

Investment Perspective

FROM BRETHREN FOUNDATION FUNDS

MARCH 2018



We seek on a daily basis to earn your satisfaction with our performance and service.

MARKETS AND THE ECONOMY

A spike in market volatility at the beginning of February sent the markets into correction territory. The S&P 500 Index ended the month down 3.7 percent. Real GDP was revised slightly lower, to a 2.5 percent annual rate during the fourth quarter, from a prior estimate of 2.6 percent. The largest upward revision was for residential investment, while the leading positive contributor was personal consumption. Inventories, business investment, and government purchases were all revised slightly lower. Personal income rose 0.4 percent in January, and is up 3.8 percent in the last year. This is led by rising wages and salaries, and further supported by one-time bonuses paid out by companies. In addition, tax cuts reduced personal taxes, pushing after-tax income higher in January. Personal consumption increased 0.2 percent in January, up 4.4 percent in the past year. The Consumer Price Index rose 0.5 percent in January, up 2.1 percent from a year ago. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, declined 1.1 percent in February.

Due to stronger-than-expected growth and rising inflation, the Bank of England indicated it may need to raise rates sooner than initially projected. Business activity in the eurozone slowed in February from the prior month, but remains in expansionary territory. France, the eurozone's second largest economy, saw its unemployment rate fall to 8.9 percent at the end of 2017, from 9.6 percent three months earlier. As a result of weakening trade growth, Japan's economy slowed during the fourth quarter to an annualized rate of 0.5 percent, down from the previous quarter's annualized rate of 2.2 percent. Brazil's economy grew by a 0.1 percent annualized rate during the fourth quarter, contributing to a 1 percent annualized rate for the entire year. Driven by investment spending, agriculture, and industrial production, the country returned to growth after two years of contraction. Amidst a slowing economy and falling inflation, the Bank of Russia cut its key lending rate to 7.5 percent from 7.75 percent. International equities, as measured by the MSCI EAFE Index, dropped 4.5 percent in February.

WE'D LIKE TO HEAR FROM YOU

Do you have a question or concern about the asset management program of Brethren Foundation Funds? If so, we hope that the first thing you do is contact us. We may be able to provide an answer or solution that is completely satisfactory, and we'd like to have the opportunity to try.

You have chosen Brethren Foundation Funds to manage the invested assets of your church or organization, and we would like that relationship to continue. We seek on a daily basis to earn your satisfaction with our performance and service.

We would be glad to hear from you if there are things that you appreciate, that you believe we're doing well, or that you would like us to continue doing. Whether it be our investments, customer service, the web portal with customized reports, this publication, or anything else, we would like to know what we do that helps provide you with better investment oversight for your organization or congregation.

Nevertheless, from time to time, you may have a question or concern about BFFI's investment program. You may learn about alternative options that seem attractive, or you may believe that BFFI has not provided adequate service. Whether for these or any other reasons, we hope that your first course of action will be to contact us so that we may hear your concern and attempt to resolve it. You can contact Steve Mason directly at 847-622-3369 or smason@cobbt.org.

Thanks for the opportunity to serve your church or organization.

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

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Fund Performance Report

for the period ending Feb. 28, 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
SHORT-TERM						
Short-Term Fund	0.1%	0.2%	0.2%	0.5%	0.5%	1.0%
Merrill Lynch 6-Month Treasury Bill Index ¹	0.1%	0.3%	0.2%	0.7%	0.5%	0.4%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.1%	0.4%	0.3%	1.6%	1.8%	2.2%
No Benchmark	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	(1.0)%	(1.6)%	(2.2)%	1.3%	2.1%	4.2%
Bloomberg Barclays U.S. Government/Credit Bond Index	(1.1)%	(1.7)%	(2.2)%	1.2%	1.7%	3.6%
Bond Fund	(0.9)%	(1.5)%	(2.1)%	1.6%	2.2%	4.3%
Bloomberg Barclays U.S. Government/Credit Bond Index	(1.1)%	(1.7)%	(2.2)%	1.2%	1.7%	3.6%
Treasury Inflation-Protected Securities Fund ³	(0.9)%	(1.2)%	(1.7)%	1.6%	(0.1)%	—
Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index	(1.0)%	(0.9)%	(1.8)%	0.8%	(0.1)%	—
Bank Loans Fund ³	0.2%	1.4%	1.1%	—	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	0.1%	1.5%	1.1%	—	—	—
High Yield Bond Fund ³	(1.0)%	(0.2)%	(0.5)%	5.3%	5.4%	—
Bloomberg Barclays U.S. Corporate High Yield Bond Index	(0.8)%	0.0%	(0.3)%	5.2%	5.3%	—
Global Aggregate Fixed Income Fund ^{3,4}	—	—	—	—	—	—
Bloomberg Barclays Global Aggregate Index	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Fund	(4.7)%	1.4%	0.1%	3.5%	8.1%	5.6%
S&P 500 Index	(3.7)%	3.0%	1.8%	11.1%	14.7%	9.7%
Domestic Stock Large Cap Core Index Fund ⁵	(3.7)%	2.5%	1.6%	—	—	—
S&P 500 Index	(3.7)%	3.0%	1.8%	—	—	—
Domestic Stock Mid Cap Fund	(4.4)%	0.3%	(0.3)%	4.6%	12.3%	—
Russell Midcap Index	(4.1)%	0.4%	(0.5)%	8.0%	13.0%	—
Domestic Stock Growth Fund	(2.8)%	3.6%	3.4%	10.1%	12.7%	—
Russell 1000 Growth Index	(2.6)%	5.1%	4.3%	13.5%	17.0%	—
Domestic Stock Fund	(3.8)%	1.9%	1.3%	6.5%	11.4%	8.7%
S&P 500 Index	(3.7)%	3.0%	1.8%	11.1%	14.7%	9.7%
Small Cap Fund	(3.9)%	5.2%	3.5%	17.8%	16.6%	14.0%
Russell 2000 Index	(3.9)%	(1.8)%	(1.4)%	8.5%	12.2%	9.7%
INTERNATIONAL EQUITY						
International Stock Core Fund	(3.6)%	2.5%	1.4%	6.0%	6.8%	3.0%
MSCI EAFE Index	(4.5)%	1.9%	0.3%	5.7%	7.1%	2.8%
Emerging Markets Stock Fund ³	(2.8)%	8.5%	5.5%	10.2%	4.6%	—
MSCI Emerging Markets Index	(4.6)%	7.0%	3.3%	9.0%	5.0%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ³	(4.0)%	0.6%	(0.1)%	(4.9)%	(9.9)%	—
Bloomberg Commodity Total Return Index	(1.7)%	3.2%	0.2%	(4.7)%	(8.1)%	—
Public Real Estate Fund ³	(5.1)%	(3.7)%	(5.8)%	(0.4)%	3.1%	—
S&P Developed Property Index	(6.5)%	(5.2)%	(6.5)%	2.4%	5.7%	—
Multi-Strategy Hedge Fund ^{3,4}	—	—	—	—	—	—
60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index	—	—	—	—	—	—
Global Inflation Protection Fund ³	(1.8)%	0.9%	0.3%	5.8%	—	—
Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%	(0.3)%	(0.2)%	(0.9)%	2.8%	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	(2.7)%	0.6%	0.0%	4.7%	7.8%	7.3%
Blended Balanced Index ⁶	(2.6)%	1.1%	0.3%	7.2%	9.5%	7.5%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{3,4}	—	—	—	—	—	—
Blended Conservative Index	—	—	—	—	—	—
Income Fund ³	(2.0)%	0.2%	(0.5)%	3.4%	—	—
Blended Income Index	(2.2)%	(0.1)%	(1.0)%	3.8%	—	—
BVI Income Fund ⁴	(2.1)%	—	(0.9)%	—	—	—
Blended SRI Income Index	(2.3)%	—	(0.8)%	—	—	—
Income & Growth Fund ³	(2.5)%	1.7%	0.6%	5.4%	—	—
Blended Income & Growth Index	(2.8)%	0.9%	(0.2)%	5.5%	—	—
BVI Income & Growth Fund	(2.6)%	0.6%	(0.2)%	—	—	—
Blended SRI Income & Growth Index	(2.8)%	0.8%	(0.3)%	—	—	—
Growth Fund ³	(2.7)%	2.4%	1.3%	6.2%	—	—
Blended Growth Index	(3.1)%	1.4%	0.1%	6.2%	—	—
BVI Growth Fund	(3.0)%	1.3%	0.4%	5.8%	—	—
Blended SRI Growth Index	(3.3)%	1.5%	0.2%	6.3%	—	—
Aggressive Growth Fund ³	(2.9)%	2.7%	1.5%	6.5%	—	—
Blended Aggressive Growth Index	(3.2)%	1.7%	0.4%	6.9%	—	—
BVI Aggressive Growth Fund ⁴	(3.4)%	—	0.6%	—	—	—
Blended SRI Aggressive Growth Index	(3.7)%	—	0.7%	—	—	—
U.S. INFLATION						
Consumer Price Index (January 2017) ⁷	0.5%	0.5%	0.5%	2.0%	1.5%	1.6%

Performance Report

¹Changed May 1, 2009. 10-year blended with 90-day Treasury Bill. ²CDIF interest accrues on a daily basis. ³These 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. ⁴No assets invested in this fund. ⁵Expected to match benchmark gross of fees. Typically, will not match benchmark net of fees and due to required cash position. ⁶Weighted average of the S&P 500 Index (60 percent) and the Bloomberg Barclays U.S. Capital Government/Credit Bond Index (40 percent). ⁷Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted.