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# Investment Perspective

FROM BRETHREN FOUNDATION FUNDS

NOVEMBER 2017

## MARKETS AND THE ECONOMY

Strong corporate earnings and economic growth propelled the S&P 500 Index to advance 2.3 percent in October. The Fed held rates steady, but signaled that an increase is likely in December. Real GDP grew at a 3 percent annual rate in the third quarter; largest positive contributions were consumer spending, inventories, business investments in equipment, and net exports. Consumer spending surged in September, rising 1 percent, led by a storm-induced pickup in auto sales. Incomes, meanwhile, increased 0.4 percent in September. The Consumer Price Index rose 0.5 percent in September as hurricanes Harvey and Irma caused a 13.1 percent jump in gasoline prices. The CPI is up 2.2 percent from a year ago. New home sales exploded in September, increasing 18.9 percent, up 17 percent from a year ago. Most of the strength can be attributed to a rebound in the South after the hurricanes suppressed sales in August. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, inched up 0.1 percent in October.

The European Central Bank announced that it will trim the monthly rate of bond purchases at the start of 2018, but will also extend its monetary stimulus until at least September of next year. The bank's key interest rates remain unchanged at 0.0 percent, and its deposit rate at minus 0.4 percent. The Eurozone economy grew at an annualized rate of 2.4 percent during the third quarter, down from the 2.6 percent growth rate during the second quarter. Driven by growth in the service sector, the United Kingdom's GDP expanded at an annualized rate of 1.5 percent in the third quarter. The Bank of Japan said persistently weak inflation will prolong expansionary policy despite a growing economy, and kept its target rate for 10-year Japanese government bond yields around 0.0, and its short-term deposit rate at minus 0.1 percent. Manufacturing activity in China contracted during October. Brazil's central bank cut its benchmark interest rate to 7.5 percent from 8.25 percent. International equities, as measured by the MSCI EAFE Index, rose 1.5 percent in October.

## BRETHREN FOUNDATION FUNDS SELECTS NEW DOMESTIC STOCK LARGE CAP GROWTH MANAGER

BMO Global Asset Management has been selected to serve as Brethren Foundation Funds' domestic large cap growth investment manager. The Chicago-based registered investment adviser began managing the assets of BFFI's Domestic Stock Large Cap Growth Fund on Nov. 1. BMO Global Asset Management is the brand name for various affiliated investment management, trust, and custody entities of BMO Financial Group, a wholly owned subsidiary of Bank of Montreal, a Canadian-based organization, with more than \$237 billion in assets under management worldwide. BMO's domestic large cap growth strategy, which was launched in April 1996, has \$1.6 billion in assets under management as of July 31.

Like the managers for BFFI's other separately managed investment options, BMO oversees a custom portfolio for BFFI that complies with BFFI's *Investment Guidelines*, including the Brethren Values Investing screens that are based on positions established by the Church of the Brethren Annual Conference.

BMO's asset management will affect the Domestic Stock Large Cap Growth Fund and two other strategic investment options that hold a position in the Domestic Stock Large Cap Growth Fund — the Domestic Stock Fund (33 percent) and the Balanced Fund (20 percent). All tactical funds, except the Conservative Fund, can hold a position in the Domestic Stock Large Cap Growth Fund.

BMO replaces Segall Bryant & Hamill Investment Counsel, which was unable to meet BFFI's performance expectations.

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

# Fund Performance Report

for the period ending Oct. 31, 2017



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%	0.2%	0.6%	0.5%	0.5%	1.1%
Merrill Lynch 6-Month Treasury Bill Index <sup>1</sup>	0.1%	0.3%	0.8%	0.6%	0.4%	0.5%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund <sup>2</sup></b>	0.1%	0.4%	1.4%	1.6%	1.8%	2.2%
No Benchmark	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	0.2%	0.6%	3.7%	2.7%	2.3%	4.8%
Bloomberg Barclays U.S. Government/Credit Bond Index	0.1%	0.5%	3.6%	2.5%	2.0%	4.3%
<b>Bond Fund</b>	0.4%	0.7%	4.2%	3.0%	2.4%	4.9%
Bloomberg Barclays U.S. Government/Credit Bond Index	0.1%	0.5%	3.6%	2.5%	2.0%	4.3%
<b>Treasury Inflation-Protected Securities Fund <sup>3</sup></b>	(0.1)%	0.5%	5.3%	2.1%	0.0%	—
Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index	0.2%	0.6%	1.9%	1.4%	(0.1)%	—
<b>Bank Loans Fund <sup>3,4</sup></b>	0.5%	0.8%	—	—	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	0.6%	0.7%	—	—	—	—
<b>High Yield Bond Fund <sup>3</sup></b>	0.8%	1.9%	7.9%	5.7%	6.5%	—
Bloomberg Barclays U.S. Corporate High Yield Bond Index	0.4%	1.3%	7.5%	5.6%	6.3%	—
<b>Global Aggregate Fixed Income Fund <sup>3,4</sup></b>	—	—	—	—	—	—
Bloomberg Barclays Global Aggregate Index	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Large Cap Core Fund</b>	1.9%	4.6%	15.0%	2.2%	8.6%	4.0%
S&P 500 Index	2.3%	4.8%	16.9%	10.8%	15.2%	7.5%
<b>Domestic Stock Large Cap Core Index Fund <sup>5</sup></b>	2.5%	4.8%	16.6%	—	—	—
S&P 500 Index	2.3%	4.8%	16.9%	—	—	—
<b>Domestic Stock Mid Cap Fund</b>	2.1%	6.0%	22.3%	7.4%	15.0%	—
Russell Midcap Index	1.7%	3.7%	13.6%	9.0%	14.9%	—
<b>Domestic Stock Growth Fund</b>	4.0%	3.8%	15.8%	9.7%	13.0%	—
Russell 1000 Growth Index	3.9%	7.2%	25.4%	13.1%	16.8%	—
<b>Domestic Stock Fund</b>	2.8%	4.8%	17.9%	6.8%	12.5%	7.2%
S&P 500 Index	2.3%	4.8%	16.9%	10.8%	15.2%	7.5%
<b>Small Cap Fund</b>	3.4%	9.8%	26.4%	16.4%	16.3%	11.2%
Russell 2000 Index	0.9%	5.8%	11.9%	10.1%	14.5%	7.6%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	2.1%	3.8%	25.4%	7.0%	8.0%	1.6%
MSCI EAFE Index	1.5%	4.0%	21.8%	6.1%	8.5%	1.1%
<b>Emerging Markets Stock Fund <sup>3</sup></b>	4.3%	3.9%	28.1%	5.5%	4.3%	—
MSCI Emerging Markets Index	3.5%	5.4%	32.3%	5.7%	4.8%	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund <sup>3</sup></b>	2.1%	2.9%	(0.2)%	(10.0)%	(10.7)%	—
Bloomberg Commodity Total Return Index	2.1%	2.4%	(0.8)%	(9.5)%	(9.4)%	—
<b>Public Real Estate Fund <sup>3</sup></b>	0.2%	(0.9)%	5.8%	2.1%	4.7%	—
S&P Developed Property Index	(0.3)%	(0.1)%	8.7%	5.3%	8.1%	—
<b>Multi-Strategy Hedge Fund <sup>3,4</sup></b>	—	—	—	—	—	—
60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index	—	—	—	—	—	—
<b>Global Inflation Protection Fund <sup>3</sup></b>	0.8%	2.0%	13.9%	4.6%	—	—
Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%	0.3%	0.9%	3.2%	3.2%	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	1.8%	3.2%	12.3%	5.4%	8.5%	6.6%
Blended Balanced Index <sup>7</sup>	1.4%	3.0%	11.4%	7.6%	9.9%	6.5%
<b>TACTICAL FUNDS (additional fees apply)</b>						
<b>Conservative Fund <sup>3,4</sup></b>	—	—	—	—	—	—
Blended Conservative Index	—	—	—	—	—	—
<b>Income Fund <sup>3</sup></b>	1.0%	2.1%	10.1%	3.9%	—	—
Blended Income Index	0.8%	1.9%	9.0%	4.5%	—	—
<b>BVI Income Fund <sup>4</sup></b>	—	—	—	—	—	—
Blended SRI Income Index	—	—	—	—	—	—
<b>Income &amp; Growth Fund <sup>3</sup></b>	1.7%	3.0%	14.2%	5.2%	—	—
Blended Income & Growth Index	1.2%	2.7%	12.3%	5.8%	—	—
<b>BVI Income &amp; Growth Fund</b>	1.5%	3.1%	13.6%	—	—	—
Blended SRI Income & Growth Index	1.2%	2.7%	12.2%	—	—	—
<b>Growth Fund <sup>3</sup></b>	2.0%	3.5%	16.6%	5.8%	—	—
Blended Growth Index	1.4%	3.1%	14.0%	6.3%	—	—
<b>BVI Growth Fund</b>	1.8%	3.7%	16.5%	—	—	—
Blended SRI Growth Index	1.5%	3.3%	14.6%	—	—	—
<b>Aggressive Growth Fund <sup>3</sup></b>	2.2%	3.9%	18.2%	5.8%	—	—
Blended Aggressive Growth Index	1.6%	3.4%	15.1%	6.8%	—	—
<b>BVI Aggressive Growth Fund <sup>4</sup></b>	—	—	—	—	—	—
Blended SRI Aggressive Growth Index	—	—	—	—	—	—
<b>U.S. INFLATION</b>						
<b>Consumer Price Index (September 2017) <sup>6</sup></b>	0.5%	0.8%	2.3%	1.2%	1.3%	1.7%

Performance Report

<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>Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted. <sup>7</sup>Weighted average of the S&P 500 Index (60 percent) and the Bloomberg Barclays U.S. Capital Government/Credit Bond Index (40 percent).