

► FUND BRIEF

CUIT International Equity Fund

Q4 2017

Manager's Analysis & Commentary



Catholic
Responsible
Investing

MARKET OVERVIEW

In the United States, 2017 ended on a strong note and with themes that have persisted for several quarters: equities performed well across the globe, and large growth stocks dominated value and small cap – trends that remain headwinds for active managers trying to outperform passive indexes. Equity returns exceeded expectations across the board over the past 12 months. A weaker U.S. dollar boosted non-U.S. stock performance for American investors, and local currency returns were competitive with U.S. markets.

The MSCI All Country ex-U.S. benchmark index for CUIT International Equity Fund advanced 27.8% in 2017 led by returns averaging more than 50% in the information technology sector. Materials gained nearly 33% and four other major sectors realized gains in the mid to high 20% range. The average returns among stocks in developed countries was around 25% – and in emerging economies the gains were above 37%. In a trend common to both the U.S. and international markets, energy, telecom, and utility stocks were among the weaker performing sectors in the broad indexes.

QUARTERLY REVIEW

The CUIT International Equity Fund returned 5.49% (Class B, 5.61%) in the fourth quarter versus the 5.06% for the MSCI All Country World ex U.S. Index. Returns were fairly evenly distributed among the major sectors, with materials leading the way at 8.5% for the quarter. But seven other sectors comprising more than 75% of the index market cap each had returns of 4.5% or better during the final three months of the year. The quarterly excess return was generated almost entirely by strong stock selection results within the information technology and industrials sectors. The stock selection results across the other nine major sector groupings were close to zero both on the positive and negative side. From an allocation perspective, the fund benefitted

slightly from being overweight in information technology stocks and underweight in utilities – but a good portion of those benefits were offset by the cash drag effects to accommodate fund flows in a continued up market. Among the three sub-advisors, the value oriented manager led performance in the fourth quarter with strong stock selection results in several important sectors to accumulate nearly 200 basis points of excess return.

12-MONTH REVIEW

The CUIT International Equity Fund returned 30.47% (Class B, 31.04%) versus the benchmark index's 27.77% return for the 12 months ended December 31. Each of the three sub-advisors outperformed in 2017, with the value oriented manager exceeding expectations the most as their performance overcame the headwind of growth stocks outperforming value in the broad market internationally, similar to the U.S. domestic experience. At the Fund level, 70% of the excess return came from stock selection within sectors; the remaining 30% came from the by-product of bottom up research allocating additional dollars to the surging information technology sector securities. Modest underweights in the relatively weak performing energy and utilities sectors were also additive over the 12-month period. Stock selection within healthcare also contributed more than 100 basis points in excess return during 2017. Not only did the managers avoid some of the weaker performing pharmaceutical companies (some because of Catholic Responsible InvestingSM restrictions and others by their own discretion), but they also managed to redeploy some assets into other pharma companies, healthcare equipment and service providers suppliers that performed particularly well over the period.

FUND PERFORMANCE

QUARTERLY RETURN	3 MO	1 YR	3 YR	5 YR	10 YR
CUIT International Equity A	5.49	30.47	9.08	8.48	2.12
CUIT International Equity B	5.61	31.04	9.52	8.92	2.53
MSCI ACWI ex-U.S.	5.06	27.77	8.88	8.73	2.59

CALENDAR YEAR RETURN	2017	2016	2015	2014	2013
CUIT International Equity A	30.47	2.35	-2.82	-5.11	22.03
CUIT International Equity B	31.04	2.75	-2.45	-4.72	22.49
MSCI EAFE-Gross Index	27.77	5.01	-3.81	-4.49	23.30

Fund Inception Date: Class A: January 1, 1995; Class B: March 1, 2000

POSITIONING & OUTLOOK

The CUIT International Equity Fund has 359 securities and is managed by three sub-advisors utilizing unique but complementary strategies encompassing a broad range of investible equity securities outside the United States. The Fund's holdings include roughly 77% (in terms of market value) in developed countries and 23% in emerging market economies, in line with the benchmark index. Currently the portfolio characteristics indicate a slight bias toward growth over value with P/E and P/B ratios marginally higher than the index, and a 2.1% dividend yield that is below the 2.7% comparable number for the benchmark. While two of the sub-advisors utilize both quantitative and qualitative analytical tools to select securities and construct portfolios (the third relies exclusively on fundamental proprietary research for stock selection), the Fund's overall sector allocation positioning is driven primarily by the composite fundamental market and security research of the three managers. Thus it is not surprising

that the resulting combined Fund typically has some significant sector allocation bets as it does now with overweights in information technology (+5.6%), industrials (+3.6%), and consumer discretionary (+3.6%), and an underweight in financials (-6.6%). Similar sector allocation trends were noted in recent quarters, and the sub-advisors indicate that no significant shifts are likely in the near term. The CUIT International Equity Fund is constrained to a maximum of 30% in emerging markets countries. Currently at 23%, this weight is very close to the benchmark index and has been for more than two years, since the Fund was restructured to add WCM as a third sub-advisor. The fund is currently overweight by about 3% in United Kingdom domiciled companies and underweight by 4% in Japan.

Sub-Advisers: Causeway Capital (Since 2/1/05), Principal Global Investors (Since 5/18/07), WCM (Since 9/23/15)

Important Information

Benchmark Index: The Fund's benchmark was changed to MSCI All Country World Index (ACWI) ex-U.S. effective June 1, 2015. For periods prior to June 1, 2015, the applicable benchmark was the Morgan Stanley Capital International Europe, Australia and the Far East Index ("EAFE"). 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.

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.