

▶ CATHOLIC RESPONSIBLE INVESTING

# An Effective Screening Strategy

Beyond earning competitive returns, investors should care about how those returns are achieved. For Catholics, that means avoiding investments in business activities that fundamentally contradict Church teachings. The most effective way to exclude unsuitable companies from investment consideration is through a systematic screening process.

The CBIS approach to screening — **Catholic Responsible Investing<sup>SM</sup> (CRI)** — has been designed to prudently apply Church beliefs and values to portfolio management.

*“Catholic Investment Screens should be the core component of a multi-strategy approach to investment management for any Catholic investor.”*

—JOHN GEISSINGER  
Chief Investment Officer, CBIS



## ASSESSING POTENTIAL INVESTMENTS

CBIS views detailed issue-specific criteria with analysis of third-party data and CBIS research through the lens of the firm’s core screening concepts, specifically:

- ✦ **Catholic teachings and moral theology.**
- ✦ **United States Conference of Catholic Bishops (USCCB) Guidelines on socially responsible investing.**
- ✦ **The consensus views of Catholic institutional investors.**

Informed by that perspective, the CRI process can then:

- ✦ **Actively engage with companies regarding how they conduct their business.**
- ✦ **Screen out companies based upon what they do.**



The CRI process addresses **FIVE** categories:

### **01** **LIFE ETHICS**

Screen excludes businesses that deal in contraceptive drugs and devices, human embryonic stem cell research, fetal tissue research, or human cloning, and healthcare facilities that perform abortions.

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### **02** **VIOLENCE**

Seeks to identify and exclude large weapons manufacturers based on the amount of revenue a company earns from nuclear weapons, conventional weapons, support systems for weapons and support services, and revenues dependent on weapons production.

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### **03** **ADULT ENTERTAINMENT**

This screen identifies and excludes companies that earn 10% or more of their revenue from pornographic products or pornographic services.

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### **04** **HARMFUL PRODUCTS**

This screen restricts manufacturers of tobacco products and companies that process or trade tobacco, the production of recreational cannabis, or from gambling operations.

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### **05** **TARGETED FOSSIL FUELS**

This screen seeks to exclude companies that have the highest impact on carbon emissions, and those companies CBIS believes will be unable to adapt their business model and be part of the solution to climate change.

Screens listed above are examples.



## MONITORING FOR ADHERENCE

CBIS regularly monitors companies' adherence to its screens, recognizing that the set of excluded companies will change over a normal course of business. In addition to contacting companies directly, **CBIS employs a three-tier process to verify compliance:**

**01** An updated restricted company list is produced each quarter.

**02** Portfolio holdings are audited daily.

**03** Trades in restricted securities are put on hold and are typically reversed before settlement.



## ACHIEVING SATISFACTORY RETURNS WHILE PROMOTING CATHOLIC VALUES

Over the long term, the CBIS investment screening process has a solid history of avoiding companies whose activities violate Church teachings. Just as importantly, perhaps, the CRI approach has had little material impact on investment returns.

“ Screening may cause portfolios to under-perform or over-perform in a given period, but over a complete market cycle, the positive or negative impact has historically been very small. ”

—JOHN GEISSINGER  
Chief Investment Officer, CBIS

► **Bottom line:** It is possible to confidently avoid investing in companies in fundamental conflict with Catholic beliefs and still earn competitive returns.

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