



CATHOLIC VALUES 100 First Quarter 2007 Results

Volatility returned to the stock market during the first quarter of 2007. Following a strong start for the year, the markets reversed course as the S&P 500 declined 3.5% on February 26. The decline was in response to the sharp drop that occurred for the Chinese stock market the night before, concerns over high risk mortgage loans and concerns over U.S. economic conditions. Fast forward to the end of the quarter and we find the Chinese market at new all-time highs, the worst of the home mortgage fiasco likely behind us and a U.S. economy not on the brink of a recession.

FIRST QUARTER RETURNS

	Growth	Value	Overall
Russell 1000	1.19%	1.24%	1.21%
Russell MidCap	3.96%	4.86%	4.38%
Russell 2000	2.48%	1.46%	1.95%
Russell 3000	1.29%	1.26%	1.28%

Dissecting the quarter we find that **Mid-Cap stocks were the clear leaders during the period** followed by Small-Caps and then Large-Cap issues. Overall, growth stocks slightly outperformed value stocks for the period and the advantage was most evident in the small-cap space. From an industry/sector perspective, Basic Materials was the top performer at +9.3%, followed by Utility stocks (+8.7%) and Telecommunications (+5.5%).

Our CATHOLIC VALUES 100 portfolio gained 2.8% for the period, ahead of both the S&P 500 (+0.64%) and the Russell 1000 (+1.22%). A large part of the increase came from outsized gains achieved by basic material and industrial stocks invested in the portfolio. On the other hand, an overweight position in the financial service sector detracted from the portfolios value given the sub-prime lending/banking uncertainties of the period.

Looking into the balance of 2007, we continue to believe the biggest potential threats to the securities markets are unrest in the Middle East and if Congress legislates income tax increases. The combination of much higher energy prices and almost any increase in tax rates could put the economy dangerously close to a recession.



While we are not forecasting a recession, we believe the lingering threat of tax increases may not provide for a very good investment environment. Nonetheless, of today's higher energy prices has made it economical to invest in much needed alternative energy projects. We believe the stock market will continue to move higher the remainder of the year and that industrial, basic materials, technology, and growth stocks in general will lead the way.

SUMMIT'S CATHOLIC VALUES ADVOCACY PHILOSOPHY

Picketing and verbal showdowns will seldom produce positive change in the corporate boardrooms of America. Eliminating ownership of a particular stock will not accomplish change because a corporation's primary accountability is to its shareholders rather than to its community. Corporate executives are more concerned with the next quarter's earnings projection by financial analysis than with meeting family values. So how do you get the attention of a corporate board, obtain improvement in the quality of life, and still have opportunities to earn a fair return on your investment dollars?

Our affiliate, Aquinas Associates identifies companies using social screens where they see the opportunity to accomplish positive value changes. We recognize that investors do not want to participate in ownership of companies that could bring scandal because of ownership. At the same time, ownership with an active program *having a reasonable chance to change the company and eliminate the issue is the best of all situations*. Therefore, Aquinas Associates works on companies with issues when there is an opportunity to change the company and eliminate the objectionable activity. Where possible, they combine business reasons along with ethical points to help corporations justify requested change(s).

On the other hand, there are some companies that are in a situation where there is no reasonable opportunity to change the company in the near future. Aquinas identifies them for exclusion from portfolios to avoid any scandal that ownership would bring to the investor. Examples would be Playboy which is intrinsically bad and Barr Laboratories which paid almost \$30 million to purchase a small company that makes the "morning after abortion pill". No CEO is going to pay \$30 million and then reverse his decision from any type of advocacy that Aquinas could initiate. Therefore, Barr would be on an exclusion list. It is hard for investors to believe that big companies will change; but, there are so many major companies that have been changed that informed investors understand the added benefit of using the investment portfolio to "Do Good".