

PRINCIPLES

An Investment Newsletter



NOVEMBER 2004

Market Commentary

GLOBAL EVENTS

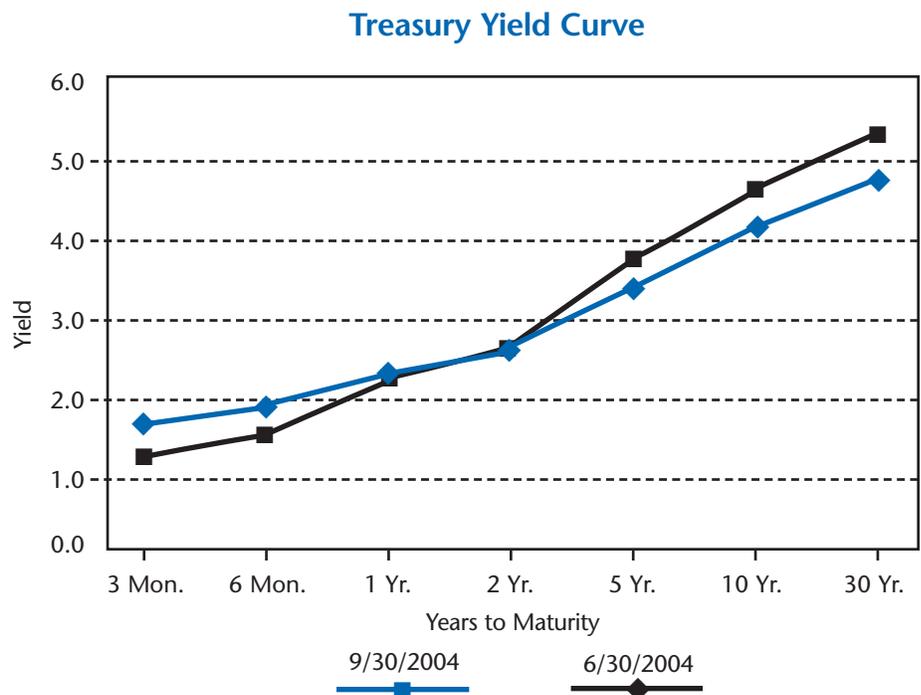
Oil prices surged during the summer, reflecting ongoing demand concerns, hurricane damage and terrorism in locales as diverse as Iraq and Nigeria. Economic growth continued globally, albeit at a weaker pace than earlier in the year. Central bank tightening occurred in the U.S., England, Switzerland and New Zealand, reflecting the need to reverse past monetary ease as economic growth appeared to take hold.

MARKET IMPACT

Financial markets were overshadowed by the Olympics, U.S. political conventions and summer holidays. Trading volumes were light, and corporate earnings guidance dampened investor expectations. While Europe and the U.S. had modestly negative stock returns, Japan declined 7.5% in dollar terms as its economic rebound, that had developed earlier in the year, appeared to falter due to weak consumer demand, an export slowdown and the impact of rising energy costs.

EQUITIES

Value style investing outperformed growth during the third quarter, while large cap issues fell somewhat less than smaller issues. International stock exposure contributed positively, in part due to positive currency gains from the Canadian dollar and Euro, and also because the EAFE Index has greater exposure to energy and utilities, and less exposure to technology,



staples and healthcare, than does the U.S. market. The energy sector was up over 10% for the quarter, followed in relative strength by utilities and REITs, both of which benefit from high dividend yields. Technology issues were the weakest sector on concerns over inventory build-ups and competitive pricing pressures.

BONDS

The U.S. bond market rallied despite Federal Reserve tightening. The yield curve flattened by 80 basis points between three months and 30 years, reflecting slowing GDP growth and expectations of slower Fed rate action over coming months. Corporate bond spreads tightened, especially among

longer maturity issues. Issues rated BBB produced nearly 1% more in total return than did comparable maturity Treasuries.

INFLATION

The CPI rose in the third quarter due to pressures in the services sector, such as medical and educational costs, along with rising energy prices. The August CPI was up 2.7% from a year earlier. ■

TABLE OF CONTENTS

Market Commentary.....	1
Fund Performance.....	2
Fund Commentary.....	3
Announcements.....	8

Fund Performance — Third Quarter 2004

Fund Name	3 Months	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date*
RCT Money Market Fund ^{^^^}	0.19	0.51	0.91	2.51	3.67	4.69	Jan-85
Lipper Government for MM Funds	0.17	0.44	0.78	2.46	3.71	*	
Merrill Lynch 91-Day TBill Index	0.37	1.11	1.49	*	*	*	
RCT Short Bond Fund	1.08	1.25	3.37	5.50	5.70	6.84	Jan-85
Merrill Lynch 1-3yr Treasury Index **	0.96	1.04	3.09	5.24	5.99	*	
RCT Interm. Diversified Bond Fund Class A	2.72	3.05	5.44	7.01	*	7.35	Jan-95
Lehman Aggregate Index	3.20	3.68	5.88	7.48	7.66	7.82	
RCT Interm. Diversified Bond Fund Class B	2.76	3.21	5.53	7.07	*	7.38	Jan-95
Lehman Aggregate Index	3.20	3.68	5.88	7.48	7.66	7.82	
CUIT Balanced Fund	0.41	12.73	8.32	6.20	10.48	10.02	Dec-83
60% S&P 40% LBAgg †	0.15	9.80	4.88	2.19	9.77	9.77	
CUIT Value Equity Fund Class A	1.60	22.68	11.42	6.66	*	12.38	Jan-95
Russell 1000 Value Index	1.54	20.50	7.57	4.31	12.53	13.05	
CUIT Value Equity Fund Class B	1.67	23.09	11.54	6.73	*	12.42	Jan-95
Russell 1000 Value Index	1.54	20.50	7.57	4.31	12.53	13.05	
CUIT Core Equity Index Fund Class A	(1.99)	14.26	4.89	(0.71)	*	11.39	Jan-95
Standard & Poor's 500 Index ††	(1.87)	13.86	4.05	(1.30)	11.09	11.39	
CUIT Core Equity Index Fund Class B	(2.02)	14.32	4.99	(0.63)	*	11.44	Jan-95
Standard & Poor's 500 Index ††	(1.87)	13.86	4.05	(1.30)	11.09	11.39	
CUIT Growth Fund Class A	(5.67)	4.86	(0.08)	(2.26)	5.93	9.03	Jan-91
Russell 1000 Growth Index ^	(5.22)	7.52	1.61	(3.87)	7.16	9.58	
CUIT Growth Fund Class B	(5.59)	5.17	0.08	(2.17)	5.98	9.07	Jan-91
Russell 1000 Growth Index ^	(5.22)	7.52	1.61	(3.87)	7.16	9.58	
CUIT Small-Cap Equity Fund Class A	(2.96)	18.19	7.47	5.98	*	9.51	Jan-95
Russell 2000 Index	(2.85)	18.77	13.71	7.41	9.86	10.34	
CUIT Small-Cap Equity Fund Class B	(2.87)	18.63	7.60	6.06	*	9.55	Jan-95
Russell 2000 Index	(2.85)	18.77	13.71	7.41	9.86	10.34	
CUIT International Equity Fund Class A	(1.85)	15.80	6.65	(0.77)	*	7.45	Jan-95
MSCI EAFE-Gross Index	(0.23)	22.52	9.53	(0.52)	4.34	4.55	
CUIT International Equity Fund Class B	(1.77)	16.10	6.99	(0.38)	*	7.67	Jan-95
MSCI EAFE-Gross Index	(0.23)	22.52	9.53	(0.52)	4.34	4.55	

* 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

† Benchmark Index: 60% S&P 500/ 40% LBAgg% eff. 1/2/03; 60% S&P 500/ 30% LBAgg/ 10% 91-Day T-Bill eff. 4/1/91; 60% LBAgg/40% S&P 500 in prior periods.

†† "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.

^ Benchmark Index: Russell 1000 Growth Index effective June 1, 2000; prior to this date, historical returns reflect Russell Mid-Cap Growth Index.

^^ Peer Group: Morningstar Large Growth Fund Universe effective June 1, 2000; Prior to this date, historical averages reflect Morningstar Mid-Growth Fund Universe.

^^^ The RCT Money Market Fund changed its investment approach from overnight repurchase agreements, its approach since fund inception, to an actively managed MM portfolio effective 8/1/01.

• Performance for Class B shares includes performance of the Fund's Class A shares for periods prior to the issuance of Class B shares by 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. The RCT Money Market Fund is not guaranteed by the U.S. Government and there can be no assurance that a stable net asset value of \$1.00 can be maintained. 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., Morningstar Mutual Funds and Mellon Bank; information regarding composition of indexes may be obtained from provider or CBIS. CBIS offers pooled funds on behalf of two not-for-profit investment trusts, Religious Communities Trust (RCT) and Catholic United Investment Trust (CUIT). Offering Memoranda / Disclosure Statements, which contain further information, are available by calling either 800-592-8890 or 800-321-7194. Such information should be carefully considered prior to investing in the Funds.

CBIS Fund Commentary

Third Quarter 2004

OVERVIEW

Financial markets were relatively subdued during the quarter, not unusual considering that Europe closed down for the Olympics as well as for the normal August holidays, while the U.S. was preoccupied with political campaigns. Weighing on financial markets, however, was the change in the Federal Reserve's interest rate stance, reflecting confidence that the U.S. economy is strong enough to grow without artificial stimulus. It will be interesting to see how the Fed manages rate increases in order to return short-term rates to positive real yields (i.e., above the current 2.7% CPI) while not upsetting over-leveraged consumers and financial speculators. A balance has been achieved to date, as the ten-year Treasury has rallied to near record levels, approaching a 4% yield, despite three 25 basis point Fed Fund rate hikes. Additionally, the Fed must balance U.S. economic goals, which would favor a weaker dollar and stronger exports, against those of the foreign holders of \$1 trillion in Treasury debt — primarily the central banks of Asian nations whose exports to the U.S. benefit from a strong dollar and who would be unhappy with further U.S. dollar depreciation. This conundrum remains unresolved, one of the costs of America being a debtor nation.

Europe posted mild GDP growth of 2% in the second quarter, while unemployment averaged 9% on the continent. As a result, the consumer remained somewhat defensive, and exports have been driving corporate earnings — this has hindered the German stock market in particular. Major European equity markets were essentially flat during the quarter, although some peripheral markets such as Norway (energy) and Belgium (diversified financials and utilities)

were stronger due to lower exposure to weak sectors such as technology, staples and industrials. The U.K., despite another interest rate increase to 4.75%, demonstrated firm economic growth and a resilient stock market, up 3% in local terms. While the British pound declined about 0.2% vs. the U.S. dollar, the Euro was 2% stronger this quarter, further augmenting international returns for participants.

Japan's recovery faltered after showing signs of a strengthening earlier in 2004; many Japanese companies are exporters, dependent on global growth, which is clearly slowing in Asia. As a significant oil importer, Japan has clearly not been helped by rising energy costs this year. The weakest sectors in Japan were retailing, banks, insurers, semiconductors and electronics; pharmaceuticals, utilities and basic materials were relatively stronger. Elsewhere, Hong Kong's stock market was up 10% on trade and access to mainland China. New Zealand, Canada and Australia produced strong gains from commodity prices and strong currency returns vs. the U.S. dollar.

Value stocks, which outpaced growth issues, were supported by commodity price strength from global demand (especially the energy and basic materials sectors), yield considerations (utilities) and the relative appeal of financial services stocks. Energy, the best performing sector this quarter, was driven by oil prices that exceeded \$50 a barrel due to reserve concerns and international demand. The impact of sustained high energy prices (up over 30% during the past year) is starting to pressure inflation data, and coupled with interest rate hikes in the U.S., U.K and smaller nations, is causing concern about the sustainability of global GDP growth.

Within fixed income portfolios, longer duration, barbelled yield curve positioning and credit exposure proved beneficial during a strong quarter for bonds. While yields were essentially unchanged at maturities of one to two years, Treasury yields declined by 40 basis points at five year and longer maturities. The mortgage sector provided modest enhancement over Treasuries, although the significant interest rate decline for the ten-year Treasury pressured mortgage security prices due to rising prepayment concerns.

The corporate sector performed very strongly; demand was driven by investors seeking yield and reinforced by speculative demand from hedge fund arbitrageurs and securitizations. Credit spreads for investment grade, high yield and emerging market debt are as tight as they have been in the past eight years, and offer little yield cushion in the event of sharper bond market volatility or company-specific disappointments.

CUIT & RCT FUND PERFORMANCE

CBIS fund performance was led by fixed income results on the rally in interest rates, while equity results were generally negative.

The RCT Intermediate Diversified Bond Fund produced the highest absolute return at 2.72% (Class B, 2.76%). The RCT Short Bond and Money Market Funds had smaller, albeit positive, returns as bond results were commensurate with maturity this quarter.

The CUIT Balanced Fund produced positive results, up 0.41%, primarily on the strength of its value equity approach. The CUIT Value Equity Fund had the highest absolute equity return, up 1.60% (Class B, 1.67%), as value issues performed well

given the weakening outlook for GDP growth. Performance was supported by significant energy and materials exposure within value strategies. On the other hand, the CUIT Growth Fund turned in the weakest results with a negative 5.67% return (Class B, -5.59%), reflecting negative results in the technology, health and consumer discretionary sectors this quarter, major components of growth indices.

The CUIT Small Capitalization Equity and International Equity Funds did not provide a refuge from weak large cap returns this quarter, as both declined on economic events that impacted global and U.S. markets including rising energy costs, mixed economic data and rising interest rates. The CUIT Core Equity Index Fund slightly trailed the S&P 500 Index this quarter with a -1.99% return (Class B, -2.02%), most significantly impacted by weak pharmaceutical shares as permitted issues Merck and Cardinal Health each declined by 30% or more on negative company-specific news.

CBIS RECOMMENDED INVESTMENT ALLOCATION

During the third quarter of 2004, the CBIS Recommended Investment Allocation for a 60% equity/40% bond portfolio would have reduced by 35 basis points the 0.16% return of a 60% S&P 500 Index / 40% Lehman Aggregate Index benchmark, net of fees. Diversification into small cap and large value equities contributed positively to returns, however, active management reduced returns, particularly in the Intermediate Diversified Bond and International Equity Funds. Over the trailing twelve months, diversification into small cap and international equity exposure substantially added to returns compared to the S&P 500; active management, primarily in the bond, international and growth programs, has reduced those gains, and value-added was a modest but credible

0.28%. For three years through September, diversification and active management have added a substantial 93 basis points, net of fees, on an annualized basis.

RCT Funds

RCT MONEY MARKET FUND

The RCT Money Market Fund returned 0.19% compared to the Merrill Lynch 91-Day Treasury Bill return of 0.37%. The portfolio benefited from an approximately 25 basis point yield advantage over the Treasury Bill, while a shorter duration was beneficial as the Fed increased the Federal Funds rate twice during the quarter, to a level of 1.75%.

Yield curve flattening resulted from an increase of 40 basis points in cash yields while one-year interest rates rose by just 7 basis points. With absolute interest rates still relatively low, investors continued to seek yield within the cash markets, causing credit and asset-backed spreads to tighten vs. Treasuries. New issuance was relatively constrained and market volatility remained low, further encouraging tighter yield spreads. While lower volatility was beneficial for mortgages, the interest rate decline for intermediate and longer issues raised prepayment expectations and dampened the sector's returns. While FNMA received substantial press coverage during September, short duration FNMA mortgage-backed debt saw little impact. While measures of economic growth in the U.S. remain somewhat mixed, the cash futures market is currently projecting a Fed Funds rate of 2% by year-end 2004, and 3% by year-end 2005.

Portfolio changes were modest during the quarter, with the exception of a shorter maturity position

assumed in anticipation of Fed tightening. Repurchase agreements and CD exposure were modestly increased while asset-backed exposure was reduced 3% by market value. While slow-paced, the Fund's yield did rise by 0.5% over the quarter, and the Fed seems determined to bring the Fed Fund's target to a positive real yield above the CPI, balancing rate increases with economic and employment growth rates.

RCT SHORT BOND FUND

The RCT Short Bond Fund produced a 1.08% return for the quarter, exceeding the 0.96% total return of its benchmark, the Merrill Lynch 1-3 Year Treasury Index. Despite a moderately shorter duration than the benchmark, the modest additional yield offered by corporate and asset-backed exposure, as well as a barbelled portfolio construction in a flattening yield curve environment, accounted for the added-value. The flattening strategy more than offset the duration decision as the five-year Treasury yield declined by over 40 basis points while the two-year yield fell by only 7 basis points.

The portfolio maintains a defensive posture regarding credit and mortgage risk, as interest rate spreads offer little additional compensation among shorter maturity issues. Corporate exposure, at just 5% of the portfolio, is focused primarily on the financial sector among A-rated or higher issuers. While corporate spreads tightened slightly during the quarter, the forward looking risk/return trade-off favors caution. Mortgage sector exposure was increased to 15% of the portfolio, with emphasis on seasoned 15-year and adjustable rate mortgages and short CMOs due to concern over the low current level of market volatility. Asset-backed exposure, particularly among auto and credit card issues, was increased slightly, as this sector continues to perform well vs.

Treasuries year-to-date. While Federal Agency debt was weak during September on concerns over FNMA accounting, the sector added value vs. Treasuries for the quarter; portfolio exposure is very modest at 4% and consists exclusively of FHLMC and SBA debt.

At quarter end, portfolio duration was 0.3 years shorter than the benchmark based on an expectation of continued U.S. economic growth and resultant interest rate increases. Nevertheless, the portfolio remains underweight the 1- to 3-year maturity area, in anticipation of further flattening of the short to intermediate segment of the yield curve. Credit quality is very high, as Treasuries represent 66% of the portfolio. As a result, the current yield of the portfolio is just 16 basis points above the benchmark.

RCT INTERMEDIATE DIVERSIFIED BOND FUND

The RCT Intermediate Diversified Bond Fund posted a 2.72% return (Class B, 2.76%) compared to a 3.20% return for the Lehman Aggregate Index, due primarily to a shorter effective duration and lower yield than the benchmark. As intermediate and longer rates declined by 40 basis points over the quarter, an effective duration of 3.9 years vs. 4.4 years for the benchmark negatively impacted results. The portfolio's yield to maturity of 3.7% was 0.6% less than the benchmark. Both decisions are based on a defensive, longer-term strategy of minimizing the risk of rising rates, widening credit spreads and higher volatility on mortgage spreads.

Both of the Fund's sub-advisers have been concerned about relatively tight credit spreads among corporate and mortgage-backed issues, and believe that the low volatility evident in the bond market so far in 2004 is not sustainable. As a result, the portfolio is slightly underweight the mortgage sector, and stable issues are

emphasized, particularly 15-year vs. 30-year collateral. This posture resulted in lower yield but had little impact on the Fund's return as the mortgage sector's excess return was only 18 basis points for the quarter. The Fund does maintain a slight overweight in BBB-rated corporate debt, now the largest segment of the credit market, as selective names offer reasonable risk/return trade-offs. This strategy contributed positively to results as BBB issues added 95 basis points in return on a duration-adjusted basis vs. Treasuries. Despite a downgrade in August of the 2.5% position in AT&T to below investment grade, the position has performed strongly. Nevertheless, the Fund's guidelines require sale by year-end barring an unlikely upgrade in the interim.

The Fund maintains a significant cash equivalent position, representing part of a barbelled structure to benefit from further yield curve flattening. This has contributed positively to Fund results over the past six months, and should prove advantageous as the Fed continues its tightening policy. Peer comparisons have been weak due to the Fund's investment grade only focus, however, we believe that this is prudent based on the very tight spreads currently offered by lower quality debt.

CUIT Funds

CUIT BALANCED FUND

The CUIT Balanced Fund's return of 0.41% was well ahead of the blended benchmark (60% S&P 500/40% Lehman Aggregate) return of 0.15%. During a negative quarter for equities in general, the equity portfolio's value bias proved beneficial. Over-exposure to the S&P 500's top four performing sectors — energy, utilities, telecom and basic materials — was a key contributor to results.

Stock selection within the energy sector was also positive, with leading contributors ChevronTexaco (+15%) and Baker Hughes (+16%) surpassing the sector's 11% return. Within the materials sector, issues such as Nova Chemicals (+34%) and Dow Chemical (+12%) added value above the sector's 3.5% return. Stock selection was also very strong in the technology area, as portfolio issues declined 6% compared to a 10% decline for the Index sector. An underweight in the technology sector was helpful as well. Principled Purchasing was mildly negative for the quarter, as two permitted large cap issues within healthcare, Merck and Cardinal Health, declined over 30% on company specific news. By quarter-end, gains were taken in a number of issues that had shown substantial appreciation year-to-date, including TXU Corporation, Xerox, Occidental Petroleum, ConocoPhillips, Amerada Hess and Dow Chemical.

The bond portion of the portfolio detracted somewhat from performance, due to a shorter duration and lower yield to maturity than the Lehman Aggregate Index. As interest rates declined by 40 basis points during the quarter, duration positioning proved costly.

Positives included the contribution from corporate spread tightening, especially in the BBB-rated names, and the benefit of a barbelled structure which produced gains from yield curve flattening. The Fund experienced a substantial downgrade in its AT&T holding in August, as the issue fell from investment grade to BB/Ba after the company said it was exiting its retail business. However, due to a step-up feature of the bond interest coupon, and the company's strong cash flow and interest coverage, the issue actually was one of the best performers for the quarter. Nevertheless, due to downgrade, the issue will be sold prior to year-end.

CUIT VALUE EQUITY FUND

The CUIT Value Equity Fund returned a positive 1.60% (Class B, 1.67%), slightly exceeding the 1.54% return of the Russell 1000 Value Index. Sector emphasis and good stock selection contributed to results.

The portfolio benefited on an absolute and relative basis from excellent stock selection in the best performing sectors for the quarter, energy (+10.8%) and materials (+9.9%). In energy, major holdings Chevron-Texaco (+15%), Occidental Petroleum (+16%) and Canadian Natural Resources (+33%) all rallied. Potash (+28%), benefiting from strong positive momentum and outstanding long-term growth forecasts, Nova Chemicals (+34%) and Southern Peru Copper (+27%), augmented the added return in the materials sector. Consumer discretionary holdings outperformed the sector (-2.5%), and positions in homebuilders K.B Home (+24%), DR Horton (+16%) and Ryland Group (+19%) offset exposure to weaker retail and automotive names in the portfolio. Stock selection in the underweight financials sector (+1.9%) was additive as a higher weighting in bank issues, including Doral Financial (+21%), Fremont General (+31%) and National City Corporation (+11%), handily exceeded the overall sector's return during the period.

Overweights in healthcare (-10%), particularly the portfolio's exposure to Cardinal Health (-37%), and in the information technology sector (-8%), were drags on relative performance versus the benchmark. Weak stock selection in telecommunication services (+8%) and an underweight in utilities also limited outperformance. Profits were taken in the energy sector through trims in several positions (Occidental, Amerada Hess, ConocoPhillips) and through sales (Canadian Natural Resources). The cash was reinvested in the healthcare and telecommunication sectors.

CUIT CORE EQUITY INDEX FUND

The Core Equity Index Fund returned -1.99% for Class A shares (Class B, -2.02%) trailing the S&P 500 by 12 and 15 basis points, respectively. Underperformance was due primarily to the fund's substitution/re-weighting process in the aerospace & defense and healthcare sectors.

In a reversal from the previous quarter, the Fund's underweight in aerospace & defense detracted from overall performance as the restricted holdings in the Index returned 3.4% versus 3.0% for sector as a whole. Industry re-weighting due to SRI criteria excluded eight of the eleven aerospace and defense companies in the Index. The three remaining holdings — Rockwell Collins (+11.8%), BF Goodrich (-2.2%) and Crane (-7.5%) — posted mixed results. Similar relative underperformance affected the drugs and medicine sector; the overall sector was down 5.6% versus a 6.9% decline in the portfolio's sector holdings. Cardinal Health fell 37% as a result of an SEC investigation into its accounting procedures, and Merck lost 30% due to a recall of one of its popular painkillers, Vioxx. Additionally, re-weighting among drugs and medical holdings caused the industry weight in the fund to move slightly above its weight in the benchmark (12.8% vs. 12.6%). This hurt relative performance due to the industry's decline during the quarter.

Twenty-five companies were excluded as a result of CBIS' Principled Purchasing criteria. Collectively, these securities returned -2.77%, trailing the fund's overall results by approximately seventy-five basis points. Finally, exclusions in the tobacco industry continued to benefit relative performance, as the industry declined 3.5% in the third quarter, led by Altria (-4.6%).

CUIT GROWTH FUND

While value style investing benefited from rising commodity prices and declining interest rates, growth issues declined due to disappointments in technology and health care and weaker consumer spending. The Russell 1000 Growth Index returned -5.22% for the quarter, trailing the Russell 1000 Value Index by 6.7 percentage points. In a very difficult quarter, the CUIT Growth Fund returned -5.67% (Class B, -5.59%).

Negative impact from technology bellwether Intel, down 27% on the announcement of disappointing sales and margins and an inventory buildup over the summer, set the tone for a technology sector decline of 10%, as investors questioned the level of corporate spending as the economy slowed. Additional portfolio holdings such as Veritas (-36%), Cisco Systems (-24%) and CheckPoint Software (-37%) also experienced a sharp decline relative to the sector. Weak stock selection in consumer staples (-6%) also impacted relative return, as beverage, personal and household products names such as Coca Cola (-10.5%), Estee Lauder Companies (-14%) and Energizer Holdings (-13%) slumped.

There were a number of positive factors within the portfolio during this challenging quarter, including an overweight in energy, the best performing sector (+11%) in the index. Good issue selection such as Apache (+18%), a leading exploration firm, and B.J. Services (+14.5%), an oil and gas services firm, bolstered relative return. Also additive was stock selection in health care (-4.7%), as the Fund's managers favored biotech names such as Gilead Sciences (+11%) and medical supply firms such as Medtronic (+4%); both provided good absolute return. Security selection in materials (+6%) and utilities (+0.8) was also supportive, with Potash Corp. (+30%) and TXU (+18%) rising sharply over the quarter.

At the end of the quarter, CBIS appointed Sands Capital Management, Inc. of Arlington, Virginia, as a co-manager of the Fund, replacing RCM. We expect that the addition of Sands Capital will bolster some of the recent weakness in Fund results, and help maintain the longer-term success of the Fund compared to its peers.

CUIT SMALL CAPITALIZATION EQUITY FUND

While the Russell 2000 rallied strongly in September, up 4.7%, the Index ended the quarter down 3.0%, trailing large caps (Russell 1000 Index, -1.8%) for the second consecutive quarter. The CUIT Small Cap Equity Fund's return of -3.0% (Class B, -2.9%) marginally trailed the Russell 2000 Index return of -2.8% for the quarter.

The Fund benefited from very strong stock selection (+9% overall) in the overweight industrials sector, which declined 1.3%. Granite Construction (+32%) rose on strong demand, major holding Apogee (+25%) benefited as management raised guidance based on strong demand, and both BE Aerospace (+20%) and Aviall (+7%) benefited from demand for aircraft. Stock selection in the underweight health-care sector (-6.5%) was additive, benefiting from exposure to issues such as Caliper Life Sciences (+51%) and AMERIGROUP (+14%). Good stock selection proved helpful in the weak telecom services sector as the Fund's exposure was fairly concentrated in better-performing names such as Nextel (+4%) and General Communications (+13.9%). A slight overweight in the strong energy sector (+12%) was beneficial, as was exposure to energy services companies Cal Dive International (+17%) and Maverick Tube Corp (+17%), along with oil and gas operator St. Mary Land & Exploration (+12%).

As share prices in the financial

sector (+4.5%) continued to benefit from lower interest rates, the Fund's underweight, particularly in the overvalued REIT area, detracted from relative performance. An overweight position in the technology sector (-14%), negatively impacted by slowing economic growth, rising inventories and reduced guidance by firms, detracted from return. Stock selection in consumer discretionary limited return as portfolio names such as Select Comfort (-35%) and Helen of Troy (-26%) slumped as growth slowed from very high previous levels (these positions were trimmed.) Also, Tommy Hilfiger was sold when an investigation of the company's tax practices was announced. An overweight position in materials (+9.4%) was overshadowed by weak selection with positions in A. Schulman (+3%), Buckeye Technologies (-3%) and Sensient Technologies (+1.5%) lagging the sector.

CUIT INTERNATIONAL EQUITY FUND

The CUIT International Equity Fund's return of -1.85% (Class B, -1.77%) lagged the -0.23% return of the EAFE Index as growing concerns regarding global economic growth, future corporate profits and the level of energy prices depressed international equities during the third quarter. Returns for U.S.-based investors were slightly enhanced by dollar weakness against several currencies. In one of a number of reversals this quarter, emerging markets rallied and returned 8% in dollar terms, following a 9% decline in the second quarter.

Issue selection and an overweight in consumer staples (-6.8%), a strong sector last quarter, negatively impacted performance as questions arose about the sector's prospective earnings. Unilever (-17%) and Nestle (-14%) both declined after earnings warnings that cited higher raw material and marketing costs. The cool

summer in Europe was a disappointment to beverage companies faced with comparisons to 2003's heat driven sales; Heineken (-7.8%) and Cadbury Schwepps (-10%) both slumped. Retailers within the consumer discretionary sector were not immune, and positions in Ahold (-18%) and Aeon Co (-19.8%) declined sharply. While the financial sector rose 0.63% for the quarter, portfolio issue selection was relatively weak, particularly among insurance companies. Swiss Re (-11%) and Aegon (-8%) experienced rising claims due to hurricanes in the U.S. and typhoons in the Pacific. Additionally, exposure to a number of Japanese financials, a slight overweight in technology, and an underweight in energy and basic materials sectors limited return.

The portfolio benefited from strong stock selection in telecommunication services as the Fund's top holding, Vodafone, rose 9.3%. Bouygues (+12%) and Singapore Telecom (+9.9%) also posted strong returns. The sector benefited as risk averse investors shied away from defensive staples and favored the high cash flow and dividends of this group. The portfolio's overweight position among health care issues (the sector rose 3% this quarter) was additive, as the Sanofi-Aventis (+14%) merger closed and GlaxoSmithKline (+8.9%) rose as an FDA advisory group recommended rejection of a competitor's clot prevention drug. An underweight in the weak consumer discretionary sector (-4.4%) was also additive to relative fund performance. ■

SRI's Two Returns

Standard institutional investment programs target one objective — investment returns. CBIS' institutional SRI programs, however, seek both superior investment returns and positive societal change through responsible stewardship — what we call "social return". See our recent white paper *Getting the Most from Your SRI Program* for an overview of SRI's two returns, and CBIS' approach to maximizing portfolio return and social return.



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

■ Thanksgiving Holiday Schedule

CBIS will be closed on Thanksgiving Day, Thursday, November 25, and will close at 1:00 P.M. E.T. on Friday, November 26.

■ Christmas and New Year's Holiday Schedule

Since Christmas and New Year's Day each fall on a Saturday this year, CBIS will be closed on Friday, December 24 in observance of Christmas, and will close at 1:00 P.M. E.T. on New Year's Eve, Friday, December 31.

Contacting CBIS *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 94111-1111 Tel: 800-754-8177 415-623-2080 Fax: 415-623-2070
---------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------

To change your address of record, or to be removed from our mailing list, please visit our website: www.cbisonline.com/contact.asp

PRINCIPLES is published monthly 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.

© 2004 Christian Brothers Investment Services, Inc. All rights reserved.

Printed on 100% Recycled Fiber Paper Stock
30% Post Consumer Waste Recyclable

