



Investment Perspective

FROM BRETHERN FOUNDATION FUNDS

AUGUST 2015

MARKETS AND THE ECONOMY

Encouraging earnings reports from the second quarter supported a 2.1 percent increase in the S&P 500 Index in July. Consumer spending also fueled a 2.3 percent annual increase in GDP. The Fed left its benchmark short-term interest rate near zero. While citing solid job gains, it also pointed to factors tamping inflation, which will influence the timing of a rate increase. The sale of existing homes rose 3.2 percent in June from the month prior, buoyed by a stronger employment picture and favorable mortgage rates. Rising demand coupled with limited supply pushed the prices of existing homes up 6.5 percent in June from the same month a year earlier. Sales of new single-family homes dropped 6.8 percent in June compared with May. Consumer price index rose 0.4 percent in June from a month earlier — driven by rent, groceries, and gasoline. The bond market, as measured by the Barclays Capital Government/Credit Index, advanced 0.7 percent.

Recession-fatigued Greeks passed tough new austerity measures, including spending cuts and tax increases, needed to secure a fresh bailout. The unemployment rate in the eurozone stayed at 11.1 percent in June — unchanged from May. Weighed by a drop in oil prices, the eurozone's annual inflation rate was 0.2 percent in July — the same as the previous month and well below the European Central Bank's target of 2 percent. China's second quarter GDP grew 7 percent year over year, unchanged from the first quarter; growth stalled in industrial production, fixed asset investment, and retail sales. A rebound in the services sector along with a jump in oil and gas production drove the UK's second quarter GDP, expanding at a 2.8 percent annualized rate. Inflation in Japan remained unchanged at 0.1 percent in June, driven by a tumble in energy costs. International equities, as measured by the MSCI EAFE Index, increased 2.1 percent in July.

BRETHERN FOUNDATION FUNDS TO ADD INDEX FUND

During its July meeting, the BFFI Board added an index fund to its investment offerings. The domestic stock core index fund will be a large cap core fund with holdings that will match in name and proportion those of the S&P 500 Index, minus the companies that are not in compliance with BFFI's socially responsible investing guidelines.

All other BFFI investment options, except the Community Development Investment Fund, which has no benchmark, carry the expectation that the managers will equal (mutual funds) or exceed (actively managed) their respective benchmarks each year and achieve first-quartile returns in a universe of comparably managed funds over any five-year period. The domestic stock core index fund is different. It will be expected to match its benchmark, the S&P 500 Index, gross of fees, both in terms of performance each year and status, in a universe of comparably managed funds over any five-year period. The primary reason for variance from the performance of the benchmark will be the absence of the companies screened out to comply with BFFI's SRI guidelines.

Index funds reduce volatility relative to benchmarks but give up the opportunity for overperformance as well as the risk of underperformance relative to the benchmark gross of fees. Index funds that are meeting expectations will typically underperform their benchmark net of fees, but the fees are often significantly lower than those for actively managed funds.

Staff has already begun the due diligence process on the domestic stock core index fund, and additional information about the fund will be provided upon launch.

Please contact Steve Mason, director of Brethren Foundation, if you have other questions or comments.

NOTE: *Mailing of August statements may be delayed a bit in September due to Labor Day.*

The domestic stock core index fund will be a large cap core fund whose holdings will match in name and proportion those of the S&P 500 Index, minus the companies that are not in compliance with BFFI's socially responsible investing guidelines.





All periods longer than one year are annualized.

Fund Performance Report

for the period ending July 31, 2015

Funds (Net of Investment Fees) Benchmarks (Gross)	Current Month	Three Months	Year-to-Date	Three Years	Five Years	Ten Years
SHORT-TERM						
Short-Term Fund	0.0%	0.0%	0.2%	0.5%	0.7%	2.0%
Merrill Lynch 6-Month Treasury Bill Index ¹	0.0%	0.0%	0.1%	0.2%	0.2%	1.4%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund²	0.1%	0.4%	1.0%	2.0%	2.1%	2.6%
No Benchmark	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	0.7%	(1.0)%	0.3%	2.0%	3.7%	5.0%
Barclays Capital U.S. Government/Credit Bond Index	0.7%	(0.9)%	0.4%	1.5%	3.4%	4.6%
Bond Fund	0.5%	(1.0)%	0.1%	2.0%	3.7%	5.1%
Barclays Capital U.S. Government/Credit Bond Index	0.7%	(0.9)%	0.4%	1.5%	3.4%	4.6%
Treasury Inflation-Protected Securities Fund³	0.0%	(1.6)%	0.6%	(2.0)%	—	—
Barclays Capital U.S. TIPS Index	0.2%	(1.6)%	0.6%	(1.3)%	—	—
Bank Loans Fund^{3,4}	—	—	—	—	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	—	—	—	—	—	—
High Yield Bond Fund³	(0.4)%	(1.2)%	3.2%	6.5%	7.1%	—
Barclays Capital U.S. Corporate High Yield Bond Index	(0.6)%	(1.8)%	1.9%	5.9%	7.7%	—
Global Aggregate Fixed Income Fund^{3,4}	—	—	—	—	—	—
Barclays Capital Global Aggregate Bond Index	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Core Fund	(2.2)%	(5.9)%	(9.6)%	10.9%	10.2%	5.7%
S&P 500 Index	2.1%	1.4%	3.4%	17.6%	16.2%	7.7%
Domestic Stock Mid Cap Fund	1.0%	1.1%	4.4%	23.5%	—	—
Russell Midcap Index	0.7%	0.1%	3.1%	19.5%	—	—
Domestic Stock Growth Fund	2.0%	4.5%	10.5%	17.2%	—	—
Russell 1000 Growth Index	3.4%	3.0%	7.5%	18.8%	—	—
Domestic Stock Fund	0.2%	(0.2)%	1.4%	17.1%	15.7%	8.4%
S&P 500 Index	2.1%	1.4%	3.4%	17.6%	16.2%	7.7%
Small Cap Fund	0.2%	0.7%	2.6%	15.2%	15.3%	9.6%
Russell 2000 Index	(1.2)%	1.9%	3.5%	17.9%	15.3%	7.6%
INTERNATIONAL EQUITY						
International Stock Core Fund	0.5%	(3.0)%	6.3%	10.1%	7.1%	4.7%
MSCI EAFE Index	2.1%	(1.3)%	7.7%	12.3%	8.0%	5.0%
Emerging Markets Stock Fund³	(7.1)%	(15.8)%	(7.0)%	(0.8)%	(2.7)%	—
MSCI Emerging Markets Index	(6.9)%	(13.0)%	(4.2)%	0.6%	0.6%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund³	(8.4)%	(10.6)%	(12.0)%	(15.9)%	(7.3)%	—
Bloomberg Commodity Total Return Index	(10.6)%	(11.5)%	(12.0)%	(13.9)%	(7.3)%	—
Public Real Estate Fund³	2.7%	(3.9)%	(2.2)%	7.1%	—	—
S&P Developed Property Index	3.0%	(2.4)%	1.4%	10.2%	—	—
Multi-Strategy Hedge Fund^{3,4}	—	—	—	—	—	—
60% S&P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index	—	—	—	—	—	—
Global Inflation Protection Fund	(1.2)%	(4.8)%	0.7%	—	—	—
CPI + 5% ⁵	0.8%	2.3%	3.9%	—	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	0.4%	(0.5)%	1.0%	11.0%	11.0%	7.4%
Blended Balanced Index ⁶	1.5%	0.5%	2.3%	11.0%	11.2%	6.8%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund^{3,4}	—	—	—	—	—	—
Blended Conservative Index	—	—	—	—	—	—
Income Fund³	0.0%	(2.3)%	(0.4)%	—	—	—
Blended Income Index	1.1%	(0.7)%	1.9%	—	—	—
SRI Income Fund⁴	—	—	—	—	—	—
Blended SRI Income Index	—	—	—	—	—	—
Income & Growth Fund³	(0.6)%	(3.3)%	(0.7)%	—	—	—
Blended Income & Growth Index	0.8%	(0.7)%	2.6%	—	—	—
SRI Income & Growth Fund⁴	0.1%	—	—	—	—	—
Blended SRI Income & Growth Index	1.2%	—	—	—	—	—
Growth Fund³	(0.8)%	(3.6)%	(0.5)%	—	—	—
Blended Growth Index	0.8%	(0.7)%	2.9%	—	—	—
SRI Growth Fund	0.1%	(1.6)%	0.9%	—	—	—
Blended SRI Growth Index	1.3%	0.3%	3.8%	—	—	—
Aggressive Growth Fund³	(1.3)%	(4.4)%	(0.9)%	—	—	—
Blended Aggressive Growth Index	0.2%	(1.4)%	2.4%	—	—	—
SRI Aggressive Growth Fund⁴	—	—	—	—	—	—
Blended SRI Aggressive Growth Index	—	—	—	—	—	—
U.S. INFLATION						
Consumer Price Index (June 2015)⁵	0.4%	1.1%	1.0%	1.1%	1.7%	1.9%

Performance Report

¹ Changed May 1, 2009. 10-year blended with 90-day Treasury Bill. ² CDIF interest accrues on a daily basis. ³ These investment funds may not meet socially responsible investing guidelines because they are invested in mutual funds. All other investment funds must meet socially responsible investing guidelines. ⁴ No assets invested in this fund. ⁵ Most recent data available. CPI data are from the All U.S. Urban Consumers Chained CPI Index and are not seasonally adjusted. ⁶ Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).