



## Catholic Values 100 Fourth Quarter 2006 Results

**A BETTER THAN EXPECTED YEAR** - 2006 turned out to be better than most forecasters had anticipated. The economy did not reverse direction despite a significant tightening of monetary policy and, overall inflation did not accelerate despite the low unemployment rate and despite soaring energy and industrial commodity prices of the past couple of years. Earnings growth outpaced expectations again last year and corporate balance sheets improved substantially. The structural forces of globalization, productivity gains and cheap money provided for higher stock prices around the world.

**U.S. MARKETS LAGGED** - Although the U.S. stock market underperformed compared to majority of foreign countries with established stock markets last year, all broad-based U.S. indexes reported very respectable double-digit gains. The Russell 1000 Index increased 15.46% for the year, strongly influenced by its fourth quarter gain of 6.95%. The S&P 500 reported similar gains of 15.8% and 6.7%, respectively. Taking a closer look at the numbers shows that value stocks significantly outperformed growth stocks across all capitalization categories and that Telecom Services, Consumer Discretionary and Utilities were the top performers for the year.

**SUMMIT CATHOLIC VALUES 100 PORTFOLIO REBOUNDED** – Summit's Catholic Values 100 portfolio rebounded 7.5% during the fourth quarter, compared to the Russell 1000 gain of 6.95%. Approximately 67% of the quarterly gain came from positions in the Financial Services, Information Technology, and Basic Materials Sectors. Performance by Sector returns for the quarter were as follows.

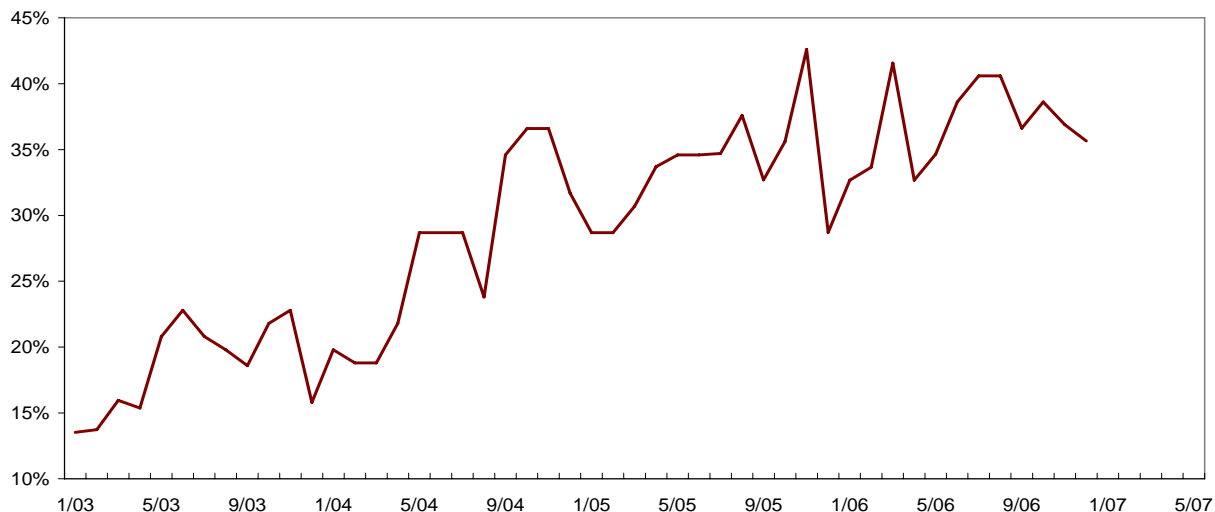
SECTOR	Catholic Values 100	S&P SPDRs
Basic Industry	19.5%	10.1%
Capital Goods/ Industrials	7.8%	5.0%
Information Technology	8.6%	5.7%
Consumer Discretionary	7.4%	10.5%
Healthcare	-0.5%	0.9%
Consumer Staples	6.5%	2.9%
Energy	2.8%	9.7%
Financial Services	7.6%	6.1%
Utilities	--	8.0%
Telecomm Services	14.0%	7.1%



While our underweight positions in Healthcare and Consumer Staples proved to be correct decisions, underweighting the very strong Utility and Telecom areas detracted from fourth quarter returns. Lastly, the increase in volatility of the energy sector made it difficult to capitalize on the apparent gains achieved in that area.

**THE PERIOD AHEAD** – Looking ahead, our quantitative process has been gradually moving the portfolio into more large cap and growth stocks which could be the leaders in the market place for several years to come. Over the near term, the portfolio is overweighting the still strong Basic Materials sector, the recently hit Energy sector and Financial Service stocks which are beneficiaries of a benign inflation environment.

**% Large Cap Allocation  
Held in The Catholic Values 100 Portfolio**



A number of conflicting factors suggest to us that 2007 might be a below trend line year. Heading up our list of concerns are geopolitics, volatile oil prices, the increase in speculative investing, this is the fifth longest bull market on record and this is the longest bull market to occur without a correction of 10% or more. On the positive side of the ledger we have relatively benign inflation, good economic growth, ample liquidity, reasonable equity valuations and Central Banks throughout most of the free world not eager to tighten credit conditions. The market is not in danger of experiencing a significant correction, in our opinion, so long as Congress does not aggressively alter tax rates or promote anti-corporate or protectionist trade policies.



**INVESTMENT RETURNS NET OF FEES**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>4-yr Growth</u>
<b>Catholic Values 100 Returns</b>	11.5%	19.5%	25.8%	37.4%	23.2%
<b>Russell 1000</b>	15.5%	6.3%	11.4%	29.9%	15.4%

**Advocacy Issues Addressed in 2006.** Our advocacy affiliate successfully teamed up with other organizations to initiate a number of positive corporate changes related to issues of importance to Catholic investors. A few of these efforts included the following. In the area of abortions, Wal-Mart and the Walt Disney Company have stopped donations to Planned Parenthood and Coventry Healthcare has declared they will not provide abortions in their basic insurance programs. Efforts and requirements to keep pornographic games from being purchased by teens and children were increased at Target, Best Buy, Circuit City, Toys R Us, Game Stop and Wal-Mart. Verizon and ALLTEL will provide a restricted access functionality to their wireless networks which will provide parents the ability to control access to inappropriate materials. With respect to labor standards and human rights, Wal-Mart is providing a trip to review their suppliers in India in early 2007 and Marriott has agreed to develop a policy to not allow events to occur on their premise to facilitate tours that are focused on providing tourists' access to children for sexual purposes. All of us at Summit were appalled to learn that something like this even existed, and we are proud to have played a small part to help eliminate it.