

# Investment Perspective

FROM BROTHERS FOUNDATION FUNDS

July 2019



**The 2019 Information Statement should be reviewed carefully. This year's edition has been updated to be consistent with changes made to BFFI's Investment Guidelines.**

## MARKETS AND THE ECONOMY

The potential for easing trade tensions between Washington and Beijing, and a more accommodative Federal Reserve were contributing factors to the S&P 500 Index reaching record highs; it leapt 7 percent in June, 4.3 percent during the second quarter, and 18.5 percent since the beginning of the year. The Fed held interest rates steady but signaled a possible cut in the months ahead. The final GDP report for the first quarter was unchanged from last month's estimate of a 3.1 percent annual rate. Retail sales, led by non-store retailers and autos, rose 0.5 percent; sales are up 3.2 percent versus a year ago. The hiring pace slowed down in May, but the unemployment rate held steady at 3.6 percent. Personal income rose 0.5 percent in May, up 4.1 percent in the past year. Personal consumption rose 0.4 percent in May; spending increased 4.2 percent in the past year. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, rose 1.5 percent in June, up 3.5 percent during the second quarter, and 6.9 percent since the beginning of the year.

With concerns about protectionism and a slowdown in the manufacturing sector, the European Central Bank signaled it may initiate new stimulus measures, and is considering extending the time frame before the next rate increase from the end of this year to the middle of 2020. Due in part to the automobile manufacturers' annual shut-down for maintenance, the United Kingdom's economy shrank 0.4 percent in April from March. While the UK's unemployment ticked down to 3.8 percent from 3.9 percent, the Bank of England held interest rates steady, and acknowledged concerns about risk to the economy due in part to trade tensions and England's pending departure from the European Union. A broad-based decline across all sectors contributed to the South African economy contracting sharply in the first quarter, dropping at an annualized rate of 3.2 percent. Central Bank of India cut its key lending rate from 5.75 percent to 5.5 percent. International equities, as measured by the MSCI EAFE Index, jumped 5.9 percent in June, up 3.7 percent during the second quarter, and up 14 percent since the beginning of the year.

## BFFI RELEASES ITS 2019 INFORMATION STATEMENT

Brethren Foundation Funds is pleased to announce the release of its *2019 Information Statement*. This disclosure resource provides important information about BFFI and its processes, fees, investment options, and performance. BFFI's audited financial statements for the 2018 calendar year are also included in the document.

The *2019 Information Statement* should be reviewed carefully. This year's edition has been updated to be consistent with changes made to BFFI's *Investment Guidelines*. It also introduces BFFI staffing changes, provides an updated discussion of investment risks, explains BFFI's 30 investment options (21 strategic and nine tactical options), includes an updated definitions section, and presents examples of revised forms that are to be used when initiating transactions other than through BFFI's client portal.

A printed copy of the *2019 Information Statement* is being sent with this issue of *Investment Perspective* to the primary contact for all organizational clients who have not registered to use BFFI's online services.

All organizational client representatives who have access to BFFI's client portal also have access to an electronic copy of the *2019 Information Statement* and will not be provided a printed copy, unless one is specifically requested.



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

# Fund Performance Report for the period ending June 30, 2019



All periods longer than one year are annualized.

Performance Report

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>	0.2%	0.6%	1.2%	1.2%	0.9%	0.9%
ICE BofAML 6-Month Treasury Bill Index	0.3%	0.7%	1.4%	1.5%	1.0%	0.7%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund</b> <sup>1</sup>	0.2%	0.5%	1.0%	1.7%	1.7%	2.0%
No Benchmark	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	1.5%	3.6%	7.2%	2.6%	3.2%	4.7%
Bloomberg Barclays U.S. Government/Credit Bond Index	1.5%	3.5%	6.9%	2.4%	3.1%	4.1%
<b>Bond Fund</b>	1.4%	3.6%	7.9%	2.9%	3.4%	4.8%
Bloomberg Barclays U.S. Government/Credit Bond Index	1.5%	3.5%	6.9%	2.4%	3.1%	4.1%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>2</sup>	1.4%	2.9%	6.2%	2.9%	2.0%	—
Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index	0.9%	2.9%	6.2%	2.1%	1.8%	—
<b>Bank Loans Fund</b> <sup>2</sup>	(0.1)%	1.6%	4.9%	—	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	0.2%	1.6%	6.8%	—	—	—
<b>High Yield Bond Fund</b> <sup>2</sup>	1.7%	3.4%	10.5%	7.1%	4.4%	—
Bloomberg Barclays U.S. Corporate High Yield Bond Index	2.3%	2.5%	9.9%	7.5%	4.7%	—
<b>Global Aggregate Fixed Income Fund</b> <sup>2,3</sup>	—	—	—	—	—	—
Bloomberg Barclays Global Aggregate Index	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Large Cap Core Fund</b>	7.3%	4.5%	17.3%	12.0%	3.9%	9.6%
S&P 500 Index	7.0%	4.3%	18.5%	14.2%	10.7%	14.7%
<b>Domestic Stock Large Cap Core Index Fund</b> <sup>4</sup>	6.9%	4.3%	18.0%	14.0%	—	—
S&P 500 Index	7.0%	4.3%	18.5%	14.2%	—	—
<b>Domestic Stock Mid Cap Fund</b>	7.1%	5.2%	26.5%	7.4%	3.3%	—
Russell Midcap Index	6.9%	4.1%	21.3%	12.2%	8.6%	—
<b>Domestic Stock Growth Fund</b>	6.3%	2.3%	16.9%	12.6%	9.3%	—
Russell 1000 Growth Index	6.9%	4.6%	21.5%	18.1%	13.4%	—
<b>Domestic Stock Fund</b>	6.8%	4.0%	20.3%	11.1%	6.0%	12.3%
S&P 500 Index	7.0%	4.3%	18.5%	14.2%	10.7%	14.7%
<b>Small Cap Fund</b>	5.3%	5.4%	27.6%	23.0%	16.6%	18.9%
Russell 2000 Index	7.1%	2.1%	17.0%	12.3%	7.1%	13.4%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	6.8%	3.4%	14.5%	9.0%	2.6%	6.9%
MSCI EAFE Index	5.9%	3.7%	14.0%	9.1%	2.2%	6.9%
<b>Emerging Markets Stock Fund</b> <sup>2</sup>	5.0%	0.9%	7.7%	11.6%	2.1%	—
MSCI Emerging Markets Index	6.2%	0.6%	10.6%	10.7%	2.5%	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund</b> <sup>2</sup>	2.3%	0.3%	8.6%	(2.1)%	(10.0)%	—
Bloomberg Commodity Total Return Index	2.7%	(1.2)%	5.1%	(2.2)%	(9.1)%	—
<b>Public Real Estate Fund</b> <sup>2</sup>	1.2%	(2.1)%	12.6%	3.4%	3.0%	—
S&P Developed Property Index	1.8%	0.3%	14.8%	5.5%	5.9%	—
<b>Multi-Strategy Hedge Fund</b> <sup>2,3</sup>	—	—	—	—	—	—
60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index	—	—	—	—	—	—
<b>Global Inflation Protection Fund</b> <sup>2</sup>	3.1%	2.8%	8.5%	6.6%	—	—
Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%	1.2%	3.0%	6.2%	4.0%	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	4.6%	3.9%	15.4%	8.0%	5.2%	9.6%
Blended Balanced Index <sup>5</sup>	4.8%	4.1%	14.0%	9.5%	7.8%	10.6%
<b>TACTICAL FUNDS (additional fees apply)</b>						
<b>Conservative Fund</b> <sup>2,3</sup>	—	—	—	—	—	—
Blended Conservative Index	—	—	—	—	—	—
<b>Income Fund</b> <sup>2</sup>	3.4%	3.6%	10.7%	6.3%	3.6%	—
Blended Income Index	3.3%	3.7%	10.3%	5.7%	4.3%	—
<b>BVI Income Fund</b>	3.3%	3.7%	11.1%	—	—	—
Blended SRI Income Index	3.5%	3.7%	10.7%	—	—	—
<b>Income &amp; Growth Fund</b> <sup>2</sup>	4.0%	3.4%	11.9%	8.5%	4.4%	—
Blended Income & Growth Index	4.3%	3.7%	12.1%	7.8%	5.1%	—
<b>BVI Income &amp; Growth Fund</b>	4.1%	3.9%	13.3%	7.9%	—	—
Blended SRI Income & Growth Index	4.3%	3.7%	12.1%	7.6%	—	—
<b>Growth Fund</b> <sup>2</sup>	4.5%	3.4%	12.8%	9.5%	4.6%	—
Blended Growth Index	4.8%	3.7%	13.0%	8.7%	5.4%	—
<b>BVI Growth Fund</b>	4.9%	4.0%	14.9%	9.3%	—	—
Blended SRI Growth Index	5.0%	3.7%	13.5%	8.9%	—	—
<b>Aggressive Growth Fund</b> <sup>2</sup>	4.8%	3.3%	13.3%	10.3%	4.4%	—
Blended Aggressive Growth Index	5.0%	3.6%	13.5%	9.4%	5.7%	—
<b>BVI Aggressive Growth Fund</b>	5.7%	4.2%	16.7%	—	—	—
Blended SRI Aggressive Growth Index	5.8%	3.7%	14.9%	—	—	—
<b>U.S INFLATION</b>						
<b>Consumer Price Index (May 2019)</b> <sup>6</sup>	0.2%	1.3%	1.6%	2.2%	1.5%	1.8%

<sup>1</sup>CDIF interest accrues on a daily basis. <sup>2</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>3</sup>No assets invested in this fund. <sup>4</sup>Expected to match benchmark gross of fees. Typically, will not match benchmark net of fees and due to required cash position. <sup>5</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>6</sup>Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted.