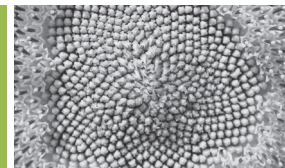


► UNIFY FAITH & FINANCE AND ADVANCE YOUR MISSION

# CBIS & Catholic Responsible Investing

## Summary

*Leaders of Catholic institutions believe in the importance of mission. The organizations they lead inspire people to create a world that protects and promotes the God-given dignity and worth of every person. The services they provide, including pastoral guidance, education, healthcare, and charitable services rely in part on financial resources. Ensuring those resources are invested wisely is a critical component of pursuing their mission and achieving their goals.*



Catholic  
Responsible  
Investing



Catholic institutions have the opportunity to align their investments with their missions not only to produce returns to fund their good works, but to reflect in the investments themselves the ethical and social beliefs of the Church. The fact is, people connected with Catholic organizations, from staff, trustees, or donors, to the people they serve — students, patients, parishioners, or those in need — want those institutions they are part of to passionately embrace Catholic beliefs in every way possible.

In recent years, many religious and secular organizations have chosen to practice socially responsible investing (SRI), that is, selecting investments based not merely on their potential financial return, but also on how well they align with the organization's beliefs.

*"From everyone who has been given much, much will be required; and to whom they entrusted much, of him they will ask all the more." (LUKE 12:48)*

This is an important and appropriate step for many mission-driven organizations. However, Catholic institutions have an opportunity — and a responsibility — to aim even higher.

**WHAT IS CATHOLIC RESPONSIBLE INVESTING?**

Catholic Responsible Investing (CRI) is an investment strategy designed specifically to help Catholic institutions pursue their missions by providing sound financial returns while remaining faithful to the teachings of the Church. Specifically, CRI includes:

- ▶ Catholic Investment Screening
- ▶ Active Ownership
- ▶ Diversified Asset Management

Catholic Responsible Investing extends a faith-based mission to encompass the management of an investment portfolio — allowing the two to work in harmony. Too often, investments are viewed separately from the rest of the organization, solely as a means of funding activities. CRI is a powerful management process that allows an organization to express its Catholic beliefs through its investments and thereby advance its mission. A socially responsible investing program can best be evaluated in two ways:

1) portfolio performance (financial return) and 2) the ability to generate ethical and social returns. By targeting both financial return and social return, CRI helps fiduciaries establish a broad vision for an organization’s mission and demonstrate that all aspects of the organization can be integrated into it.

**SEVERAL FACTORS FEED INTO THE DEVELOPMENT OF OUR CRI STRATEGY:**

**1) Church Teaching – Catholic ethical and social teaching is the basis of all of our work. The following Catholic principles guide our strategy:**

*a. Human Dignity*

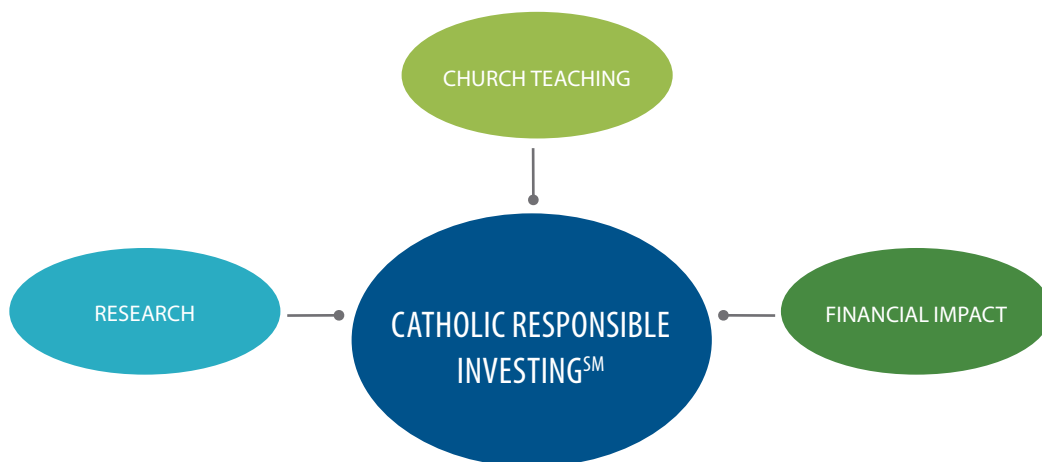
Dignity is the state of being worthy and honored. Human dignity is a gift from God; humans having been created in God’s image and likeness. Dignity is equal in every person before God; therefore, it is equal in all people before one another. This is the foundation for all social teachings of the Church and the basis for all human rights. Human rights are defended in order to protect the dignity of the human person. To only defend some human rights or the rights of some people would be a crime against the nature of who we are, created and instilled by God. Abortion, contraception, human trafficking, pornography, and violence are all violations of the universal, inviolable, and inalienable rights set forth in Pope John Paul II’s encyclical *Centesimus Annus*.

*b. Economic Justice*

The moral measure of any economy is how the weakest are faring. Economic justice entails guarding the rights of all to share in the earthly goods required to fulfill their human potential within the limits of the common good. Success is determined not by the sum total of wealth, but on the just allocation of wealth and goods with special attention for the needs of the poor and vulnerable. This includes issues such as worker’s rights (e.g. safe working conditions, fair wages);

**CRI STRATEGY DEVELOPMENT PROCESS**

*Several factors feed into the development of our CRI strategy: Church teaching is the basis of all of our work. We conduct a broad range of research, analysis and outreach activities, and we consider the financial impact of our efforts.*



access to material goods including food, medicine, and shelter; and non-discrimination. Additionally, a business’s duty is not solely to maximize profits but also to seek to contribute to the common good and to do so via moral means. (For example, a company that produces landmines that commits to improving safety standards at its factories is employing moral means, but not for a noble purpose; conversely, a company seeking a cure for cancer using human embryonic stem cells is pursuing a noble purpose but not via moral means.)

**PRINCIPLES UNDERLYING CBIS’ APPROACH TO CRI**

HUMAN DIGNITY	ECONOMIC JUSTICE	ENVIRONMENTAL STEWARDSHIP
Human beings are created in God’s image; human life is sacred, and the dignity of all must be protected	The moral measure of any economy is how the weakest are faring; a fundamental concern for investors and corporate executives must be the impact of their actions on the well being of people, particularly the poor and vulnerable	We are stewards of God’s creation; it is our responsibility to nurture, respect, preserve, and protect the planet as a resource for all, including future generations

**c. Environmental Stewardship**

The environment is a gift given to us by God. God entrusts humans with dominion over the earth and charges them to cultivate and care for it. The Church teaches us that the environment is neither a mere object to be manipulated and exploited nor is it to be absolutized or elevated above human dignity. Furthermore, just as the environment is inherited from past generations, so too it is passed along to future generations. In order to respect the dignity present equally in all persons, we must not focus solely on immediate needs but also on those of future generations. Therefore, issues such as water sustainability, climate, pollution, and deforestation are all integral to our role as faithful stewards of the environment.

**2) Research – we conduct a broad range of research, analysis and outreach activities based on:**

- a. *Third party resources – including in-depth reviews of corporations and their activities.*
- b. *Surveys and discussions with Catholic organizations – we incorporate the consensus views of our participants. Their preferences and priorities help direct how we develop investment screens and on what issues we focus our active ownership work.*
- c. *Engagement with boards and corporate management — we engage with companies in our portfolio, providing both a business case and ethical imperative for our concerns and suggest ways the company can address them.*
- d. *Outreach to the SRI Network – we consider as input the activities and emerging issues being addressed by the socially responsible investing community globally; we seek to influence their agendas, collaborate on common issues and share best practices.*

**3) Financial Impact – we assess and monitor the potential impact on investment performance for both our screening and active ownership efforts:**

With screening, before adding or modifying our screens, we conduct back-testing and discuss investment strategies with our sub-advisors; with active ownership, we consider the potential impact on corporate responsibility and shareholder value when planning our efforts. A negative impact on returns does not preclude CBIS from screening out particular companies or sectors or from pushing companies to adopt more responsible policies. Examining the possible range of impact enables CBIS to make better-informed decisions.

**IN KEEPING WITH CATHOLIC TEACHINGS AND BELIEFS**

In a world that surely needs moral leadership at least as much as financial expertise, the Catholic Church has provided guidance for institutions and individuals about investments within the context of broader societal issues. Investment strategies can be aimed at avoiding harm, raising corporate awareness and cooperation, and promoting the common good

through corporate policies and community development. Catholic organizations are called on to become more involved in monitoring the behavior of companies on an ongoing basis and taking action when warranted.

*“Individual Christians who are shareholders and those responsible within church institutions that own stocks in U.S. corporations must see to it that the invested funds are used responsibly. Although it is a moral and legal fiduciary responsibility of the trustees to ensure an adequate return on investment for the support of the work of the church, their stewardship embraces broader moral concerns. As part owners, they must cooperate in shaping the policies of those companies through dialogue with management, through votes at corporate meetings, through the introduction of resolutions and through participation in investment decisions.”*

*ECONOMIC JUSTICE FOR ALL, 354, 1986.*

It is a core principle of Catholic social teaching that the economy exists for the person, and not the person for the economy. In his first Apostolic Exhortation, *Evangelii Gaudium (The Joy of the Gospel)*, Pope Francis included comments on economic realities and social imperatives:

*“[There is] a profound human crisis: the denial of the primacy of the human person! We have created new idols. The worship of the ancient golden calf (cf. Ex 32:1-35) has returned in a new and ruthless guise in the idolatry of money and the dictatorship of an impersonal economy lacking a truly human purpose.”*

The Pope observed that there is “an economy of exclusion and inequality” where the focus on profits overshadows concerns about the marginalized and the downtrodden. This underscores the need for Catholic institutions to have a broad view of investing that considers how investments are made, investment returns, and the impact of those investments on the common good.

## CBIS' APPROACH TO CATHOLIC RESPONSIBLE INVESTING

Leveraging our CRI strategy, the three components of CBIS' Catholic Responsible Investing program blend core Church teaching with a disciplined, diversified investment process aimed at delivering competitive, risk-adjusted returns over time.

### 1) Catholic Investment Screening

*Catholic Investment Screening* helps Catholic institutions avoid benefiting from company activities that violate Church teachings.

CBIS recognizes the priority concerns of Catholic institutions and applies a detailed understanding of Catholic moral theology to identify products and activities that cause companies to be excluded from investment portfolios.

These are:

- ▶ Activities that violate Catholic life ethics including abortion, contraception, and embryonic stem cell research
- ▶ The production of pornographic materials
- ▶ The production of landmines or firearms
- ▶ The production of nuclear or conventional weapons
- ▶ The production of cigarettes and other tobacco products

We conduct in-depth reviews of companies' activities to determine their suitability for Catholic investors. Our evaluation leverages a bottom-up approach — our team uses third-party and original research spanning all global markets to monitor companies' products and services.

The screening process is dynamic and involves constant monitoring. The universe of all developed and emerging market publicly traded companies is evaluated on an ongoing basis. Only those companies that pass our Catholic investment screens are eligible for investment by our managers. We audit compliance with our screens on a daily basis.

CBIS' approach to Catholic screening sets us apart in our ability to help ensure the integrity of Catholic institutions' investments.

INVESTMENT SCREENING OVERLAY



2) Active Ownership

Truly responsible investing is more than screens alone - in keeping with Catholic teaching, we take an active approach to ownership, working on behalf of investors to encourage companies to improve their policies and practices. We believe that shareholder advocacy is an essential aspect of our fiduciary duty and can help employees, local communities, and the environment, and can potentially reduce investment risk and improve shareholder value. In addition to filing shareholder resolutions and voting proxies, we engage in long-term dialogue with companies to advise them and hold them accountable as responsible corporate citizens whose activities have global impacts.

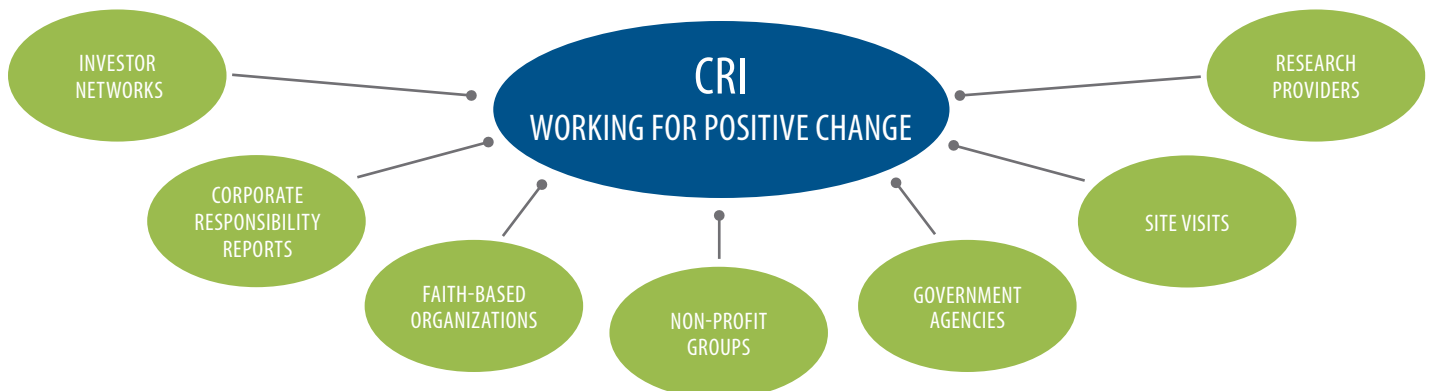
We work with dozens of companies on a variety of issues that are crucial to Catholic investors. These issues build on those we cover through our screening process.

We evaluate company actions and commitments, plus monitor their environmental and social performance through:

- ▶ Leveraging expertise from environmental and human rights organizations
- ▶ Analyzing investment research and corporate social responsibility reports
- ▶ Consulting with thought-leaders in Catholic social teaching worldwide
- ▶ Conducting site visits of corporate operations for on-the-ground assessment
- ▶ Discussions with national and international SRI firms, pension funds and faith-based investor groups

CBIS ACTIVE OWNERSHIP PROGRAM INPUTS

*CBIS leverages numerous inputs in crafting its dynamic, ongoing active ownership program. The overall goal is long-term, positive change in the performance of companies in our portfolios; we seek to bring about systemic change that improves the lives of communities and individuals, particularly the poor.*



- ▶ Reports by non-profit organizations, community groups and consumer watchdog groups
- ▶ Interaction with industry trade associations
- ▶ Outreach to government agencies

All of these inputs are used to assess corporate performance on all of our key issues. We look for companies to demonstrate that they are implementing policies that reflect Church teaching and that such policies are thorough and substantive. We ask companies to provide detail as to the steps they are taking, the priorities they have established, the accountability mechanisms that have been developed, and the benchmarks and metrics they have created to evaluate their performance.

*"All economic life should be shaped by moral principles. Economic choices and institutions must be judged by how they protect or undermine the life and dignity of the human person, support the family and serve the common good."*

SOURCE: USCCB SOCIALLY RESPONSIBLE INVESTING GUIDELINES, 2003.

We believe Active Ownership is the most effective way to raise awareness and change perceptions in the management suites and boardrooms of national and multinational companies. This in turn can help change corporate behavior so that companies support human dignity, contribute to the preservation of God's creation and to the common good.

### 3) Diversified Asset Management

At CBIS, we take a manager of managers approach to deliver a broadly diversified and disciplined set of portfolios for Catholic investors. We hire institutional asset managers and ensure their strategies are compatible with our Catholic investment screens. We offer a variety of options to access our strategies, including institutional pooled funds and separate accounts, with investments in equity, fixed income, and alternatives. By pooling our participants' investment assets, we are able to work with top managers and achieve economies of scale. Through ongoing monitoring, we oversee our asset managers' choices to ensure they achieve both competitive financial returns and continue to support investors' Catholic beliefs. We believe and have demonstrated that it's possible to invest in accordance with Catholic values and earn competitive returns.

#### CBIS CAN HELP CATHOLIC INSTITUTIONS MATCH THEIR MISSION WITH MORAL INVESTMENT CHOICES.

CBIS was created to offer Catholic institutions a way to meet their financial needs in a uniquely Catholic way. For more than 30 years, leaders of Catholic institutions have relied on CBIS and Catholic Responsible Investing to help them choose investments based on the moral imperatives that guide the Catholic faith — life, dignity, family, and the common good — and produce competitive, risk-adjusted investment performance over time. Creating and maintaining a competent socially responsible investment initiative is a complicated process. CRI offers a comprehensive approach that combines Church teaching, research and an assessment of financial impact to help fulfill the needs of Catholic organizations.

By incorporating their faith into their investment strategy, Catholic institutions are able to pursue their mission more broadly and increase the positive impacts they have on people's lives.

### 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. This is for informational purposes only and does not constitute an offer to sell any investment. The Funds are not available for sale in all jurisdictions. Where available for sale, an offer will only be made through the prospectus for the Funds, and the Funds may only be sold in compliance with all applicable country and local laws and regulations.*