



Investment Perspective

FROM BRETHREN FOUNDATION

JUNE 2012

MARKETS AND THE ECONOMY

The S&P 500 declined 6 percent during May but remains up 5.2 percent year-to-date. The bond market, as measured by the Barclays Capital Government/Credit Index, increased 1.2 percent during May and is up 2.7 percent year-to-date.

The U.S. economy, as measured by real gross domestic product, grew an annualized 1.9 percent in the first quarter, slower than the 2.2 percent initially reported in April. Employers added only 69,000 jobs in May, causing unemployment to tick up 0.1 percent; durable goods orders were up 0.2 percent following a 3.7 percent decline in April; industrial production surpassed expectations by growing 1.1 percent in May; and housing showed improvement with existing home sales increasing 3.4 percent last month.

Economic news on the international front was mixed. There has been increased discussion surrounding the prospect of Greece exiting the eurozone and what impact this may have on the Economic and Monetary Union in Europe. India's growth in the first three months of this year was at its slowest pace over the past nine years, China's manufacturing activity was lower than expected, and South Korea reported that exports declined for the third straight month in May. Germany reported falling unemployment and moderating inflation, and Japan's economy grew at a 4 percent annualized rate in the first quarter. International equities, as measured by the MSCI EAFE, declined 11.4 percent last month and were down 3.4 percent year-to-date.

NEW TACTICAL INVESTMENT OPTIONS SOON AVAILABLE FOR BFI CLIENTS

BFI is launching five Tactical Funds for clients who are willing to pay an extra fee to have their assets managed by an investment adviser in one of five unique investment styles. These Tactical Funds use BFI's 16 existing investment options within asset allocation ranges established by BFI's Board. The style of each Tactical Fund is revealed in its name — Aggressive Growth, Growth, Income and Growth, Income, and Conservative. The investment adviser has discretion regarding its investment strategies for each tactical investment option within the parameters of its contract with BFI and BFI's *Investment Guidelines*.

Assets invested in BFI's Tactical Funds will be charged an additional fee by the investment adviser. This fee is based on all BFI client assets invested in the Tactical Funds. Until total assets under tactical management exceed \$10 million, the annual fee (which will be charged on a quarterly basis) will be 0.5 percent. As total assets under tactical management grow, the annual fee will decline toward 0.1 percent.

Clients should note that the five Tactical Funds may use any of BFI's 16 Strategic Funds, including funds that have access to U.S. Treasuries and funds that don't have sufficient assets for separate management and are currently invested in mutual funds. Therefore, the Tactical Funds may not comply with BFI's socially responsible investing guidelines.

More information about the Tactical Funds is available upon request or in the 2012 *Information Statement*, which will be provided to each client's primary contact with the June statement in early July.

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

BFI is launching five Tactical Funds for clients who are willing to pay an extra fee to have their assets managed by an investment adviser in one of five unique investment styles.



Fund Performance Report

for the period ending May 31, 2012



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
SHORT-TERM						
Short-Term Fund	(0.2)%	(0.2)%	0.8%	1.1%	2.1%	2.4%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.0%	0.1%	0.1%	0.3%	1.6%	1.8%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.2%	0.6%	0.9%	2.5%	2.8%	N/A
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A	N/A
FIXED INCOME						
Bond Core Fund	1.0%	1.2%	3.1%	9.1%	7.4%	6.2%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.2%	1.7%	2.7%	7.7%	6.9%	5.9%
Bond Fund	1.0%	0.9%	3.0%	9.1%	7.4%	6.3%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.2%	1.7%	2.7%	7.7%	6.9%	5.9%
Treasury Inflation-Protected Securities Fund ³	1.2%	1.9%	4.1%	N/A	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	1.7%	2.6%	4.6%	N/A	N/A	N/A
High Yield Bond Fund ³	(1.4)%	(0.5)%	4.9%	N/A	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	(1.3)%	(0.4)%	5.1%	N/A	N/A	N/A
DOMESTIC EQUITY						
Domestic Stock Core Fund	(6.9)%	(5.2)%	4.3%	10.9%	(0.6)%	3.9%
<i>S&P 500 Index</i>	(6.0)%	(3.5)%	5.2%	14.9%	(0.9)%	4.1%
Domestic Stock Value Fund	(9.0)%	(5.8)%	9.1%	N/A	N/A	N/A
<i>Russell 1000 Value Index</i>	(5.9)%	(4.1)%	3.5%	N/A	N/A	N/A
Domestic Stock Growth Fund	(6.1)%	(3.7)%	5.9%	N/A	N/A	N/A
<i>Russell 1000 Growth Index</i>	(6.4)%	(3.5)%	7.2%	N/A	N/A	N/A
Domestic Stock Fund	(7.4)%	(4.9)%	6.4%	14.4%	1.1%	5.4%
<i>S&P 500 Index</i>	(6.0)%	(3.5)%	5.2%	14.9%	(0.9)%	4.1%
Small Cap Fund	(4.1)%	(2.4)%	7.0%	25.0%	5.9%	N/A
<i>Russell 2000 Index</i>	(6.6)%	(5.7)%	3.4%	16.5%	(0.7)%	N/A
Public Real Estate Fund ³	(7.2)%	(4.3)%	6.0%	N/A	N/A	N/A
<i>S&P Developed Property Index</i>	(6.3)%	(2.7)%	7.9%	N/A	N/A	N/A
INTERNATIONAL EQUITY						
International Stock Core Fund	(11.3)%	(11.4)%	(1.5)%	5.7%	(5.7)%	4.4%
<i>MSCI EAFE Index</i>	(11.4)%	(13.3)%	(3.4)%	3.9%	(6.9)%	4.5%
Emerging Markets Stock Fund ³	(11.5)%	(17.7)%	(1.2)%	N/A	N/A	N/A
<i>MSCI Emerging Markets Index</i>	(11.2)%	(15.1)%	0.2%	N/A	N/A	N/A
ALTERNATIVES						
Commodities-Based Fund ³	(6.1)%	(10.0)%	(3.2)%	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	(9.1)%	(13.3)%	(8.7)%	N/A	N/A	N/A
EQUITY AND FIXED INCOME						
Balanced Fund	(4.0)%	(2.4)%	5.4%	12.7%	4.1%	6.1%
<i>Blended Balanced Index</i> ⁴	(3.1)%	(1.4)%	4.3%	12.4%	2.6%	5.2%
U.S. INFLATION						
Consumer Price Index (April 2012) ⁵	0.3%	1.5%	1.9%	2.6%	2.2%	2.5%

¹ Changed May 1, 2009. 5-year and 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 Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). ⁵ Most recent data available. CPI data are not seasonally adjusted.