

► FUND BRIEF

CUIT Int. Diversified Bond Fund

Q4 2017

Manager's Analysis & Commentary



Catholic
Responsible
Investing

ECONOMIC OVERVIEW

Global growth continued to pick up speed in 2017, with all major economies growing in unison for the first time since the global financial crisis. Against this positive economic back-drop, sovereign yield curves flattened across most developed markets. In the U.S., while tax reform, financial deregulation, economic growth, and the Fed's planned balance sheet reduction contributed to an increase in 2-, 5-, and 10-year Treasury yields, the 30-year yield fell on weak inflation data. Low inflation has kept pressure on the long-end of the yield curve and remains a roadblock for central banks hoping to normalize interest rates.

The Bloomberg Barclays U.S. Aggregate Bond Index returned 0.4% for the quarter with investment grade corporate bonds returning 1.2. High yield corporate debt, one of the best performers in previous periods, returned 0.5% in the quarter. The non-agency RMBS sector generated some of the strongest returns, both in absolute and excess return terms, among the major fixed income sectors. Agency MBS posted a total return of 0.2% during quarter, commercial mortgage-backed securities (CMBS), as measured by the Bloomberg Barclays CMBS Index, returned 0.4%, outperforming duration-equivalent Treasuries by 0.8%.

For the year, the Bloomberg Barclays U.S. Aggregate Bond Index returned a respectable 3.5%, buoyed by the strong performing corporate bond sector, which was up 6.4%. The high yield bond market, one of the top performing bond sectors in 2017, returned 7.5%. Credit spreads across the capital structure fell throughout the year and are at all-time low levels.

QUARTERLY REVIEW

The CUIT Intermediate Diversified Bond Fund returned 0.32% (Class B, 0.36%) for the quarter, slightly behind the Bloomberg Barclays U.S. Aggregate Bond Index return of 0.39%. During the quarter, short to intermediate term rates rose and long-term yields fell causing a continuation of the flattening of the U.S. Treasury yield curve. The duration positioning of the fund was a positive contributor to relative performance. However, given the defensive positioning of the corporate holdings – the fund sub-advisors have been positioning the corporate holdings in shorter duration issues to protect against potential spread widening – security selection was a negative contributor during this period.

12-MONTH REVIEW

The Fund returned 3.38% (Class B, 3.54%) for the last twelve months, roughly in-line with the Bloomberg Barclays U.S. Aggregate Bond Index return of 3.54%. 2017 was forecast to be a difficult year for bonds. That was not the case. The Fund's sub-advisors were cautious all year and positioned their respective portfolios conservatively. In turn the Fund's shorter than benchmark duration positioning was the largest contributor to performance. Also additive to performance was the overweight position to corporate bonds, along with security selection in the asset backed holding sector. Security selection in the portfolio's industrial holdings given the shorter duration of these holdings, as well as coupon selection in the mortgage sector, detracted from results.

QUARTERLY RETURN	3 MO	1 YR	3 YR	5 YR	10 YR
CUIT Int. Divers. Bond A	0.32	3.38	2.24	2.10	4.61
CUIT Int. Divers. Bond B	0.36	3.54	2.38	2.26	4.77
Bloomberg Barclays U.S. Aggregate Bond Index	0.39	3.54	2.24	2.10	4.01

CALENDAR YEAR RETURN	2017	2016	2015	2014	2013
CUIT Int. Divers. Bond A	3.38	3.53	-0.13	5.65	-1.73
CUIT Int. Divers. Bond B	3.54	3.69	-0.05	5.81	-1.51
Bloomberg Barclays U.S. Aggregate Bond Index	3.54	2.65	0.55	5.97	-2.02

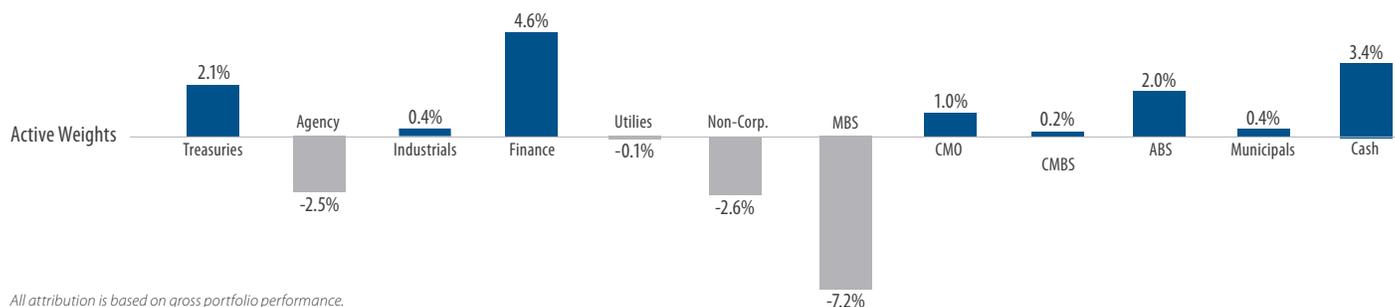
Fund Inception Date: Class A: January 1, 1995; Class B: January 1, 2003

POSITIONING & OUTLOOK

The Fund’s sub-advisors remain defensively positioned given interest rate and spread levels, and unless technicals improve, volatility increases, and valuations become more reasonable, they will remain so. The Fund’s duration remains shorter than the benchmark, 5.3 vs. 5.9 respectively, in anticipation of the forecasted three to four Federal Reserve rate increases in 2018. The Fund’s allocation in the Treasury sector increased during the year from 33.4% to 41.6%. The move into

the highly liquid Treasury sector allows the sub-advisors the flexibility to react to future market opportunities. Exposure to high yield debt remains low given that spreads are at all-time tight levels and investors are not being adequately compensated for the assuming risk in that sector.

Sub-Advisers: Dodge & Cox (since 1/1995), Jennison Associates (since 9/2002), Reams Asset Management (since 7/2008)



All attribution is based on gross portfolio performance.

Important Information

Benchmark Index: Bloomberg Barclays Aggregate Bond Index. Performance for periods of one year and longer are annualized. All Fund performance 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 will fluctuate, and upon redemption, shares in the Fund may be worth less than their original cost. The comparative index represents unmanaged or average returns on various financial assets which can be compared to the Fund’s total returns for the purpose of measuring relative performance, but is not necessarily intended to parallel the risk or investment approach of your investments. The index does not incur taxes or expenses but is inclusive of dividends and interest. Comparative index information is provided by BNY Mellon Bank; information regarding composition of the index may be obtained from our provider or CBIS.

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CBIS offers pooled funds on behalf of a not-for-profit investment trust, the Catholic United Investment Trust (CUIT) Offering Memorandum, which contains further information, is available by calling 800-592-8890. Such information should be carefully considered prior to investing in the Fund. Commingled Fund exclusively for tax-exempt Catholic institutions. All assets are invested in accordance with CBIS’ Catholic Responsible Investing Guidelines. Total expense ratio includes management fee and all other fees (accounting, custody and transfer agent). The Funds provide daily NAV and daily liquidity.