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# Investment Perspective

FROM BRETHERN FOUNDATION

JULY 2014

## MARKETS AND THE ECONOMY

Amid uneven U.S. growth the Standard & Poor's 500 index logged record closes in the second quarter, rising 5.2 percent, up 2.1 percent in June. Payroll gains strengthened in May, but the jobless rate remained at 6.3 percent. Driven by higher household costs, the consumer price index rose 2.1 percent in May from a year earlier, the second straight month the CPI has run 2 percent or above and closer to the Fed's target of 2 percent. While Americans' personal income rose 0.4 percent in May, spending advanced a modest 0.2 percent from a month earlier, primarily due to higher prices. When adjusted for inflation, real consumer spending fell 0.1 percent. Consumers held onto the additional income as the savings rate ticked up. The Fed continues to taper monthly bond purchases. The Fed also signaled that the benchmark federal funds rate would rise sooner than projected during the March meeting. Gauges of U.S. housing activity showed improvement in May over the prior month. The first quarter's contraction in the gross domestic product was revised sharply downward to an annual rate of 2.9 percent. The bond market, as measured by the Barclays Capital Government/Credit Index, was flat in June, up 1.9 percent for the quarter.

In the face of political and economic unrest in the Middle East, Ukraine, and elsewhere, international equities, as measured by the MSCI EAFE Index, increased 1.0 percent in June, 4.3 percent during the second quarter. Annual inflation in the eurozone was 0.5 percent in May, decelerating from 0.7 percent in April and well below the European Central Bank's mandate of 2 percent. The ECB cut its key lending rate to 0.15 percent and imposed a negative interest rate on bank deposits in an effort to stimulate the economy. Driven by stagnant French private-sector activity, business activity in the eurozone decelerated for the second straight month in June. The United Kingdom annual inflation rate slowed to 1.5 percent in May from 1.8 percent the previous month, due to a fall in food prices and the cost of air and sea fares. Japan's consumer price index rose 1.5 percent in April from a year earlier. Japan announced measures to spur corporate growth by cutting corporate tax rates and reducing regulations. Improved export demands and the government's recent mini-stimulus measures contributed towards improvement in China's manufacturing sector in June.

## BFI RELEASES ITS 2014 INFORMATION STATEMENT

Brethren Foundation is pleased to announce the release of its *2014 Information Statement*. This disclosure resource provides important information about BFI and its processes, fees, investment options, and performance. BFI's audited financial statements for the 2013 calendar year are also included in the document.

The *2014 Information Statement* should be reviewed carefully. This year's edition has been updated to be consistent with changes made to BFI's *Investment Guidelines*, introduces BFI's new strategic investment option and four new tactical investment options (which will be launched soon), and includes an expanded definitions section as well as copies of revised forms.

A printed copy of the *2014 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 BFI's online services. All organizational client representatives who have access to BFI's client portal also have access to an electronic copy of the *2014 Information Statement* and will not be provided a printed copy, unless they specifically request it.

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

Brethren  
Foundation is  
pleased to  
announce  
the release  
of its *2014  
Information  
Statement*.





All periods longer than one year are annualized.

# Fund Performance Report

for the period ending June 30, 2014

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%	0.1%	0.7%	0.9%	2.2%
<i>Merrill Lynch 6-Month Treasury Bill Index<sup>1</sup></i>	0.0%	0.0%	0.1%	0.2%	0.3%	1.6%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund<sup>2</sup></b>	0.1%	0.4%	0.9%	2.1%	2.4%	2.7%
<i>No Benchmark</i>	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	0.0%	2.1%	4.4%	4.4%	6.2%	5.5%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.0%	1.9%	3.9%	4.1%	5.1%	4.9%
<b>Bond Fund</b>	0.0%	2.2%	4.6%	4.4%	6.3%	5.5%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.0%	1.9%	3.9%	4.1%	5.1%	4.9%
<b>Treasury Inflation-Protected Securities Fund<sup>3</sup></b>	0.1%	3.8%	5.5%	2.8%	—	—
<i>Barclays Capital U.S. TIPS Index</i>	0.3%	3.8%	5.8%	3.6%	—	—
<b>Bank Loans Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>S&amp;P/LSTA U.S. Leveraged Loan 100 Index</i>	—	—	—	—	—	—
<b>High Yield Bond Fund<sup>3</sup></b>	0.8%	2.6%	5.6%	9.4%	—	—
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	0.8%	2.4%	5.5%	9.5%	—	—
<b>Global Aggregate Fixed Income Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>Barclays Capital Global Aggregate Bond Index</i>	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Core Fund</b>	1.3%	2.7%	3.3%	13.6%	15.7%	7.2%
<i>S&amp;P 500 Index</i>	2.1%	5.2%	7.1%	16.6%	18.8%	7.8%
<b>Domestic Stock Mid Cap Fund</b>	3.6%	5.9%	10.7%	21.3%	—	—
<i>Russell Midcap Index</i>	3.3%	5.0%	8.7%	16.1%	—	—
<b>Domestic Stock Growth Fund</b>	3.3%	5.6%	5.1%	13.8%	—	—
<i>Russell 1000 Growth Index</i>	2.0%	5.1%	6.3%	16.3%	—	—
<b>Domestic Stock Fund</b>	2.7%	4.7%	6.3%	16.2%	19.0%	9.1%
<i>S&amp;P 500 Index</i>	2.1%	5.2%	7.1%	16.6%	18.8%	7.8%
<b>Small Cap Fund</b>	4.6%	3.5%	0.9%	11.7%	21.1%	10.6%
<i>Russell 2000 Index</i>	5.3%	2.1%	3.2%	14.6%	20.2%	8.7%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	0.0%	2.4%	1.5%	6.9%	11.3%	6.5%
<i>MSCI EAFE Index</i>	1.0%	4.3%	5.1%	8.6%	12.3%	7.4%
<b>Emerging Markets Stock Fund<sup>3</sup></b>	1.2%	8.2%	6.3%	(2.4)%	—	—
<i>MSCI Emerging Markets Index</i>	2.7%	6.7%	6.3%	(0.1)%	—	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund<sup>3</sup></b>	1.3%	2.9%	9.3%	(3.4)%	—	—
<i>Dow Jones UBS Commodity Index</i>	0.6%	0.1%	7.1%	(5.2)%	—	—
<b>Public Real Estate Fund<sup>3</sup></b>	2.2%	9.3%	12.0%	8.1%	—	—
<i>S&amp;P Developed Property Index</i>	1.6%	8.2%	12.3%	11.0%	—	—
<b>Multi-Strategy Hedge Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>60% S&amp;P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
<b>Global Inflation Protection Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>Consumer Price Index + 5%<sup>5</sup></i>	—	—	—	—	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	1.6%	3.7%	5.6%	11.7%	14.2%	8.0%
<i>Blended Balanced Index<sup>6</sup></i>	1.2%	3.9%	5.9%	11.7%	13.4%	6.9%
<b>TACTICAL FUNDS (additional fees apply)</b>						
<b>Conservative Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>Blended Conservative Index</i>	—	—	—	—	—	—
<b>Income Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>Blended Income Index</i>	—	—	—	—	—	—
<b>Income &amp; Growth Fund<sup>3</sup></b>	1.1%	3.5%	4.7%	—	—	—
<i>Blended Income &amp; Growth Index</i>	1.4%	3.8%	5.8%	—	—	—
<b>Growth Fund<sup>3</sup></b>	1.3%	3.6%	4.5%	—	—	—
<i>Blended Growth Index</i>	1.7%	4.0%	5.9%	—	—	—
<b>Aggressive Growth Fund<sup>3</sup></b>	1.3%	3.9%	4.8%	—	—	—
<i>Blended Aggressive Growth Index</i>	1.8%	4.1%	6.0%	—	—	—
<b>U.S. INFLATION</b>						
<b>Consumer Price Index (May 2014)<sup>5</sup></b>	0.3%	1.2%	2.0%	1.7%	2.1%	2.3%

<sup>1</sup> Changed May 1, 2009. 5-year and 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 not seasonally adjusted. <sup>6</sup> Weighted average of the S&P 500 Index (60 percent) and the Barclays Capital U.S. Government/Credit Bond Index (40 percent).