



Investment Perspective

FROM BRETHREN FOUNDATION

MARCH 2014

MARKETS AND THE ECONOMY

The markets reversed January's decline, and the S&P 500 Index advanced 4.6 percent in February. The unemployment rate ticked down to 6.6 percent in January as more people seeking work found jobs. Fourth quarter U.S. gross domestic product was revised down to an annualized rate of 2.4 percent from the initial estimate of 3.3 percent. Higher prices and increased mortgage rates contributed to a 5.1 percent decline in the sales of previously owned homes from a year earlier, while new home sales were up 2.2 percent in January year-over-year. The bond market, as measured by the Barclays Capital Government/Credit Index, was up 0.6 percent in February.

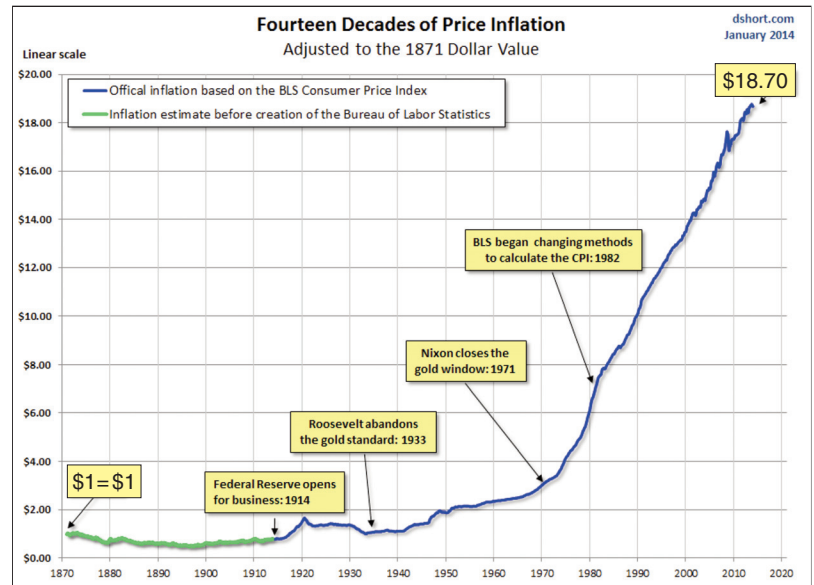
With improvements in exports and investments, eurozone GDP increased at a 1.1 percent annualized rate during the fourth quarter. For all of 2013, GDP fell 0.4 percent. The United Kingdom's GDP increased by 1.8 percent in 2013 — its strongest annual rate of growth since 2007. China's manufacturing sector experienced a second straight month of contraction in February. With an increase in capital and consumer spending, Japan's GDP grew at an annualized rate of 1 percent during the fourth quarter. International equities, as measured by the MSCI EAFE Index, increased 5.6 percent during February.

WHY YOUR ORGANIZATION NEEDS A SPENDING POLICY

You may be well aware of the impact of inflation on our personal lives. Typically, we have to pay more today than we did in the past to receive the same goods and services. For example, in 1933, a gallon of gas cost 10 cents and a loaf of bread cost seven cents. The accompanying chart reveals that it takes \$18.70 in today's money to buy what would have cost \$1 in 1871. Inflation can impact home expenses, but on a larger scale, it can also affect the expenses for your congregation or organization.

Inflation is one good reason why your organizational account should have a spending policy ...

Inflation is one good reason why your organizational account should have a spending policy — a set of rules that dictates what portion of your portfolio (if any) to liquidate and treat as income each year. In order to preserve the buying power of long-term invested assets, it is important to keep the impact of inflation on buying power in mind



when establishing spending policies. There are many ways to do this (e.g., adjusting the principal by an inflation-based factor or reserving the first earnings equal to an inflation-based factor before making withdrawals), but it is important that it be done or programs that rely on income from invested assets will be in increasing financial distress over time.

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





All periods longer than one year are annualized.

Fund Performance Report

for the period ending Feb. 28, 2014

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	0.0%	0.1%	0.1%	0.7%	1.1%	2.2%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.0%	0.1%	0.0%	0.2%	0.3%	1.7%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.2%	0.5%	0.3%	2.2%	2.4%	2.8%
<i>No Benchmark</i>	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	0.7%	1.8%	2.3%	4.5%	7.1%	5.0%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.6%	1.5%	2.1%	4.2%	5.3%	4.5%
Bond Fund	0.7%	1.8%	2.4%	4.5%	7.2%	5.1%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.6%	1.5%	2.1%	4.2%	5.3%	4.5%
Treasury Inflation-Protected Securities Fund ³	0.5%	(0.3)%	2.2%	3.0%	—	—
<i>Barclays Capital U.S. TIPS Index</i>	0.4%	0.9%	2.4%	4.0%	—	—
Bank Loans Fund ^{3,4}	—	—	—	—	—	—
<i>S&P/LSTA U.S. Leveraged Loan 100 Index</i>	—	—	—	—	—	—
High Yield Bond Fund ³	1.6%	3.0%	2.4%	8.4%	—	—
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	2.0%	3.3%	2.7%	9.0%	—	—
Global Aggregate Fixed Income Fund ^{3,4}	—	—	—	—	—	—
<i>Barclays Capital Global Aggregate Bond Index</i>	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Core Fund	4.2%	0.1%	(2.6)%	11.1%	18.5%	6.6%
<i>S&P 500 Index</i>	4.6%	3.5%	1.0%	14.4%	23.0%	7.2%
Domestic Stock Mid Cap Fund	6.3%	10.2%	5.0%	21.7%	—	—
<i>Russell Midcap Index</i>	5.9%	6.9%	3.8%	15.1%	—	—
Domestic Stock Growth Fund	4.6%	3.9%	0.9%	13.2%	—	—
<i>Russell 1000 Growth Index</i>	5.2%	5.1%	2.2%	15.1%	—	—
Domestic Stock Fund	5.0%	4.7%	1.0%	15.3%	22.5%	8.7%
<i>S&P 500 Index</i>	4.6%	3.5%	1.0%	14.4%	23.0%	7.2%
Small Cap Fund	1.6%	(1.0)%	(3.4)%	12.8%	26.2%	10.9%
<i>Russell 2000 Index</i>	4.7%	3.8%	1.8%	14.4%	26.6%	8.7%
INTERNATIONAL EQUITY						
International Stock Core Fund	4.4%	0.6%	(0.9)%	6.4%	16.6%	6.3%
<i>MSCI EAFE Index</i>	5.6%	2.9%	1.3%	7.1%	17.8%	7.1%
Emerging Markets Stock Fund ³	2.1%	(4.6)%	(4.4)%	(5.0)%	—	—
<i>MSCI Emerging Markets Index</i>	3.3%	(4.7)%	(3.4)%	(1.7)%	—	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ³	6.2%	7.4%	5.8%	(5.7)%	—	—
<i>Dow Jones UBS Commodity Index</i>	6.2%	7.9%	6.6%	(6.9)%	—	—
Public Real Estate Fund ³	3.4%	2.7%	2.5%	5.8%	—	—
<i>S&P Developed Property Index</i>	3.9%	3.8%	3.4%	8.4%	—	—
Multi-Strategy Hedge Fund ^{3,4}	—	—	—	—	—	—
<i>60% S&P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	3.2%	3.6%	1.6%	11.2%	16.5%	7.6%
<i>Blended Balanced Index</i> ⁵	3.0%	2.8%	1.5%	10.4%	16.0%	6.4%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{3,4}	—	—	—	—	—	—
<i>Blended Conservative Index</i>	—	—	—	—	—	—
Income Fund ^{3,4}	—	—	—	—	—	—
<i>Blended Income Index</i>	—	—	—	—	—	—
Income & Growth Fund ³	2.6%	1.2%	0.2%	—	—	—
<i>Blended Income & Growth Index</i>	3.1%	2.7%	1.7%	—	—	—
Growth Fund ³	2.9%	1.1%	(0.2)%	—	—	—
<i>Blended Growth Index</i>	3.6%	2.8%	1.6%	—	—	—
Aggressive Growth Fund ³	3.2%	1.0%	(0.4)%	—	—	—
<i>Blended Aggressive Growth Index</i>	4.0%	2.8%	1.5%	—	—	—
U.S. INFLATION						
Consumer Price Index (January 2014) ⁶	0.4%	0.2%	0.4%	2.1%	2.1%	2.4%

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 No assets invested in this fund. ⁵ Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). ⁶ Most recent data available. CPI data are not seasonally adjusted.