

Measuring SRI's Impact on Performance

Updated study confirms minimal long-term impact of stock screens on CBIS portfolios.



CBIS
*Christian
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Investment
Services, Inc.*

Some Catholic institutions interested in socially responsible investing (SRI) are concerned that SRI inevitably produces lower returns than does non-SRI investing. We understand the worry about anything that might threaten investment performance yet, based on our quarter-century of experience as an institutional investment manager, we also know that this concern is refuted by historical data.

In order to help institutions better understand the sources and measurement of SRI impact on return, CBIS recently updated an analysis of the impact of our SRI program on the long-term performance of the **CUIT Core Equity Index Fund** through March 31, 2009. The Fund represents one of our longest-standing manager relationships, with more than 14 years of historical performance data.

Defining SRI Impact

CBIS does not employ in-house portfolio managers. We hire outside firms that we believe offer the best programs for each of our style categories. As a result, we define SRI impact as the difference in performance between a CBIS portfolio and a manager's equivalent non-SRI portfolio. Because our SRI program is an overlay on our managers' strategy, there are minor changes in portfolio holdings that result from stocks screened by CBIS' Principled Purchasing list, creating potential differences in returns.

A Focus on Active Ownership

The centerpiece of our SRI program is not screening but active ownership — advocating for responsible, sustainable business practices on the part of companies whose shares we own. For example, as of March 31, 2009 only 29 companies were restricted from the CUIT Core Equity Index Fund, an S&P 500 index tracking portfolio. When building CBIS portfolios, managers substitute unrestricted companies for screened companies and/or reweight the portfolio across

unrestricted companies. The wide selection of unrestricted securities helps counter any potential impact resulting from strong performance by screened companies.

Measuring SRI Impact

As indicated in the graphs below, the CUIT Core Equity Index Fund's Class A shares returned an annualized 5.73%, net of fees, over the 14-year period from the Fund's January 1995 inception through March 31, 2009 compared with the S&P 500's 5.85%. The Class A share expense ratio was 0.37% at March 31, 2009, suggesting the return differential was not primarily related to screens. In fact, the Fund's Class B shares slightly outperformed the S&P 500 since their March 2000 inception date, returning an annualized -3.85% versus -4.05%, net of fees. While annual returns show some impact from the performance of screened companies versus reweighted holdings (this Fund does not invest outside

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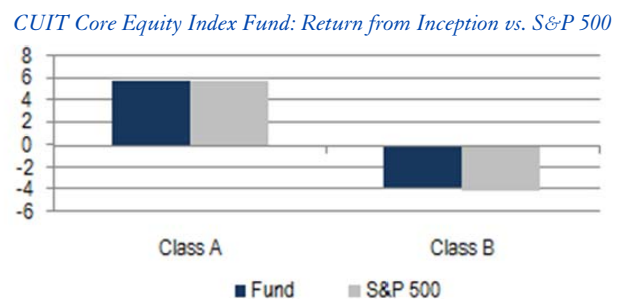
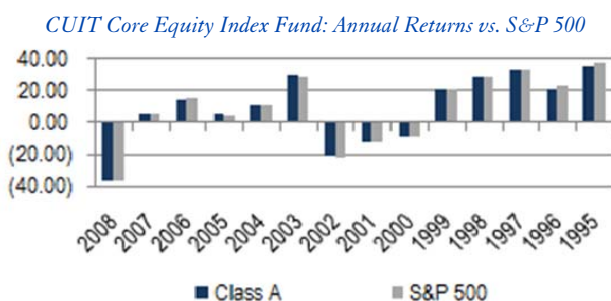
the S&P 500), annual tracking has generally held within 100 basis points of the Index. Positive years have offset negative years to create a minimal SRI impact over the long-term.

General Conclusions

The return produced by any SRI program depends on the underlying investment program and on the degree to which SRI policies constrain investment strategy. Manager skill is a central driver of return, just as it is for non-SRI programs. Catholic institutions can achieve competitive investment returns from socially responsible investing by teaming with an experienced SRI partner and skilled investment managers.

For a more extensive review that includes a similar analysis of our value equity portfolio, please contact your CBIS Investment Advisor or Fred Devlin, Vice President Business Development and Marketing at 1-800-321-7194, fdevlin@cbisonline.com. ■

While there is some variation in year-to-year returns, long-term results closely track the S&P 500 . . .



Note: "S&P 500" is a registered trademark of McGraw-Hill Companies, Inc. ("McGraw-Hill"). The CUIT Core Equity Index Fund is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the fund. 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.