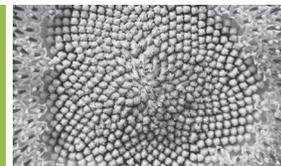


► ORIGINAL PUBLICATION: MAY 2013

# The Index Option

## Summary

*CBIS' index funds may be a solution for finance committees who want a confident way to integrate CRI into their investment portfolio.*



Catholic  
Responsible  
Investing



As we speak with Catholic institutions around the country, we find that many are intrigued by socially responsible investing (CRI) but are unsure where to begin. They often have leaders who ask the finance committee to look at CRI options, but the committee may encompass a range of views — some enthusiastic, others open-minded but non-committal, and some skeptical that any CRI program can produce competitive investment returns.

### CREATING A SOLUTION

A solution that provides an easy and confident way to integrate CRI into the institution's investment portfolio may give everyone in the organization a choice they can rally around.

Two options worth considering are **CBIS' CUIT Core Equity Index Fund** and **CUIT Small-Capitalization Equity Index Fund**. Both are index-tracking funds that incorporate CBIS' industry-leading Catholic CRI program as an overlay on the investment process.

"Both funds seek to replicate the return of their benchmarks while incorporating CBIS' Catholic CRI screens as an overlay on the investment process."

An indexed allocation offers two advantages to hesitant finance committees.

- ▶ Because it seeks to replicate the return of a benchmark index, rather than add alpha, it diminishes the manager selection risk associated with a commitment to a new investment program.
- ▶ It provides a clear, transparent example of how CBIS integrates the CRI program into the investment process — one that should instill confidence in anyone worried about the impact of CRI screens on the long-term performances of CBIS’ institutional funds.

**CBIS INDEX FUNDS**

The CUIT Core Equity Index Fund and CUIT Small-Capitalization Equity Index Fund both seek to replicate the long-term return produced by their benchmarks (the S&P 500 Index and Russell 2000 Index, respectively). Each incorporates CBIS’ full CRI program, consisting of both stock screens and active ownership (i.e. using our influence as shareholders to advocate for human rights, environmental and social justice, and better corporate governance at many of the world’s leading corporations).

Active ownership has no direct impact on the investment process or performance; only stock screens do. And because the CRI program emphasizes active ownership, screens are limited to activities that so violate participants’ core religious values — such as aggressive militarism, violations of life ethics, and the production of tobacco and pornography — that they refuse to profit from them.

At March 31, 2014, 32 companies were restricted from the CUIT Core Equity Index Fund; the restricted group was dominated by the healthcare sector (53% of the total), followed by aerospace and defense (34%), and tobacco (13%). Only 19 companies, about 1% of the Russell 2000, were restricted from the CUIT Small-Capitalization Equity Index Fund at March 31, 2014.

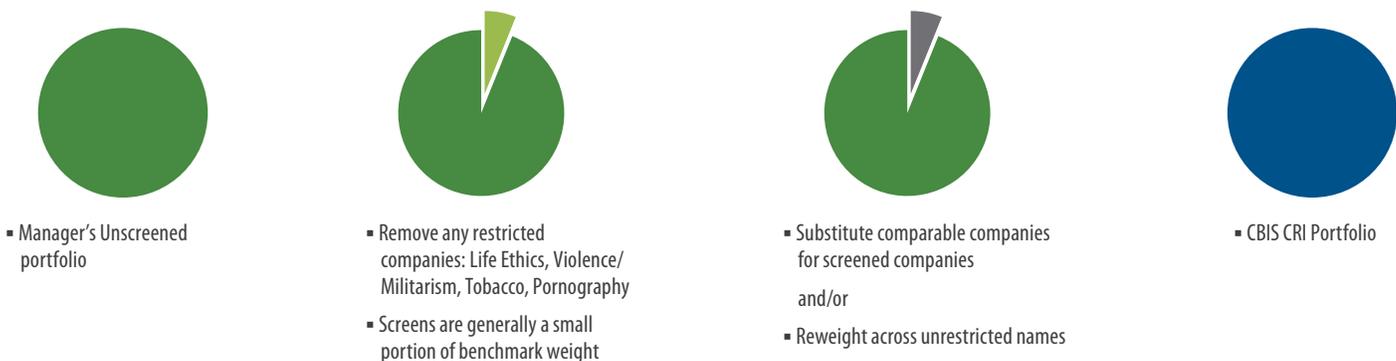
**PORTFOLIO CONSTRUCTION**

Both Funds are managed by RhumbLine Advisers, a Boston-based institutional investment firm specializing in indexed portfolios and sole manager of the CUIT Core Equity Index Fund for almost 20 years, since the Fund’s January 1995 inception. RhumbLine uses the same investment process in each CBIS portfolio as it does in its comparable unscreened index programs. The only difference is the absence of screened companies. Capital that would have been allocated to screened companies is invested across unrestricted companies in a way that best replicates the benchmarks’ overall characteristics.

The CUIT Core Equity Index Fund holds the unscreened 468 stocks at their index weight or slightly higher (overweighting select companies to best approximate the S&P 500’s overall quantitative characteristics for the Fund as a whole).

The CUIT Small-Capitalization Equity Index Fund holds the vast majority of stocks in the Russell 2000 at their index weights. In addition to the benchmark’s 19 screened names, the Fund does not hold a handful of very small companies, where trading costs outweigh tracking benefits.

**CBIS INDEX FUND — PORTFOLIO CONSTRUCTION PROCESS**



## CRI IMPACT ON PERFORMANCE

Each quarter, CBIS reports on the impact that our stock screens have on the performance of all equity funds. We define this as the difference between our Fund's gross-of-fee return and that of our sub-advisers' equivalent unscreened portfolios, eliminating the performance impact created by the investment processes independent of our screens and the impact of fees. Due to legal restrictions, we can only share this information upon request, but we invite inquiries.

Following is net-of-fee performance from inception of the Class B shares in each of the two index Funds. The close tracking of each benchmark is especially noteworthy as fears that screens will have a large impact on return is often a key stumbling block for finance committee members considering an CRI allocation.

### CUIT CORE EQUITY INDEX FUND

Class B (March 200-March 2014)	4.22
S&P 500	4.23

### CUIT SMALL-CAPITALIZATION EQUITY INDEX FUND

Class B (January 2007-March 2014)	6.86
S&P 500	7.11

*Note: CUIT Core Equity Index Fund Class A shares are available with no minimum investment and a 0.38% investment management fee; the Class B share minimum investment is \$3 million and the fee is 0.18%. CUIT Small-Capitalization Equity Index Fund Class A shares are available with no minimum investment and a 0.55% fee; the Class B share minimum investment is \$3 million and the fee is 0.25%.*

## INTEGRATING FAITH AND FINANCE

CBIS Index Funds offer Catholic organizations the ability to invest in robust CRI portfolios that reflect the values of their faith without compromising investment returns. Fund investors also experience tremendous satisfaction from witnessing the real-world impact of CBIS' active ownership initiatives on corporate business practices — what we refer to as the “social return” of the CRI program. The two Funds also offer highly competitive fees.

## 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.*