



## MARKETS AND THE ECONOMY

Strong corporate earnings overcame trade tensions as the S&P 500 Index rose 3.7 percent in July. The first estimate for the second quarter real GDP growth is 4.1 percent at an annual rate; the largest positive contributions were consumer spending and net exports, while the largest drag was inventories. Real GDP is up 2.8 percent from a year ago. Personal income rose 0.4 percent in June, and is up 4.9 percent in the past year. On the spending side, personal consumption increased 0.4 percent in June and is up 5.1 percent in the past year. The Consumer Price Index rose 0.2 percent in June, up 2.9 percent from a year ago. The unemployment rate ticked down to 3.9 percent in July from 4.0 percent in June. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, inched up 0.1 percent in July.

Citing quickening inflation, the Bank of England raised its benchmark interest rate to 0.75 percent from 0.5 percent. Contraction in industrial output and investment in fixed assets contributed to China's economy slowing to a 6.7 percent expansion rate in the second quarter from a year earlier, down from 6.8 percent in the first quarter. Strong domestic demand in May drove German manufacturing to increase 2.6 percent over the prior month. Slow growth contributed to Brazil holding its benchmark interest rate unchanged at 6.5 percent. Citing a strong labor market and inflation on target with policy objectives, the Bank of Canada raised its key rate from 1.25 percent to 1.5 percent. Broad-based declines across multiple sectors contributed to Argentina's economy contracting 5.8 percent from a year earlier. International equities, as measured by the MSCI EAFE Index, rose 2.5 percent in July.

## SOCIALLY RESPONSIBLE INVESTING AND PERFORMANCE

Brethren Foundation Funds seeks to provide competitive performance for client assets through investments based on denominational positions on various social issues. This means that certain companies are screened out of BFFI's portfolios because they are in conflict with Brethren values as expressed by Church of the Brethren Annual Conference statements.

BFFI staff members are frequently asked whether these social screens have a negative impact on performance. Being aware of this concern, BFFI staff members regularly ask the investment managers serving the actively managed funds whether social screens impact the performance of those portfolios. Some managers have reported that the timing of money moving in and out of the portfolio has a greater impact on performance than BFFI's social screens. All of the managers indicate that the BFFI social screens can have an impact on performance that is most noticeable in the short term, where the BFFI portfolio sometimes outperforms or underperforms the managers' unscreened core portfolios. Over the long term, however, the managers affirm that BFFI's portfolios and the unscreened core portfolios tend to perform very similarly. Based on investment manager feedback, BFFI affirms that its invested assets do not experience a long-term performance impact, positive or negative, due to its socially responsible investing screens.

NOTE: Both performance expectations and compliance with BFFI social screens are equally important components of BFFI's investment program. There have been Investment managers who have lost their opportunity to serve BFFI because they have not succeeded in achieving one or the other of those expectations.

BFFI affirms that its invested assets do not experience a long-term performance impact ... due to its socially responsible investing screens.



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

# Fund Performance Report

for the period ending July 31, 2018



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%	0.4%	0.8%	0.7%	0.5%	1.0%
<i>Merrill Lynch 6-Month Treasury Bill Index<sup>1</sup></i>	0.2%	0.5%	1.0%	0.9%	0.6%	0.4%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund<sup>2</sup></b>	0.1%	0.4%	1.0%	1.6%	1.7%	2.1%
<i>No Benchmark</i>	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	0.1%	0.6%	(1.9)%	1.8%	2.4%	4.4%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	0.1%	0.6%	(1.8)%	1.6%	2.3%	3.8%
<b>Bond Fund</b>	0.0%	0.5%	(2.0)%	2.0%	2.6%	4.5%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	0.1%	0.6%	(1.8)%	1.6%	2.3%	3.8%
<b>Treasury Inflation-Protected Securities Fund<sup>3</sup></b>	(0.6)%	0.5%	(0.5)%	2.3%	1.5%	—
<i>Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index</i>	(0.5)%	0.3%	(0.5)%	1.7%	1.4%	—
<b>Bank Loans Fund<sup>3</sup></b>	0.8%	1.0%	3.1%	—	—	—
<i>S&amp;P/LSTA U.S. Leveraged Loan 100 Index</i>	0.9%	0.9%	2.7%	—	—	—
<b>High Yield Bond Fund<sup>3</sup></b>	0.9%	1.1%	0.3%	5.6%	5.2%	—
<i>Bloomberg Barclays U.S. Corporate High Yield Bond Index</i>	1.1%	1.5%	1.3%	6.1%	5.3%	—
<b>Global Aggregate Fixed Income Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>Bloomberg Barclays Global Aggregate Index</i>	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Large Cap Core Fund</b>	3.2%	5.7%	3.0%	7.2%	6.4%	5.9%
<i>S&amp;P 500 Index</i>	3.7%	6.9%	6.5%	12.5%	13.1%	10.7%
<b>Domestic Stock Large Cap Core Index Fund<sup>5</sup></b>	3.7%	6.9%	6.4%	—	—	—
<i>S&amp;P 500 Index</i>	3.7%	6.9%	6.5%	—	—	—
<b>Domestic Stock Mid Cap Fund</b>	(0.1)%	1.8%	(1.6)%	3.9%	9.0%	—
<i>Russell Midcap Index</i>	2.5%	5.5%	4.9%	10.2%	11.5%	—
<b>Domestic Stock Growth Fund</b>	3.4%	7.9%	9.7%	10.1%	11.7%	—
<i>Russell 1000 Growth Index</i>	2.9%	8.5%	10.4%	14.8%	15.8%	—
<b>Domestic Stock Fund</b>	2.3%	5.4%	4.2%	7.7%	9.4%	9.0%
<i>S&amp;P 500 Index</i>	3.7%	6.9%	6.5%	12.5%	13.1%	10.7%
<b>Small Cap Fund</b>	3.8%	10.1%	15.5%	21.9%	17.0%	14.9%
<i>Russell 2000 Index</i>	1.7%	8.7%	9.5%	12.0%	11.3%	10.4%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	1.9%	(0.4)%	0.8%	5.7%	5.5%	3.7%
<i>MSCI EAFE Index</i>	2.5%	(1.1)%	(0.4)%	5.0%	5.9%	3.4%
<b>Emerging Markets Stock Fund<sup>3</sup></b>	5.9%	(5.3)%	(2.6)%	10.9%	5.0%	—
<i>MSCI Emerging Markets Index</i>	2.2%	(5.5)%	(4.6)%	8.9%	5.3%	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund<sup>3</sup></b>	(1.7)%	(4.0)%	(2.7)%	(2.3)%	(7.7)%	—
<i>Bloomberg Commodity Total Return Index</i>	(2.1)%	(4.2)%	(2.1)%	(1.6)%	(7.1)%	—
<b>Public Real Estate Fund<sup>3</sup></b>	0.4%	1.6%	(1.3)%	2.8%	3.9%	—
<i>S&amp;P Developed Property Index</i>	1.0%	3.7%	1.0%	6.3%	7.3%	—
<b>Multi-Strategy Hedge Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>60% S&amp;P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
<b>Global Inflation Protection Fund<sup>3</sup></b>	1.5%	(1.3)%	(0.8)%	6.6%	—	—
<i>Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%</i>	(0.2)%	0.9%	1.0%	3.4%	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	1.4%	3.4%	1.7%	5.5%	6.8%	7.5%
<i>Blended Balanced Index<sup>6</sup></i>	2.3%	4.3%	3.2%	8.2%	8.8%	8.2%
<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</sup></b>	1.1%	1.4%	0.3%	4.4%	—	—
<i>Blended Income Index</i>	1.1%	1.3%	(0.2)%	4.3%	—	—
<b>BVI Income Fund<sup>4</sup></b>	0.9%	1.3%	(0.4)%	—	—	—
<i>Blended SRI Income Index</i>	1.3%	1.4%	0.0%	—	—	—
<b>Income &amp; Growth Fund<sup>3</sup></b>	1.9%	1.4%	1.2%	6.4%	—	—
<i>Blended Income &amp; Growth Index</i>	1.7%	1.7%	0.8%	5.9%	—	—
<b>BVI Income &amp; Growth Fund</b>	1.3%	2.1%	0.9%	5.7%	—	—
<i>Blended SRI Income &amp; Growth Index</i>	1.7%	1.7%	0.7%	5.7%	—	—
<b>Growth Fund<sup>3</sup></b>	2.2%	1.4%	1.6%	7.2%	—	—
<i>Blended Growth Index</i>	2.0%	1.9%	1.2%	6.7%	—	—
<b>BVI Growth Fund</b>	1.7%	2.6%	2.0%	6.8%	—	—
<i>Blended SRI Growth Fund</i>	2.1%	2.0%	1.3%	6.8%	—	—
<b>Aggressive Growth Fund<sup>3</sup></b>	2.5%	1.5%	2.0%	7.7%	—	—
<i>Blended Aggressive Growth Index</i>	2.1%	2.0%	1.6%	7.3%	—	—
<b>BVI Aggressive Growth Index</b>	2.2%	3.0%	2.6%	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	2.6%	2.3%	1.9%	—	—	—
<b>U.S INFLATION</b>						
<b>Consumer Price Index (June 2018)<sup>7</sup></b>	0.2%	1.0%	2.2%	1.8%	1.5%	1.4%

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

Performance Report