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# Investment Perspective

FROM BRETHREN FOUNDATION FUNDS

JULY 2015

## MARKETS AND THE ECONOMY

The S&P 500 Index declined 1.9 percent in June after suffering its biggest one-day loss of the year; however, for the quarter, it gained 0.3 percent. The Federal Reserve signaled toward an interest rate increase later this year; overall pace of increases could be slower than originally expected. While the labor market posted another strong month of job gains, the U.S. unemployment rate nudged up to 5.5 percent in May from 5.4 percent in April, as the number of people looking for jobs increased faster than the number of jobs available. Steady job gains contributed to incomes growing 0.5 percent in May over April, and consumer spending rose 0.9 percent in May from a month earlier. Due to an increase in gasoline prices, the Consumer Price Index rose 0.6 percent in May from a month earlier. The manufacturing sector expanded in May after holding steady in March and April. The bond market, as measured by the Barclays Capital Government/Credit Index, declined 1.2 percent, down 2.1 percent for the quarter.

Despite the threat of Greece defaulting on debt payments and exiting from the Euro currency, eurozone consumer confidence was unchanged in June from the previous month. A continued pickup in the French economy contributed to activity in the eurozone's manufacturing and services sectors rising in June from May. Inflation in the eurozone fell in June to an annualized rate of 0.2 percent, down from an annualized rate of 0.3 percent in May. A strong pound and weak demand from the eurozone contributed to manufacturing in the United Kingdom contracting in June. Inflation in the United Kingdom rose at an annual rate of 0.1 percent in May, up from an annual rate of minus 0.1 percent in April. Japan's unemployment rate stayed at 3.3 percent. It was unchanged from the previous month. Japan household spending rose 4.8 percent in May, up from a decline of 1.3 percent in April. Peoples' Bank of China announced a quarter-point interest rate cut to its benchmark lending rate and lowered banks' reserve requirements. International equities, as measured by the MSCI EAFE Index, decreased 2.4 percent in June, up 0.8 percent for the quarter.

## BRETHREN FOUNDATION FUNDS RELEASES ITS 2015 INFORMATION STATEMENT

Brethren Foundation Funds is pleased to announce the release of its 2015 *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 2014 calendar year are also included in the document.

The 2015 *Information Statement* should be reviewed carefully. This year's edition has been updated to be consistent with changes made to BFFI's *Investment Guidelines*, clarify BFFI's affiliation with Brethren Foundation, explain BFFI's 29 investment options (20 strategic and nine tactical options), and include an expanded definitions section as well as copies of revised forms.

A printed copy of the 2015 *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 2015 *Information Statement* and will not be provided a printed copy, unless one is specifically requested.

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

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All periods longer than one year are annualized.

# Fund Performance Report

for the period ending June 30, 2015

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>	0.0%	0.1%	0.2%	0.6%	0.7%	2.0%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> <sup>1</sup>	0.0%	0.1%	0.1%	0.2%	0.2%	1.4%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund</b> <sup>2</sup>	0.1%	0.4%	0.8%	2.0%	2.1%	2.5%
<i>No Benchmark</i>	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	(1.2)%	(2.2)%	(0.4)%	2.4%	3.9%	4.9%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(1.2)%	(2.1)%	(0.3)%	1.8%	3.5%	4.4%
<b>Bond Fund</b>	(1.2)%	(2.1)%	(0.4)%	2.5%	4.0%	4.9%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(1.2)%	(2.1)%	(0.3)%	1.8%	3.5%	4.4%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>3</sup>	(0.5)%	(0.8)%	0.6%	(1.5)%	—	—
<i>Barclays Capital U.S. TIPS Index</i>	(1.0)%	(1.1)%	0.3%	(0.8)%	—	—
<b>Bank Loans Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
<i>S&amp;P/LSTA U.S. Leveraged Loan 100 Index</i>	—	—	—	—	—	—
<b>High Yield Bond Fund</b> <sup>3</sup>	(1.4)%	0.5%	3.6%	7.4%	—	—
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	(1.5)%	0.0%	2.5%	6.8%	—	—
<b>Global Aggregate Fixed Income Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
<i>Barclays Capital Global Aggregate Bond Index</i>	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Core Fund</b>	(3.2)%	(1.9)%	(7.6)%	12.5%	12.2%	6.4%
<i>S&amp;P 500 Index</i>	(1.9)%	0.3%	1.2%	17.3%	17.3%	7.9%
<b>Domestic Stock Mid Cap Fund</b>	(2.3)%	0.9%	3.3%	24.6%	—	—
<i>Russell Midcap Index</i>	(2.1)%	(1.2)%	2.4%	19.3%	—	—
<b>Domestic Stock Growth Fund</b>	(0.1)%	3.4%	8.4%	16.8%	—	—
<i>Russell 1000 Growth Index</i>	(1.8)%	0.1%	4.0%	18.0%	—	—
<b>Domestic Stock Fund</b>	(1.9)%	0.8%	1.2%	17.9%	17.0%	8.8%
<i>S&amp;P 500 Index</i>	(1.9)%	0.3%	1.2%	17.3%	17.3%	7.9%
<b>Small Cap Fund</b>	1.3%	(1.1)%	2.5%	13.6%	16.7%	10.4%
<i>Russell 2000 Index</i>	0.7%	0.4%	4.8%	17.8%	17.1%	8.4%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	(3.0)%	0.7%	5.7%	10.3%	8.9%	4.9%
<i>MSCI EAFE Index</i>	(2.8)%	0.8%	5.9%	12.5%	10.0%	5.6%
<b>Emerging Markets Stock Fund</b> <sup>3</sup>	(5.4)%	0.0%	0.1%	3.0%	—	—
<i>MSCI Emerging Markets Index</i>	(2.5)%	0.8%	3.1%	4.1%	—	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund</b> <sup>3</sup>	1.0%	1.9%	(4.0)%	(10.1)%	—	—
<i>Bloomberg Commodity Total Return Index</i>	1.7%	4.7%	(1.6)%	(8.8)%	—	—
<b>Public Real Estate Fund</b> <sup>3</sup>	(5.4)%	(8.5)%	(4.8)%	7.6%	—	—
<i>S&amp;P Developed Property Index</i>	(4.1)%	(6.1)%	(1.6)%	10.4%	—	—
<b>Multi-Strategy Hedge Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
<i>60% S&amp;P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
<b>Global Inflation Protection Fund</b>	(2.0)%	(0.8)%	2.0%	—	—	—
<i>CPI + 5%</i> <sup>5</sup>	1.0%	2.6%	3.1%	—	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	(1.6)%	(0.4)%	0.6%	11.7%	11.9%	7.6%
<i>Blended Balanced Index</i> <sup>6</sup>	(1.7)%	(0.7)%	0.7%	11.0%	11.8%	6.8%
<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>	(2.0)%	(1.7)%	(0.5)%	—	—	—
<i>Blended Income Index</i>	(1.6)%	(1.2)%	0.8%	—	—	—
<b>SRI Income Fund</b> <sup>4</sup>	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
<b>Income &amp; Growth Fund</b> <sup>3</sup>	(2.2)%	(0.9)%	(0.1)%	—	—	—
<i>Blended Income &amp; Growth Index</i>	(1.7)%	(0.7)%	1.8%	—	—	—
<b>SRI Income &amp; Growth Fund</b> <sup>4</sup>	(1.7)%	—	—	—	—	—
<i>Blended SRI Income &amp; Growth Index</i>	(1.5)%	—	—	—	—	—
<b>Growth Fund</b> <sup>3</sup>	(2.4)%	(0.7)%	0.3%	—	—	—
<i>Blended Growth Index</i>	(1.7)%	(0.5)%	2.1%	—	—	—
<b>SRI Growth Fund</b>	(1.8)%	(0.4)%	0.8%	—	—	—
<i>Blended SRI Growth Index</i>	(1.6)%	(0.4)%	2.5%	—	—	—
<b>Aggressive Growth Fund</b> <sup>3</sup>	(2.5)%	(0.3)%	0.4%	—	—	—
<i>Blended Aggressive Growth Index</i>	(1.6)%	0.0%	2.3%	—	—	—
<b>SRI Aggressive Growth Fund</b> <sup>4</sup>	—	—	—	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	—	—	—	—	—	—
<b>U.S. INFLATION</b>						
<b>Consumer Price Index</b> (May 2015) <sup>5</sup>	0.6%	1.4%	0.6%	0.9%	1.6%	1.8%

<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 socially responsible investing guidelines because they are invested in mutual funds. All other investment funds must meet socially responsible investing guidelines. <sup>4</sup> No assets invested in this fund. <sup>5</sup> Most recent data available. CPI data are from the All U.S. Urban Consumers Chained CPI Index and are not seasonally adjusted. <sup>6</sup> Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).