4%, as spreads there tightened significantly.

Trailing 12 months

The Fund returned 2.60% for the trailing 12-month period, generating close to 200 basis points of excess return versus its all-Treasury benchmark, which returned 0.64%. As in the recent quarter, the period's excess return came from credit exposure and related yield, with the portfolio's utilities, financials and industrials holdings producing the greatest income. Over the trailing year, the sub-adviser reduced the portfolio's Treasury allocation and increased its Agency allocation by approximately five percentage points. They reduced the allocation to small business association (SBA) paper, which they do not view as attractive at increased prepayment rates. They noted that ABS credit card issuance has been minimal and they are finding it difficult to identify attractive offerings there. CMBS spreads tightened significantly over the year and maturing paper was not reinvested in the sector. Offsetting the decreased allocations to credit cards and CMBS were increases in exposure to industrials and finance paper.

Despite recent improvement in economic data, the Fed reinforced its commitment during the first quarter of 2013 to low short-term rates and continued monthly purchases of U.S. Treasuries and Agency mortgage pass-throughs. The Fed's current position is that it is unlikely to raise rates before mid-2015 and that its bond buying will continue until next year, barring any pronounced strengthening in economic growth. Given the modest level of CPI numbers, the sub-adviser does not believe the Fed's 2.5% price inflation limit will be a cause for policy restraint. They foresee no imminent rise in short rates and plan to maintain the portfolio's duration near that of the Index. With rates at such low levels, the sub-adviser views the greatest challenge as finding yield at a reasonable level of risk as higher-yielding portfolio holdings mature.

* Data Not Available Benchmark Index: ML 1-3 Yr. Treasury Index eff. 7/1/01; ML 1-5 Yr. G/C Index eff. 7/1/97; 50% Lehman Intermediate Govt Index/50% Lehman 1-3 Yr. Govt Index eff. 5/1/96.
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. The comparative indices represent unmanaged or average returns on various financial assets which can be compared to the Funds' total returns for the purpose of measuring relative performance. Comparative index information is provided by Lipper Analytical Services, Inc. and Mellon Bank; information regarding composition of indexes may be obtained from provider or CBIS. CBIS offers pooled funds on behalf of a not-for-profit investment trust, the Catholic United Investment Trust (CUIT). Offering Memoranda / Disclosure Statements, which contain further information, are available by calling 800-321-7194. Such information should be carefully considered prior to investing in the Funds.