

# Investment Perspective

FROM BRETHERN FOUNDATION FUNDS

June 2018



Those who use the client portal have the earliest access to monthly statements and the latest issue of *Investment Perspective*.

## MARKETS AND THE ECONOMY

With trade tensions and geopolitical tumult as background, the S&P 500 Index rose 2.4 percent in May. The U.S. unemployment rate dropped to 3.8 percent in May as the labor market got stronger across the board. Rising wages and a pickup in take-home pay drove a 0.3 percent increase in personal income in April, up a healthy 3.8 percent over the past 12 months. On the spending side, personal consumption increased 0.6 percent in April, up 4.7 percent in the past year. The second reading for first quarter GDP growth was revised slightly to a 2.2 percent annual rate from a prior estimate of 2.3 percent. Largest downward revision was slower growth in inventories. Largest upward revision was for business investment. Rising gasoline prices and increased costs for housing pushed the consumer price index to rise 0.4 percent in April; the index is up 2.5 percent from a year ago. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, rose 0.7 percent in May.

Economic growth across the eurozone increased at an annualized rate of 1.7 percent in the first quarter, down from an annualized rate of 2.7 percent in the fourth quarter of last year. Unseasonably cold weather and strikes weighed on GDP growth. Unemployment in the eurozone was stable in March at 8.5 percent, unchanged from February. The unemployment rate in the United Kingdom declined to 4.2 percent in the first quarter, down from 4.3 percent during the prior three months. Driven by weak consumer spending and business investment, Japan's economy contracted at an annualized rate of 0.6 percent during the first quarter, a reversal of 0.6 percent annualized growth during the previous quarter. India's economy grew 7.7 percent during the first quarter over the prior year's period; broad-based strengthening was led by construction, government spending, and manufacturing. Canada's GDP rebounded in February, advancing 0.4 percent during the month, after contracting 0.1 percent in January, with strong contributions from oil and gas extraction. International equities, as measured by the MSCI EAFE Index, declined 2.2 percent in May.

## BRETHERN FOUNDATION FUNDS REMINDERS

**Is your list of authorized individuals up to date?** Regularly check the list of individuals authorized by your organization or congregation to receive information from or conduct business with BFFI, and update it as needed. BFFI recommends that at least two individuals be authorized on each account. Keeping this list current will minimize delays with transactions while paperwork is updated and reduce the opportunity for unauthorized transactions.

**Does BFFI have your email address?** BFFI maintains a directory of email addresses for the primary contacts of organizational clients, so that organizations can be quickly contacted when the need arises. If you are the primary contact, please notify BFFI promptly when any email address changes occur.

**Have you registered for online account access?** BFFI recommends that clients use the client portal, which offers online access to account information. Those who use the client portal have the earliest access to monthly statements and the latest issue of *Investment Perspective*. With proper authorization, online users can initiate transactions electronically, review account activity and performance data for their accounts, generate reports for custom date ranges, and export data in spreadsheet or PDF format.

**Are you using the latest BFFI forms?** Anyone not using the client portal should use the latest BFFI forms, which are available for download on the BFFI website page at [cobbt.org/asset-management-forms](http://cobbt.org/asset-management-forms). These downloaded forms may be completed on the screen and saved to your computer. Print or electronic copies are also available upon request. Please use only the latest versions.

**Who should you contact for assistance?** Please contact Steve Lipinski, manager of Brethren Foundation Operations, at 847-622-3377 or [slipinski@cobbt.org](mailto:slipinski@cobbt.org) for assistance with items listed above.



Please contact Steve Mason, director of Brethren Foundation, with questions or comments.

# Fund Performance Report

for the period ending May 31, 2018



All periods longer than one year are annualized.

Funds (Net of Investment Fees) Benchmarks (Gross)	Current Month	Three Months	Year-to- Date	Three Years	Five Years	Ten Years
<b>SHORT-TERM</b>						
<b>Short-Term Fund</b>	0.1%	0.3%	0.5%	0.6%	0.5%	1.0%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> <sup>1</sup>	0.2%	0.5%	0.6%	0.8%	0.5%	0.4%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund</b> <sup>2</sup>	0.1%	0.4%	0.7%	1.6%	1.7%	2.2%
<i>No Benchmark</i>	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	0.8%	0.5%	(1.7)%	1.6%	2.1%	4.3%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	0.7%	0.5%	(1.7)%	1.5%	2.0%	3.8%
<b>Bond Fund</b>	0.8%	0.4%	(1.7)%	1.9%	2.2%	4.5%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	0.7%	0.5%	(1.7)%	1.5%	2.0%	3.8%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>3</sup>	0.5%	1.2%	(0.5)%	2.1%	0.8%	—
<i>Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index</i>	0.4%	1.4%	(0.4)%	1.5%	0.9%	—
<b>Bank Loans Fund</b> <sup>3</sup>	0.1%	1.1%	2.2%	—	—	—
<i>S&amp;P/LSTA U.S. Leveraged Loan 100 Index</i>	0.0%	0.7%	1.8%	—	—	—
<b>High Yield Bond Fund</b> <sup>3</sup>	0.0%	(0.3)%	(0.8)%	4.6%	4.9%	—
<i>Bloomberg Barclays U.S. Corporate High Yield Bond Index</i>	0.0%	0.0%	(0.2)%	4.9%	4.9%	—
<b>Global Aggregate Fixed Income Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
<i>Bloomberg Barclays Global Aggregate Index</i>	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Large Cap Core Fund</b>	2.0%	(0.7)%	(0.6)%	4.0%	6.4%	4.8%
<i>S&amp;P 500 Index</i>	2.4%	0.2%	2.0%	11.0%	13.0%	9.1%
<b>Domestic Stock Large Cap Core Index Fund</b> <sup>5</sup>	2.4%	0.3%	1.9%	—	—	—
<i>S&amp;P 500 Index</i>	2.4%	0.2%	2.0%	—	—	—
<b>Domestic Stock Mid Cap Fund</b>	2.8%	(0.4)%	(0.7)%	3.8%	10.1%	—
<i>Russell Midcap Index</i>	2.3%	2.2%	1.6%	8.6%	11.8%	—
<b>Domestic Stock Growth Fund</b>	3.7%	2.0%	5.4%	9.3%	11.9%	—
<i>Russell 1000 Growth Index</i>	4.4%	1.9%	6.2%	13.9%	15.7%	—
<b>Domestic Stock Fund</b>	2.9%	0.5%	1.8%	6.3%	9.8%	7.8%
<i>S&amp;P 500 Index</i>	2.4%	0.2%	2.0%	11.0%	13.0%	9.1%
<b>Small Cap Fund</b>	6.7%	8.2%	11.9%	21.2%	17.6%	14.1%
<i>Russell 2000 Index</i>	6.1%	8.4%	6.9%	11.0%	12.2%	9.6%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	(1.2)%	(1.5)%	(0.1)%	4.5%	5.3%	2.5%
<i>MSCI EAFE Index</i>	(2.2)%	(1.8)%	(1.5)%	4.3%	5.9%	2.1%
<b>Emerging Markets Stock Fund</b> <sup>3</sup>	(3.8)%	(6.1)%	(0.9)%	6.8%	3.7%	—
<i>MSCI Emerging Markets Index</i>	(3.5)%	(5.8)%	(2.6)%	6.2%	4.5%	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund</b> <sup>3</sup>	1.7%	3.2%	3.1%	(2.9)%	(8.1)%	—
<i>Bloomberg Commodity Total Return Index</i>	1.4%	3.4%	3.6%	(2.8)%	(6.6)%	—
<b>Public Real Estate Fund</b> <sup>3</sup>	0.7%	3.8%	(2.2)%	1.6%	3.5%	—
<i>S&amp;P Developed Property Index</i>	1.5%	5.8%	(1.1)%	5.1%	6.5%	—
<b>Multi-Strategy Hedge Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
<i>60% S&amp;P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
<b>Global Inflation Protection Fund</b> <sup>3</sup>	(1.1)%	(0.9)%	(0.6)%	5.5%	—	—
<i>Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%</i>	0.5%	1.5%	0.6%	3.2%	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	2.1%	0.4%	0.4%	4.6%	6.9%	6.8%
<i>Blended Balanced Index</i> <sup>6</sup>	1.7%	0.3%	0.6%	7.2%	8.6%	7.3%
<b>TACTICAL FUNDS (additional fees apply)</b>						
<b>Conservative Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
<i>Blended Conservative Index</i>	—	—	—	—	—	—
<b>Income Fund</b> <sup>3</sup>	0.5%	0.0%	(0.6)%	3.4%	—	—
<i>Blended Income Index</i>	0.5%	0.0%	(1.0)%	3.7%	—	—
<b>BVI Income Fund</b> <sup>4</sup>	0.7%	(0.1)%	(1.0)%	—	—	—
<i>Blended SRI Income Index</i>	0.5%	(0.1)%	(0.9)%	—	—	—
<b>Income &amp; Growth Fund</b> <sup>3</sup>	0.4%	(0.5)%	0.2%	5.1%	—	—
<i>Blended Income &amp; Growth Index</i>	0.4%	(0.3)%	(0.5)%	5.1%	—	—
<b>BVI Income &amp; Growth Fund</b>	1.2%	0.2%	0.0%	4.8%	—	—
<i>Blended SRI Income &amp; Growth Index</i>	0.4%	(0.4)%	(0.6)%	4.9%	—	—
<b>Growth Fund</b> <sup>3</sup>	0.3%	(0.7)%	0.5%	5.7%	—	—
<i>Blended Growth Index</i>	0.3%	(0.5)%	(0.3)%	5.7%	—	—
<b>BVI Growth Fund</b>	1.2%	0.3%	0.7%	5.7%	—	—
<i>Blended SRI Growth Index</i>	0.3%	(0.6)%	(0.4)%	5.8%	—	—
<b>Aggressive Growth Fund</b> <sup>3</sup>	0.3%	(0.7)%	0.8%	5.9%	—	—
<i>Blended Aggressive Growth Index</i>	0.3%	(0.5)%	(0.1)%	6.3%	—	—
<b>BVI Aggressive Growth Fund</b> <sup>4</sup>	1.2%	0.1%	0.8%	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	0.2%	(0.8)%	(0.1)%	—	—	—
<b>U.S. INFLATION</b>						
<b>Consumer Price Index (April 2018)</b> <sup>7</sup>	0.4%	1.1%	1.6%	1.9%	1.5%	1.6%

<sup>1</sup>Changed May 1, 2009. 10-year blended with 90-day Treasury Bill. <sup>2</sup>CDIF interest accrues on a daily basis. <sup>3</sup>These investment funds may not meet Brethren Values Investing guidelines because they are invested in mutual funds. All other investment funds must meet Brethren Values Investing guidelines. <sup>4</sup>No assets invested in this fund. <sup>5</sup>Expected to match benchmark gross of fees. Typically will not match benchmark net of fees and due to required cash position. <sup>6</sup>Weighted average of the S&P 500 Index (60 percent) and the Bloomberg Barclays U.S. Capital Government/Credit Bond Index (40 percent). <sup>7</sup>Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted.

Performance Report