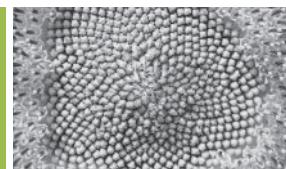


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# Measuring CRI's Impact on Performance

## Summary

*In order to help Catholic institutions analyze the impact of CRI policies on investment return, CBIS regularly conducts an analysis of how our Catholic Investment Screens affect the long-term performance of our CUIT Core Equity and Value Equity portfolios. Following are highlights from the updated report.*



## CATHOLIC RESPONSIBLE INVESTING (CRI)

Since 1981, CBIS has been a recognized industry leader in Catholic socially responsible investing (CRI).

- We believe and have demonstrated that it's possible to invest in accordance with Catholic values and earn competitive returns
- We believe a multi-strategy approach to CRI allows for the full integration of Catholic ethical and social teachings into the investment process
- We believe that shareholder advocacy is an essential aspect of our fiduciary duty
- We believe that by encouraging strong corporate environmental, social, and governance performance, we are supporting the growth of shareholder value
- We believe that CRI enables Catholic institutions to pursue their missions in a more wholistic manner which can have a positive impact on the lives of many

## KEY PERFORMANCE DRIVERS

The return produced by any CRI program depends primarily on two factors:

- The results produced by the underlying investment program, independent of CRI policies.
- The degree to which CRI policies constrain investment strategy (primarily the impact of stock screens).

Portfolio strategy is the central driver of the CRI program's return, just as it is for non-CRI programs. But CRI criteria can affect a manager's ability to implement its preferred strategy, and might affect performance.

## A FOCUS ON ACTIVE OWNERSHIP

Active ownership, coupled with stock screens, is the focus of our CRI program. Our ability to shape the behavior of companies comes from owning their shares and exercising leadership with fellow shareholders to encourage improved corporate

policies in areas such as governance, wage justice, environmental sustainability and support for human rights around the world.

#### LIMITED STOCK SCREENS

Our Catholic Investment Screens focus only on activities that violate the core values of our participants. For example, as of March 31, 2013, 33 companies (about 12% of the S&P 500's total capitalization) were restricted from the **CUIT Core Equity Fund**, an S&P 500 index tracking portfolio. We develop our screening criteria by examining Church teaching (including the United States Conference of Catholic Bishops' [USCCB] guidelines for socially responsible investing), the consensus views of our participants on a wide range of issues, and other industry considerations.

#### CRI PORTFOLIO CONSTRUCTION

Any potential impact of our screens on investment return is further reduced by the way our managers construct their CBIS portfolios.

**1. Screening** — The manager removes screened companies from its unrestricted portfolio.

**2. Substitution** — The manager substitutes unrestricted companies for the restricted companies. Often, these are companies operating in the same industry as the restricted company.

**3. Rebalancing** — If close substitutes are not available, the manager may choose to reallocate the remaining capital across the unrestricted portfolio holdings, synchronizing the

structure of the CRI portfolio as closely as possible with that of the comparable non-CRI portfolio.

The process of screening, substitution and/or rebalancing produces the CBIS CRI portfolio — very close in structure to the manager's original portfolio; managed with the same investment philosophy, strategy and process; and composed of nearly the same group of portfolio holdings.

#### MEASURING CRI IMPACT

The net effect of screening, substitution and rebalancing constitutes the impact of our CRI policies on the returns generated by CBIS portfolios. We measure this impact as the difference in performance between the CBIS portfolio and the managers' comparable unscreened portfolio for each investment style.

#### CONCLUSION

The relatively small size of CBIS' Catholic Investment Screens list and the very large universe of unrestricted stocks available for substitution give our managers considerable leeway to counter any potential impact from screening.

Because our screens — and the resulting substitution and rebalancing — result in a slightly different portfolio than the managers' unscreened portfolio, there will be some variation in comparative performance on a short-term basis.

However, our analysis of long-term performance clearly demonstrates that CBIS' CRI screens do not constrain our ability to deliver investment returns that are comparable to those available through our managers' equivalent non-CRI programs.

#### Important Information

The CUIT Funds are exempt from registration with the Securities and Exchange Commission and therefore are exempt from regulatory requirements applicable to registered mutual funds. All performance (including that of the 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. Complete information regarding each of the Funds, including certain restrictions regarding redemptions, is contained in disclosure documents which can be obtained by calling 800-592-8890. Shares in the CUIT Funds are offered exclusively through CBIS Financial Services, Inc., a broker-dealer subsidiary of CBIS.