



Investment Perspective

FROM BRETHREN FOUNDATION FUNDS

MARCH 2016

MARKETS AND THE ECONOMY

Against a backdrop of improvements in the domestic economy including steady job gains, a firming housing market, and resilient consumer spending, the S&P 500 Index clawed back from declines earlier in the month, inching down only 0.1 percent in February. New job creation slowed in January, but the unemployment rate fell to 4.9 percent. Sales of previously owned homes rose 0.4 percent in January from December. Consumer spending advanced 0.5 percent in January, up from a 0.1 percent gain in December. Incomes also rose 0.5 percent in January, up from December's rise of 0.3 percent. Due to global market indigestion, stresses in China, and a cloudy outlook in other foreign economies, the Federal Reserve struck a cautious tone over the path of interest rate increases. The bond market, as measured by the Barclays Capital Government/Credit Index, increased 0.8 percent in February.

A big decrease in energy prices drove inflation in the Eurozone into negative territory; prices across the region were down 0.2 percent in February from the year before. Strength in Germany offset soft growth in France and Italy as economic output in the Eurozone grew at an annualized rate of 1.1 percent in the fourth quarter, 1.5 percent for all of 2015. The European Central Bank stated it was prepared to further boost its stimulus in March to spur growth and reignite low inflation. Private consumption fell, contributing to Japan's economy shrinking 1.4 percent on an annualized basis during the fourth quarter. China's manufacturing activity contracted further in February, due to overcapacity and weak demand. China's Central Bank lowered reserve requirements in an effort to spur economic growth. India's economy grew 7.3 percent year-over-year in the fourth quarter. Driven by soaring food prices, Brazil's inflation rate rose to 10.84 percent in February. International equities, as measured by the MSCI EAFE Index, declined 1.8 percent in February.

UNDERSTANDING YOUR STATEMENTS — PERFORMANCE

The two columns on the monthly Brethren Foundation Funds statement named "Interest & Dividends" and "Market Value Fluctuation" display data that reflect what is broadly referred to as "returns." Since BFFI's investment funds are commingled, clients do not own a specific security. Instead, clients own a proportional interest in the investment funds that hold their assets. The increase or decrease reported in these columns on the statement reflects the client's proportional interest in payments received and market value changes for the period.

"Interest and Dividends" is simply the amount of dividends declared on equities and/or the amount of interest payments received on fixed income securities held in the funds for the period. Typically, the number in the "Interest & Dividends" column will be positive, but occasionally this number may be negative. A variety of factors could cause this; for instance, a company in the International Stock Core Fund revised its dividends downward for a prior period, resulting in a negative number for January.

"Market Value Fluctuation" includes the result of any security sold by the investment managers and/or the impact of the market value changes on securities, whether a gain or loss, for the period. Most BFFI organizational clients don't keep track of realized gains or losses, but for those who maintain a cost basis for their investments, gains or losses remain unrealized until clients withdraw or transfer money from their BFFI accounts.

In conclusion, these two columns on the monthly statement show the investment returns for the period.

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

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Fund Performance Report

for the period ending Feb 29, 2016



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
SHORT-TERM						
Short-Term Fund	0.0%	0.1%	0.1%	0.4%	0.5%	1.9%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.0%	0.2%	0.1%	0.2%	0.2%	1.2%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.1%	0.4%	0.3%	1.9%	2.0%	2.5%
<i>No Benchmark</i>	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	0.6%	1.3%	1.9%	2.3%	3.9%	5.1%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.8%	1.8%	2.3%	2.0%	3.8%	4.7%
Bond Fund	0.6%	1.3%	1.8%	2.3%	3.9%	5.2%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.8%	1.8%	2.3%	2.0%	3.8%	4.7%
Treasury Inflation-Protected Securities Fund ³	1.3%	1.4%	2.6%	(2.1)%	2.0%	—
<i>Barclays Capital U.S. TIPS Index</i>	1.1%	1.8%	2.6%	(1.2)%	2.9%	—
Bank Loans Fund ^{3,4}	—	—	—	—	—	—
<i>S&P/LSTA U.S. Leveraged Loan 100 Index</i>	—	—	—	—	—	—
High Yield Bond Fund ³	(0.2)%	(3.9)%	(1.7)%	1.2%	4.1%	—
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	0.6%	(3.5)%	(1.0)%	0.7%	4.1%	—
Global Aggregate Fixed Income Fund ^{3,4}	—	—	—	—	—	—
<i>Barclays Capital Global Aggregate Bond Index</i>	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Fund	(0.5)%	(10.8)%	(6.8)%	1.6%	3.2%	3.5%
<i>S&P 500 Index</i>	(0.1)%	(6.6)%	(5.1)%	10.8%	10.1%	6.4%
Domestic Stock Large Cap Core Index Fund	(0.2)%	—	—	—	—	—
<i>S&P 500 Index</i>	(0.1)%	—	—	—	—	—
Domestic Stock Mid Cap Fund	2.4%	(10.0)%	(7.8)%	10.1%	11.6%	—
<i>Russell Midcap Index</i>	1.1%	(8.0)%	(5.5)%	9.1%	8.9%	—
Domestic Stock Growth Fund	(0.3)%	(8.8)%	(5.9)%	9.2%	8.7%	—
<i>Russell 1000 Growth Index</i>	0.0%	(7.0)%	(5.6)%	12.5%	10.9%	—
Domestic Stock Fund	0.5%	(9.3)%	(6.6)%	7.3%	8.0%	6.5%
<i>S&P 500 Index</i>	(0.1)%	(6.6)%	(5.1)%	10.8%	10.1%	6.4%
Small Cap Fund	2.4%	(7.3)%	(3.6)%	8.2%	9.2%	8.6%
<i>Russell 2000 Index</i>	0.0%	(13.4)%	(8.8)%	5.7%	6.1%	4.9%
INTERNATIONAL EQUITY						
International Stock Core Fund	(2.2)%	(9.1)%	(8.4)%	(0.3)%	0.5%	1.5%
<i>MSCI EAFE Index</i>	(1.8)%	(10.2)%	(8.9)%	0.4%	0.6%	1.5%
Emerging Markets Stock Fund ³	3.2%	(9.0)%	(5.7)%	(11.1)%	(8.0)%	—
<i>MSCI Emerging Markets Index</i>	(0.2)%	(8.7)%	(6.6)%	(8.9)%	(5.4)%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ³	(1.7)%	(8.2)%	(4.2)%	(21.3)%	(14.8)%	—
<i>Bloomberg Commodity Total Return Index</i>	(1.6)%	(6.3)%	(3.3)%	(17.7)%	(14.4)%	—
Public Real Estate Fund ³	2.4%	(4.6)%	(5.4)%	2.0%	4.2%	—
<i>S&P Developed Property Index</i>	0.7%	(2.5)%	(3.7)%	4.4%	6.6%	—
Multi-Strategy Hedge Fund ^{3,4}	—	—	—	—	—	—
<i>60% S&P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
Inflation Protection Fund ³	(0.6)%	(0.5)%	1.6%	—	—	—
<i>CPI + 5%</i> ⁵	0.6%	0.8%	0.6%	—	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	0.6%	(5.1)%	(3.2)%	5.5%	6.6%	6.3%
<i>Blended Balanced Index</i> ⁶	0.3%	(3.3)%	(2.2)%	7.4%	7.8%	6.1%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{3,4}	—	—	—	—	—	—
<i>Blended Conservative Index</i>	—	—	—	—	—	—
Income Fund ³	(0.3)%	(3.5)%	(2.3)%	—	—	—
<i>Blended Income Index</i>	0.3%	(1.8)%	(0.9)%	—	—	—
SRI Income Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
Income & Growth Fund ³	0.1%	(5.5)%	(3.7)%	—	—	—
<i>Blended Income & Growth Index</i>	0.0%	(3.9)%	(2.8)%	—	—	—
SRI Income & Growth Fund	0.0%	(4.6)%	(3.1)%	—	—	—
<i>Blended SRI Income & Growth Index</i>	0.0%	(3.8)%	(2.7)%	—	—	—
Growth Fund ³	0.0%	(6.6)%	(4.7)%	—	—	—
<i>Blended Growth Index</i>	(0.2)%	(4.9)%	(3.7)%	—	—	—
SRI Growth Fund	(0.3)%	(6.1)%	(4.5)%	—	—	—
<i>Blended SRI Growth Index</i>	(0.2)%	(5.4)%	(4.0)%	—	—	—
Aggressive Growth Fund ³	0.0%	(7.4)%	(5.3)%	—	—	—
<i>Blended Aggressive Growth Index</i>	(0.3)%	(5.6)%	(4.3)%	—	—	—
SRI Aggressive Growth Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	—	—	—	—	—	—
U.S. INFLATION						
Consumer Price Index (January 2016) ⁵	0.2%	(0.4)%	(0.2)%	1.0%	1.5%	1.8%

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 Consumer Price Index for All Urban Consumers. All items are not seasonally weighted. ⁶ Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).