



*BRETHREN FOUNDATION FUNDS INC.
INVESTMENT GUIDELINES*

Introduction

Brethren Foundation Funds Inc. has as one of its primary responsibilities the general oversight of assets under its supervision.

These investment guidelines reflect the efforts of BFFI to properly fulfill its fiduciary responsibility in the management of these assets, as well as its commitment to the ethical and social values of the Church of the Brethren (“Brethren Values”).

The Board of Directors of BFFI (the “Board”) has established an Investment Committee (the “Committee”) for the purpose of providing continuing review of the investment program and for making recommendations to the Board regarding the management of the assets under the supervision of the Board. The Board has delegated the responsibility for managing the investment of these assets to the president and/or treasurer of the organization and approved the use of professional investment consultants and managers in the management of these assets. The president and/or treasurer report to the Board and/or the Committee on the investment activity related to these assets.

The Board has approved the following guidelines for the investment of the assets for which it has supervisory responsibility.

I. General Guidelines Related to All Assets

A. Objectives

1. **Stability** — To maintain a high level of stability and security in all accounts by minimizing risk and volatility consistent with rate-of-return objectives.
2. **Preservation of Capital** — To preserve the capital investment in each account.
3. **Liquidity** — To maintain sufficient liquidity to provide for all anticipated withdrawals or transfers and to invest in issues with sufficient marketability to provide for unexpected withdrawals.
4. **Rate of Return** — To achieve first-quartile returns annualized over a five-year period in a universe of comparably managed accounts.

B. Standards of Care

To use the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

C. Diversification

To diversify the investment of the assets under the supervision of the Board so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

1. General

- a. The securities of any one issuer, excluding securities issued by the U.S. Treasury and/or an agency of the U.S. government, shall not represent more than 10 percent of the market value of the assets in any account.
- b. The market value of stock or bond investments shall not exceed 5 percent of any company's total stock or debt outstanding.
- c. Investments in guaranteed investment contracts of any company shall not exceed 10 percent of the market value of the assets in any account.

2. Domestic Investments

- a. The market value of the stock or bond investments in any one sector, as determined using the sector classification assigned to a firm by the performance benchmark assigned in the ADDENDUM of the Investment Guidelines, shall not exceed +/- 10 percent of the benchmark sector, with an absolute maximum of 40 percent of the market value of the assets in any account.
- b. The market value of the stock or bond investments in any one industry, as determined using the industry classification assigned to a firm by the performance benchmark assigned in the ADDENDUM of the Investment Guidelines, shall not exceed 25 percent of the market value of the assets in any account except for short-term cash investments, which shall not exceed 30 percent.
- c. The investment manager shall immediately alert staff when a sector or industry limit has been exceeded and shall outline in writing the course of action for resolution.
- d. All investments shall be made in securities traded on a U.S. exchange or traded in U.S. dollars.

3. International Investments

- a. The market value of the stock or bond investments in any one sector, as determined using the sector classification assigned to a firm by the performance benchmark assigned in the ADDENDUM of the Investment Guidelines, shall not exceed 30 percent of the market value of the assets in any account.
- b. The market value of the stock or bond investment in any one industry, using the Morgan Stanley Capital International Europe, Australasia, and Far East (MSCI EAFE) Index, shall not exceed 25 percent of the market value of the assets in any account except for short-term cash investments, which shall not exceed 10 percent.
- c. The investment manager shall immediately alert staff when a sector or industry limit has been exceeded and shall outline in writing the course of action for resolution.
- d. The market value of the stock or bond investment in any one country, using the MSCI EAFE Index, shall not exceed 40 percent of the market value of the assets of the account.

D. Transactions

Security transactions are to be made on the basis of best price and execution.

E. Investment Funds

Various Funds are created through the use of separate accounts. It is the Committee's responsibility to diversify these Funds. Investing the Funds' assets in multiple asset classes and using outside investment managers with well-diversified portfolios are done with the goal of insulating the portfolios from the effects of substantial losses in any single security or sector of the market. The Funds are to be invested based on the long-term nature of the asset class. Decisions

made concerning the Funds are to be made with a five-year time horizon, with the understanding that the actual time horizon may be much longer. The target asset allocation may be adjusted by the Committee on a periodic basis.

F. Rebalancing

BFFI staff will review the asset allocation of the Funds on a quarterly basis and adjust the portfolios to comply with these guidelines as necessary. The Committee anticipates that the ongoing natural cash flow needs of the Funds (contributions and withdrawals) will be sufficient to maintain the allocation of the portfolios within targets under most market conditions.

The Committee will evaluate each Fund's investment structure to determine the optimal approach. An emphasis will be placed on separate accounts where appropriate. As such, the Committee has selected investment managers within each asset class to manage separate accounts (each firm is identified in the addendum).

G. General Restrictions for Separately Managed Accounts

1. Purchase domestic short-term securities only when issued by the U.S. Treasury or an agency or instrumentality of the U.S. government, commercial paper rated A-2 or higher by Standard & Poor's, negotiable certificates of deposit or bankers' acceptances, and bank time deposits of the 50 largest banks in the U.S. that have or whose holding companies have an S&P credit rating of A+ or higher or a BankWatch rating of B or higher, or of banks in the U.S. where such certificates of deposit or bankers' acceptances are fully insured by an agency of the federal government.
2. Purchase guaranteed investment contracts only when issued by companies rated A or higher by Moody's, Fitch, or Standard & Poor's.
3. At no time shall the lowest investment-grade ratings (Baa3 by Moody's, BBB- by Standard & Poor's, or BBB- by Fitch) make up more than 20 percent of a fixed income account.
4. No interest-only bonds, principal-only bonds, inverse floater bonds, or other high-risk derivative securities shall be purchased.
5. The maximum maturity of any bond purchased shall not exceed 30 years. Pass-through bonds with a maturity in excess of 20 years will be calculated on their average life.
6. With the exception of the Commodities-Based Fund, do not purchase leveraged commodities, commodity contracts, oil, gas, mineral leases, mineral rights, or royalty contracts.
7. Do not use margin transactions or short sales.
8. 144A, preferred, or convertible securities are not permitted unless requested in writing to the Committee and accepted within this policy.
9. Do not make investments in the securities of an issuer that, together with any predecessor, has been in operation for less than three years, except as provided below, or in securities of issuers for which market quotations are not readily available.
10. Do not make personal loans.
11. Do not make investments in local churches.

12. Make investments in agencies of the Church of the Brethren only if initially secured by collateral projected to have a minimum fair market value throughout the term of the loan equal to at least two times the amount invested, and only if that collateral can be converted to cash without significant adverse impact on the mission or activities of the agencies.
13. Exceptions to any aspect of this policy must be requested in writing to the Committee and accepted in writing by the Committee.

H. Brethren Values Investing (BVI)

1. Investments shall not knowingly be made in —
 - a. The currently listed and published top 25 publicly traded companies receiving prime military contract awards from the U.S. Department of Defense for the last full fiscal year or any publicly traded company where the ratio of the gross revenue received by the company from prime military contracts from the U.S. Department of Defense to the gross revenues of the company exceeds 10 percent.
 - b. Companies deriving more than 10 percent of annual gross revenues from the following —
 - i. The manufacture or sale of biological, chemical, or nuclear weapons; anti-personnel landmines; or cluster munitions.
 - ii. The manufacture or sale of firearms or military weapons systems, including key components.
 - iii. Abortion procedures or the manufacture or sale of products used primarily to complete abortion procedures.
 - iv. The manufacture or sale of alcoholic beverages.
 - v. The manufacture or sale of tobacco products.
 - vi. The production, sale, or distribution of pornography.
 - vii. The manufacture, sale, or operation of gambling devices.
 - c. Companies that have a history of engaging in or supporting human rights violations (including slavery and child labor), a history of permitting primary suppliers to engage in or support human rights violations (including slavery and child labor), or that directly support governments that systematically deny human rights.
 - d. Companies that are egregious or consistent violators of environmental regulations.
2. Investments in securities that support the creation and maintenance of a society consistent with the policy statements of the Church of the Brethren Annual Conference shall be favored to the extent they otherwise satisfy the criteria in these guidelines. This may include, but is not limited to, investments in such areas as community development, social justice, and preservation and/or reclamation of our environment.
3. To avoid conflicts of interest, investments shall not knowingly be made in entities in which any officer, director, or employee of Brethren Foundation Funds Inc. is a director or officer or owns a controlling financial interest unless the investment is approved by the Board, and such officer, director, or employee is a non-participant in the discussions and vote related to the investment.

4. There may be instances where a Fund is unable to utilize a separate account structure. In such cases, investors' assets may be exposed to issues that are in conflict with the Brethren Values Investing restrictions as noted above. Every effort will be made to minimize or eliminate any socially related conflicts.

I. Supervision

1. The Board will maintain and review —
 - a. The *Investment Guidelines* of the Board.
 - b. Procedures for a periodic analysis, at least annually, of the application of these *Investment Guidelines* and the performance resulting therefrom.
 - c. Procedures for handling the receipts, deliveries, transfers, and safekeeping of securities and the safeguarding of assets.
2. The indicia of ownership of all assets under the management of the Board shall be of BFFI or a nominee approved by the Board.
3. Investments in companies whose activities change so as to be out of compliance with the guidelines on Brethren Values Investing shall be divested at the discretion of the president, treasurer, and/or investment manager(s).
4. In the event of sudden political and economic developments that, in the judgment of the president, are expected to have a significant adverse effect on the assets under supervision of the Board, the president and/or treasurer is/are authorized to take emergency action that could change the asset mix related to such assets.
5. The president and/or treasurer of the organization may make required, non-substantive changes to the Investment Guidelines and Asset Allocation Grids when necessary. Staff will report the changes to the Investment Committee at its subsequent meeting.

II. BFFI Funds

BFFI serves as the administrator of various investment funds available to BFFI clients. BFFI attempts to offer a diverse investment fund lineup to meet various investors' needs. In addition, BFFI has created an *Information Statement* that is a communication tool for investors. Although every attempt is made to make sure the *Information Statement* coincides with these *Investment Guidelines*, these guidelines shall supersede the *Information Statement*.

Below is a listing of the BFFI Funds —

Strategic Asset Managed Funds

- Short-Term Fund without Treasuries
- Short-Term Fund with Treasuries
- Community Development Investment Fund
- Bond Core Fund with Treasuries
- Bond Fund without Treasuries
- Treasury Inflation-Protected Securities Fund*
- Bank Loans Fund*
- High Yield Bond Fund*
- Global Aggregate Fixed Income Fund*
- Global Inflation Protection Fund*

- Balanced Fund
- Multi-Strategy Hedge Fund*
- Domestic Stock Large Cap Core Index Fund
- Domestic Stock Fund
- Domestic Stock Large Cap Core Fund
- Domestic Stock Growth Fund
- Domestic Stock Mid Cap Fund
- Small Cap Fund
- International Stock Core Fund
- Public Real Estate Fund*
- Emerging Markets Stock Fund*
- Commodities-Based Fund*

Tactical Asset Managed Funds

- BVI Aggressive Growth Fund
- BVI Growth Fund
- BVI Income and Growth Fund
- BVI Income Fund
- Aggressive Growth Fund
- Growth Fund
- Income and Growth Fund
- Income Fund
- Conservative Fund

*Not currently using a separately managed account structure

The Committee will evaluate the Fund investment structures to determine the optimal approach. An emphasis will be placed on separate accounts where appropriate. Following are the guidelines for the Committee-approved BFFI Fund offerings —

A. Strategic Asset Managed Funds

1. Short-Term Fund without Treasuries

- a. Investment Universe. Investments shall be in securities issued by an agency or instrumentality of the U.S. government; corporate bonds; guaranteed investment contracts; publicly issued, SEC-registered, dollar-denominated, non-convertible bonds issued by entities not domiciled or headquartered in the U.S. (including corporate, sovereign, supranational, and quasi-government agency bonds); asset-backed securities; mortgage-backed securities; collateralized mortgage obligations; commercial paper issued by U.S. corporations; certificates of deposit or bankers' acceptances of U.S. banks; and short-term money market instruments.
- b. Asset Mix. All assets shall be fully invested at all times in fixed income securities that have a final stated maturity of 24 months or less. Not more than 10 percent of the assets shall be invested in municipal bonds. Not more than 10 percent of the assets shall be invested in publicly issued, SEC-registered, dollar-denominated, non-convertible bonds issued by entities not domiciled or headquartered in the U.S. (including corporate, sovereign, supranational, and quasi-government agency bonds).
- c. Quality. All assets shall be invested in securities that are rated investment grade by Moody's, Fitch, or Standard & Poor's. The investment manager shall immediately alert BFFI staff when any security held in the portfolio is downgraded below the limits permitted by the *Investment Guidelines* and shall outline in writing the course of action anticipated for that security.

- d. Rate of Return. The rate of return should exceed by not less than 0.25 percent per annum (gross) the performance of the ICE BofAML 6-Month Treasury Bill Index, achieve positive returns for all rolling three-month periods, and the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

2. Short-Term Fund with Treasuries

- a. Investment Universe — Investments shall be in securities issued by the U.S. Treasury or an agency or instrumentality of the U.S. government; corporate bonds; guaranteed investment contracts; publicly issued, SEC-registered, dollar-denominated non-convertible bonds issued by entities not domiciled or headquartered in the U.S. (including corporate, sovereign, supranational, and quasi-government agency bonds); asset-backed securities; mortgage-backed securities; collateralized mortgage obligations; commercial paper issued by U.S. corporations; certificates of deposit or bankers' acceptances of U.S. banks; and short-term money market instruments.
- b. Asset Mix — All assets shall be fully invested at all times in fixed income securities that have a final stated maturity of 24 months or less. Not more than 10 percent of the assets shall be invested in municipal bonds. Not more than 10 percent of the assets shall be invested in publicly issued, SEC-registered, dollar-denominated non-convertible bonds issued by entities not domiciled or headquartered in the U.S. (including corporate, sovereign, supranational, and quasi-government agency bonds).
- c. Quality — All assets shall be invested in securities that are rated investment grade by Moody's, Fitch, or Standard & Poor's. The investment manager shall immediately alert BFFI staff when any security held in the portfolio is downgraded below the limits permitted by the *Investment Guidelines* and shall outline in writing the course of action anticipated for that security.
- d. Rate of Return — The rate of return should exceed by not less than 0.25 percent per annum (gross) the performance of the ICE BofAML 6-Month Treasury Bill Index, achieve positive returns for all rolling three-month periods, and the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

3. Community Development Investment Fund

- a. Investment Universe — Investments shall be in established vehicles that in turn use the funds to assist with the credit, housing, and economic development needs of low- and moderate-income communities.
- b. Asset Mix — Investments will remain 100 percent invested in community-focused investments, except that contributions will accumulate as cash until they are added to existing notes.
- c. Rate of Return — Each note shall carry a fixed interest rate.

4. Bond Core Fund with Treasuries (active duration)

- a. Investment Universe — Investments shall be in securities issued by the U.S. Treasury or an agency or instrumentality of the U.S. government; corporate bonds; guaranteed investment contracts; publicly issued, SEC-registered, dollar-denominated, non-convertible bonds issued by entities not domiciled or headquartered in the U.S. (including corporate, sovereign, supranational, and quasi-government agency bonds); corporate bonds denominated in foreign currencies; asset-backed securities; mortgage-backed securities; collateralized mortgage obligations; commercial paper issued by U.S.

corporations; certificates of deposit or bankers' acceptances of U.S. banks; and cash equivalents.

- b. Asset Mix — Not more than 10 percent of the assets shall be invested in municipal bonds. Not more than 10 percent of the assets shall be invested in publicly issued, SEC-registered, dollar-denominated, non-convertible bonds issued by entities not domiciled or headquartered in the U.S. (including corporate, sovereign, supranational, and quasi-government agency bonds).
 - c. Duration — The duration of the portfolio shall be within 30 percent of the duration of the Bloomberg Barclays U.S. Government/Credit Bond Index.
 - d. Quality — All assets shall be invested in securities that are rated investment grade by Moody's, Fitch, or Standard & Poor's. The investment manager shall immediately alert BFFI staff when any security held in the portfolio is downgraded below the limits permitted by the *Investment Guidelines* and shall outline in writing the course of action anticipated for that security.
 - e. Rate of Return — The rate of return should exceed by not less than 0.5 percent per annum (gross) the performance of the Bloomberg Barclays U.S. Government/Credit Bond Index, and the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.
5. Bond Core Fund with Treasuries (duration neutral)
- a. Investment Universe — Investments shall be in securities issued by the U.S. Treasury or an agency or instrumentality of the U.S. government; corporate bonds; guaranteed investment contracts; publicly issued, SEC-registered, dollar-denominated, non-convertible bonds issued by entities not domiciled or headquartered in the U.S. (including corporate, sovereign, supranational, and quasi-government agency bonds); corporate bonds denominated in foreign currencies; asset-backed securities; mortgage-backed securities; collateralized mortgage obligations; commercial paper issued by U.S. corporations; certificates of deposit or bankers' acceptances of U.S. banks; and cash equivalents.
 - b. Asset Mix — Not more than 10 percent of the assets shall be invested in municipal bonds. Not more than 10 percent of the assets shall be invested in convertible bonds. Not more than 10 percent of the assets shall be invested in publicly issued, SEC-registered, dollar-denominated, non-convertible bonds issued by entities not domiciled or headquartered in the U.S. (including corporate, sovereign, supranational, and quasi-government agency bonds).
 - c. Duration — The duration of the portfolio shall be within 15 percent of the duration of the Bloomberg Barclays U.S. Government/Credit Bond Index.
 - d. Quality — All assets shall be invested in securities that are rated investment grade by Moody's, Fitch, or Standard & Poor's. The investment manager shall immediately alert BFFI staff when any security held in the portfolio is downgraded below the limits permitted by the *Investment Guidelines* and shall outline in writing the course of action anticipated for that security.
 - e. Rate of Return — The rate of return should exceed by not less than 0.5 percent per annum (gross) the performance of the Bloomberg Barclays U.S. Government/Credit Bond Index, and the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

6. Bond Fund without Treasuries (active duration)

- a. Investment Universe — Investments shall be in securities issued by an agency or instrumentality of the U.S. government; corporate bonds; guaranteed investment contracts; publicly issued, SEC-registered, dollar-denominated non-convertible bonds issued by entities not domiciled or headquartered in the U.S. (including corporate, sovereign, supranational, and quasi-government agency bonds); corporate bonds denominated in foreign currencies; asset-backed securities; mortgage-backed securities; collateralized mortgage obligations; commercial paper issued by U.S. corporations; certificates of deposit or bankers' acceptances of U.S. banks; and cash equivalents.
- b. Asset Mix — Not more than 10 percent of the assets shall be invested in municipal bonds. Not more than 10 percent of the assets shall be invested in publicly issued, SEC-registered, dollar-denominated, non-convertible bonds issued by entities not domiciled or headquartered in the U.S. (including corporate, sovereign, supranational, and quasi-government agency bonds).
- c. Duration — The duration of the portfolio shall be within 30 percent of the duration of the Bloomberg Barclays U.S. Government/Credit Bond Index.
- d. Quality — All assets shall be invested in securities that are rated investment grade by Moody's, Fitch, or Standard & Poor's. The investment manager shall immediately alert BFFI staff when any security held in the portfolio is downgraded below the limits permitted by the *Investment Guidelines* and shall outline in writing the course of action anticipated for that security.
- e. Rate of Return — The rate of return should exceed by not less than 0.5 percent per annum (gross) the performance of the Bloomberg Barclays U.S. Government/Credit Bond Index, and the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

7. Bond Fund without Treasuries (duration neutral)

- a. Investment Universe — Investments shall be in securities issued by an agency or instrumentality of the U.S. government; corporate bonds; guaranteed investment contracts; publicly issued, SEC-registered, dollar-denominated, non-convertible bonds issued by entities not domiciled or headquartered in the U.S. (including corporate, sovereign, supranational, and quasi-government agency bond); corporate bonds denominated in foreign currencies; asset-backed securities; mortgage-backed securities; collateralized mortgage obligations; commercial paper issued by U.S. corporations; certificates of deposit or bankers' acceptances of U.S. banks; and cash equivalents.
- b. Asset Mix — Not more than 10 percent of the assets shall be invested in municipal bonds. Not more than 10 percent of the assets shall be invested in convertible bonds. Not more than 10 percent of the assets shall be invested in publicly issued, SEC-registered, dollar-denominated, non-convertible bonds issued by entities not domiciled or headquartered in the U.S. (including corporate, sovereign, supranational, and quasi-government agency bonds).
- c. Duration — The duration of the portfolio shall be within 15 percent of the duration of the Bloomberg Barclays U.S. Government/Credit Bond Index.
- d. Quality — All assets shall be invested in securities that are rated investment grade by Moody's, Fitch, or Standard & Poor's. The investment manager shall immediately alert BFFI staff when any security held in the portfolio is downgraded below the limits

permitted by the *Investment Guidelines* and shall outline in writing the course of action anticipated for that security.

- e. Rate of Return — The rate of return should exceed by not less than 0.5 percent per annum (gross) the performance of the Bloomberg Barclays U.S. Government/Credit Bond Index, and the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

8. Treasury Inflation-Protected Securities Fund

- a. Investment Universe — Investments will be made in a fund vehicle that cost-effectively gains access to inflation-based securities.
- b. Asset Mix — The Fund is expected to follow its prospectus or legal documentation.
- c. Rate of Return — The rate of return should meet or exceed the Bloomberg Barclays US Treasury Inflation-Linked Bond Index, and the Fund should achieve first-quartile returns in a universe of comparably managed funds over any five-year period.

9. Bank Loans Fund

- a. Investment Universe — Investments will be made in a fund vehicle that cost-effectively gains access to the bank loan marketplace.
- b. Asset Mix — The Fund is expected to follow its prospectus or legal documentation.
- c. Rate of Return — The rate of return should meet or exceed the S&P/LSTA U.S. Leveraged Loan 100 Index, and the Fund should achieve first-quartile returns in a universe of comparably managed funds over any five-year period.

10. High Yield Bond Fund

- a. Investment Universe — Investments will be made in a fund vehicle that cost-effectively gains access to below-investment grade fixed income securities.
- b. Asset Mix — The Fund is expected to follow its prospectus or legal documentation.
- c. Rate of Return — The rate of return should meet or exceed the Bloomberg Barclays U.S. Corporate High Yield Bond Index, and the Fund should achieve first-quartile returns in a universe of comparably managed funds over any five-year period.

11. Global Aggregate Fixed Income Fund

- a. Investment Universe — Investments will be made in a fund vehicle that cost-effectively gains access to the global bond market.
- b. Asset Mix — The Fund is expected to follow its prospectus or legal documentation.
- c. Rate of Return — The rate of return should meet or exceed the Bloomberg Barclays Global Aggregate Index, and the Fund should achieve first-quartile returns in a universe of comparably managed funds over any five-year period.

12. Global Inflation Protection Fund

- a. Investment Universe — Investments will be made in a fund vehicle that cost-effectively gains access to securities selected to protect against inflation.

- b. Asset Mix — The Fund is expected to follow its prospectus or legal documentation.
- c. Rate of Return — The rate of return should meet or exceed the Bloomberg Barclays US TIPS 1-10 Year Index + 2 percent, and the Fund should achieve first-quartile returns in a universe of comparably managed funds over any five-year period.

13. Balanced Fund

- a. Investment Universe — Investments shall be in a mix of several asset categories that may include domestic common stocks, including American Depositary Receipts of non-U.S. corporations; securities issued by any agency or instrumentality of the U.S. government; corporate bonds; guaranteed investment contracts; publicly issued, SEC-registered, dollar-denominated non-convertible bonds issued by entities not domiciled or headquartered in the U.S. (including corporate, sovereign, supranational, and quasi-government agency bonds); corporate bonds denominated in foreign currencies; asset-backed securities; mortgage-backed securities; collateralized mortgage obligations; commercial paper issued by U.S. corporations; certificates of deposit or bankers' acceptances of U.S. banks; and short-term money market instruments.
- b. Asset Mix — Not less than 30 percent nor more than 70 percent of the market value of assets shall be invested in domestic common stock, including American Depositary Receipts in the stock of non-U.S. corporations, preferred stock, and/or securities convertible into domestic common stock; and not less than 30 percent nor more than 70 percent of the market value of assets shall be invested in fixed income instruments with the balance of the assets in cash equivalents.
- c. Rate of Return — The Fund should achieve first-quartile returns in a universe of comparably managed funds over any five-year period. The benchmark comparison will be a weighting of the S&P 500 and the Bloomberg Barclays U.S. Government/Credit Bond Index that matches the asset allocation of the Fund.

14. Multi-Strategy Hedge Fund

- a. Investment Universe — Investments will be made in a fund vehicle that cost-effectively gains access to a diverse set of asset classes and investment strategies.
- b. Asset Mix — The Fund is expected to follow its prospectus or legal documentation.
- c. Rate of Return — The rate of return should meet or exceed a benchmark comparison, which will be a composite index consisting of a 60 percent weighting of the S&P 500 Index and a 40 percent weighting of the Bloomberg Barclays U.S. Aggregate Bond Index.

15. Domestic Stock Large Cap Core Index Fund

- a. Investment Universe — Investments shall be in domestic common stocks that match in name those in the S&P 500 Index minus the companies that are not in compliance with BFFI's Brethren Values Investing guidelines.
- b. Asset Mix — The asset allocation will be proportional to the holdings in the S&P 500 Index minus the companies that are not in compliance with BFFI's Brethren Values Investing guidelines. A minimal cash position may be held for liquidity purposes.
- c. Rate of Return — The rate of return is to be the S&P 500 Index return plus or minus the forward estimated tracking error.

16. Domestic Stock Fund

- a. Investment Universe — Investments shall be in domestic common stocks, including American Depositary Receipts of non-U.S. corporations, and cash equivalents.
- b. Asset Mix — Not less than 80 percent of the assets shall at all times be invested in domestic common stocks, including American Depositary Receipts of non-U.S. corporations, and/or securities convertible into domestic common stock, with the balance in cash equivalents. No more than 20 percent of the assets shall be invested in American Depositary Receipts of non-U.S. corporations.
- c. Rate of Return — The rate of return should exceed by not less than 1 percent per annum (gross) the performance of the S&P 500 Index, and the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

17. Domestic Stock Large Cap Core Fund

- a. Investment Universe — Investments shall be in domestic common stocks, including American Depositary Receipts of non-U.S. corporations, and cash equivalents.
- b. Asset Mix — Not less than 80 percent of the assets shall at all times be invested in domestic common stocks, including American Depositary Receipts of non-U.S. corporations, and/or securities convertible into common stock, with the balance in cash equivalents. No more than 20 percent of the assets may be invested in American Depositary Receipts of non-U.S. corporations.
- c. Rate of Return — The rate of return should exceed by not less than 1 percent per annum (gross) the performance of the S&P 500 Index, and the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

18. Domestic Stock Growth Fund

- a. Investment Universe — Investments shall be in domestic growth common stocks, including American Depositary Receipts of non-U.S. corporations, and cash equivalents.
- b. Asset Mix — Not less than 80 percent of the assets shall at all times be invested in domestic common stocks, including American Depositary Receipts of non-U.S. corporations, and/or securities convertible into common stock, with the balance in cash equivalents. No more than 20 percent of the assets may be invested in American Depositary Receipts of non-U.S. corporations.
- c. Rate of Return — The rate of return should exceed by not less than 1 percent per annum (gross) the performance of the Russell 1000 Growth Index, and the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

19. Domestic Stock Mid Cap Fund

- a. Investment Universe — Investments shall be in domestic common stocks, including American Depositary Receipts of non-U.S. corporations and cash equivalents. Investments shall be made only in corporations with total market capitalizations that are no smaller at the time of purchase than the smallest market-capitalized firm that is in the Fund's benchmark at its most recent reconstitution, and no larger than 1.5 times the largest market-capitalized firm that is in the Fund's benchmark at its most recent reconstitution. Any exception must be approved by the President, in writing and reported to the Investment Committee at the next meeting.

- b. Asset Mix — Not less than 80 percent of the assets shall at all times be invested in domestic common stocks, including American Depositary Receipts of non-U.S. corporations, and/or securities convertible into common stock, with the balance in cash equivalents. No more than 20 percent of the assets may be invested in American Depositary Receipts of non-U.S. corporations.
- c. Rate of Return — The rate of return should exceed by not less than 1 percent per annum (gross) the performance of the Russell Midcap Index, and the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

20. Small Cap Fund

- a. Investment Universe — Investments shall be in domestic common stocks, including American Depositary Receipts of non-U.S. corporations, and cash equivalents. Investments shall be made only in corporations with total market capitalizations that are no greater at the time of purchase than 1.5 times the largest market capitalized firm that is in the Fund's benchmark at its most recent reconstitution. Any exception must be approved by the President, in writing and reported to the Investment Committee at the next meeting.
- b. Asset Mix — Not less than 80 percent of the assets shall at all times be invested in common stocks, including American Depositary Receipts of non-U.S. corporations, and/or securities convertible into domestic common stock, with the balance in cash equivalents. No more than 20 percent of the assets may be invested in American Depositary Receipts of non-U.S. corporations.
- c. Rate of Return — The rate of return should exceed by not less than 1 percent per annum (gross) the performance of the Russell 2000 Index, and the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

21. International Stock Core Fund

- a. Investment Universe — Investments shall be primarily in international common stocks, including American Depositary Receipts of non-U.S. corporations, and cash equivalents. In addition, currency futures, forwards, or options may be purchased to hedge currency fluctuations.
- b. Asset Mix — Not less than 80 percent of the assets shall at all times be invested in international common stocks, including American Depositary Receipts of non-U.S. corporations, and/or securities convertible into international common stock, with the balance in cash equivalents.
- c. Rate of Return — The rate of return should exceed by not less than 1 percent per annum (gross) the performance of the MSCI EAFE Index (Net), and the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

22. Public Real Estate Fund

- a. Investment Universe — Investments will be made in a fund vehicle that cost-effectively gains access to predominantly publicly traded Real Estate Investment Trust securities.
- b. Asset Mix — The Fund is expected to follow its prospectus or legal documentation.

- c. Rate of Return — The rate of return should meet or exceed the S&P Developed Property Index, and the Fund should achieve first-quartile returns in a universe of comparably managed funds over any five-year period.

23. Emerging Markets Stock Fund

- a. Investment Universe — Investments will be made in a fund vehicle that cost-effectively gains access to securities that are predominantly domiciled in the emerging markets.
- b. Asset Mix — The Fund is expected to follow its prospectus or legal documentation.
- c. Rate of Return — The rate of return should meet or exceed the MSCI Emerging Markets Index (Net), and the Fund should achieve first-quartile returns in a universe of comparably managed funds over any five-year period.

24. Commodities-Based Fund

- a. Investment Universe — Investments will be made in a fund vehicle that cost-effectively gains access to an investment strategy that has low U.S. equity correlation and predominantly invests in commodities or commodity-based companies.
- b. Asset Mix — The Fund is expected to follow its prospectus or legal documentation.
- c. Rate of Return — The rate of return should meet or exceed the Bloomberg Commodity Total Return Index, and the Fund should achieve first-quartile returns in a universe of comparably managed funds over any five-year period.

B. Tactical Asset Managed Funds

1. BVI Aggressive Growth Fund

- a. Investment Universe — Investments shall be in a mix of BFFI's Strategic Asset Managed Funds, which comply with BFFI's BVI guidelines, and may not include any other investment option that has not been approved by BFFI's Board.
- b. Asset Mix — The asset allocation range for each BVI Tactical Asset Managed Fund will be established by the Board upon recommendation of its Investment Committee.

The investment adviser selected to manage this Fund will set the target asset allocation of the Fund and may change the target asset allocation of the Fund at any time as long as the target asset allocation is always within the Board-approved ranges.

- c. Rate of Return — The rate of return should exceed by not less than 1 percent per annum (gross) the performance of the benchmark, which will be a weighting of the following indexes that match the target asset allocation of the Fund —

15%	Bloomberg Barclays U.S. Government/Credit Bond Index
85%	MSCI All Country World Index (Net)

In addition, the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

2. BVI Growth Fund

- a. Investment Universe — Investments shall be in a mix of BFFI's Strategic Asset Managed Funds, which comply with BFFI's BVI guidelines, and may not include any other investment option that has not been approved by BFFI's Board.
- b. Asset Mix — The asset allocation range for each BVI Tactical Asset Managed Fund will be established by the Board upon recommendation of its Investment Committee.

The investment adviser selected to manage this Fund will set the target asset allocation of the Fund and may change the target asset allocation of the Fund at any time, as long as the target asset allocation is always within the Board-approved ranges.

- c. Rate of Return — The rate of return should exceed by not less than 1 percent per annum (gross) the performance of the benchmark, which will be a weighting of the following indexes that match the target asset allocation of the Fund —

30%	Bloomberg Barclays U.S. Government/Credit Bond Index
70%	MSCI All Country World Index (Net)

In addition, the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

3. BVI Income and Growth Fund

- a. Investment Universe — Investments shall be in a mix of BFFI's Strategic Asset Managed Funds, which comply with BFFI's BVI guidelines, and may not include any other investment option that has not been approved by BFFI's Board.
- b. Asset Mix — The asset allocation range for each BVI Tactical Asset Managed Fund will be established by the Board upon recommendation of its Investment Committee.

The investment adviser selected to manage this Fund will set the target asset allocation of the Fund and may change the target asset allocation of the Fund at any time, as long as the target asset allocation is always within the Board-approved ranges.

- c. Rate of Return — The rate of return should exceed by not less than 0.75 percent per annum (gross) the performance of the benchmark, which will be a weighting of the following indexes that match the target asset allocation of the Fund —

45%	Bloomberg Barclays U.S. Government/Credit Bond Index
55%	MSCI All Country World Index (Net)

In addition, the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

4. BVI Income Fund

- a. Investment Universe — Investments shall be in a mix of BFFI's Strategic Asset Managed Funds which comply with BFFI's BVI guidelines and may not include any other investment option that has not been approved by BFFI's Board.
- b. Asset Mix — The asset allocation range for each BVI Tactical Asset Managed Fund will be established by the Board upon recommendation of its Investment Committee.

The investment adviser selected to manage this Fund will set the target asset allocation of the Fund and may change the target asset allocation of the Fund at any time, as long as the target asset allocation is always within the Board-approved ranges.

- c. Rate of Return — The rate of return should exceed by not less than 0.5 percent per annum (gross) the performance of the benchmark, which will be a weighting of the following indexes that match the target asset allocation of the Fund —

60%	Bloomberg Barclays U.S. Government/Credit Bond Index
40%	MSCI All Country World Index (Net)

In addition, the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

5. Aggressive Growth Fund

- a. Investment Universe — Investments shall be in a mix of BFFI's Strategic Asset Managed Funds and may not include any other investment option that has not been approved by BFFI's Board.
- b. Asset Mix — The asset allocation range for each Tactical Asset Managed Fund will be established by the Board upon recommendation of its Investment Committee.

The investment adviser selected to manage this Fund will set the target asset allocation of the Fund and may change the target asset allocation of the Fund at any time as long as the target asset allocation is always within the Board-approved ranges.

- c. Rate of Return — The rate of return should exceed by not less than 1 percent per annum (gross) the performance of the benchmark, which will be a weighting of the following indexes that match the target asset allocation of the Fund —

19%	Bloomberg Barclays U.S. Government/Credit Bond Index
71%	MSCI All Country World Index (Net)
10%	Bloomberg Barclays US TIPS 1-10 Year Index + 2%

In addition, the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

6. Growth Fund

- a. Investment Universe — Investments shall be in a mix of BFFI's Strategic Asset Managed Funds and may not include any other investment option that has not been approved by BFFI's Board.
- b. Asset Mix — The asset allocation range for each Tactical Asset Managed Fund will be established by the Board upon recommendation of its Investment Committee.

The investment adviser selected to manage this Fund will set the target asset allocation of the Fund and may change the target asset allocation of the Fund at any time, as long as the target asset allocation is always within the Board-approved ranges.

- c. Rate of Return — The rate of return should exceed by not less than 1 percent per annum (gross) the performance of the benchmark, which will be a weighting of the following indexes that match the target asset allocation of the Fund —

30%	Bloomberg Barclays U.S. Government/Credit Bond Index
65%	MSCI All Country World Index (Net)
5%	Bloomberg Barclays US TIPS 1-10 Year Index + 2%

In addition, the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

7. Income and Growth Fund

- a. Investment Universe — Investments shall be in a mix of BFFI's Strategic Asset Managed Funds and may not include any other investment option that has not been approved by BFFI's Board.
- b. Asset Mix — The asset allocation range for each Tactical Asset Managed Fund will be established by the Board upon recommendation of its Investment Committee.

The investment adviser selected to manage this Fund will set the target asset allocation of the Fund and may change the target asset allocation of the Fund at any time, as long as the target asset allocation is always within the Board-approved ranges.

- c. Rate of Return — The rate of return should exceed by not less than 0.75 percent per annum (gross) the performance of the benchmark, which will be a weighting of the following indexes that match the target asset allocation of the Fund —

40%	Bloomberg Barclays U.S. Government/Credit Bond Index
55%	MSCI All Country World Index (Net)
5%	Bloomberg Barclays US TIPS 1-10 Year Index + 2%

In addition, the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

8. Income Fund

- a. Investment Universe — Investments shall be in a mix of BFFI's Strategic Asset Managed Funds and may not include any other investment option that has not been approved by BFFI's Board.
- b. Asset Mix — The asset allocation range for each Tactical Asset Managed Fund will be established by the Board upon recommendation of its Investment Committee.

The investment adviser selected to manage this Fund will set the target asset allocation of the Fund and may change the target asset allocation of the Fund at any time, as long as the target asset allocation is always within the Board-approved ranges.

- c. Rate of Return — The rate of return should exceed by not less than 0.5 percent per annum (gross) the performance of the benchmark, which will be a weighting of the following indexes that match the target asset allocation of the Fund —

65%	Bloomberg Barclays U.S. Government/Credit Bond Index
35%	MSCI All Country World Index (Net)

In addition, the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

9. Conservative Fund

- a. Investment Universe — Investments shall be in a mix of BFFI's Strategic Asset Managed Funds and may not include any other investment option that has not been approved by BFFI's Board.

- b. **Asset Mix** — The asset allocation range for each Tactical Asset Managed Fund will be established by the Board upon recommendation of its Investment Committee.

The investment adviser selected to manage this Fund will set the target asset allocation of the Fund and may change the target asset allocation of the Fund at any time, as long as the target asset allocation is always within the Board approved ranges.

- c. **Rate of Return** — The rate of return should exceed by not less than 0.25 percent per annum (gross) the performance of the benchmark, which will be a weighting of the following indexes that match the target asset allocation of the Fund —

90%	ICE BofAML 6-Month Treasury Bill Index
10%	Bloomberg Barclays U.S. Government/Credit Bond Index

In addition, the Fund should achieve first-quartile returns in a universe of comparably managed accounts over any five-year period.

C. Special Circumstances

In the event Brethren Foundation Funds Inc. elects to accept assets carrying specific restrictions not wholly consistent with the general principles expressed herein, the assets will be temporarily managed as specified in the instrument of agreement between Brethren Foundation Funds Inc. and the client.

III. Separate Account Manager Responsibilities

Each investment manager is responsible for frequent and open communication with staff and the Committee on all significant matters pertaining to investment policy and the management of the portfolio's assets, including but not limited to:

- Major changes in the investment manager's investment outlook, investment strategy, and portfolio structure.
- Any significant changes in the ownership, organizational structure, financial conditions, or senior personnel staffing.
- Transactions, valuations, and quarterly performance reports that shall be sent to the Foundation staff or its' designates.
- Meet with staff in person no less than annually and no less than quarterly via conference calls.
- Provide the Committee a thorough in-person review upon request, but typically every three years.

There may be instances where a Fund may be unable to utilize a separate account structure due to minimum funding requirements. In those instances, it may not be possible to strictly implement these *Investment Guidelines*. It is anticipated that once an appropriate level of assets is reached in each Fund, a separate account shall be implemented.

IV. Proxy Voting

The Committee recognizes that proxies are assets of the Foundation. The Committee has determined that staff and an external organization (identified in the addendum) are responsible for voting the proxies. Periodically, the Committee may review the specific voting records. Voting will be consistent with guidelines outlined under Section I.H.

V. Liquidity Fund

The Committee has authorized a short-term investment fund where temporary cash would be swept on a daily basis by the operating account bank (identified in the addendum). The Committee will review this Fund on a periodic basis to ensure it best meets BFFI's needs. To the extent possible, holdings in the liquidity fund will comply with the Brethren Values Investing guidelines outlined in Section I.H.

Brethren Foundation Funds Inc.
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ADDENDUM

Fund — Investment Managers (Style)

- Short-Term Fund without Treasuries — Ponder Investment Co.
Performance benchmark: ICE BofAML 6-Month Treasury Bill Index
- Short-Term Fund with Treasuries — Ponder Investment Co.
Performance benchmark: ICE BofAML 6-Month Treasury Bill Index
- Community Development Investment Fund — Calvert Foundation
- Bond Core Fund with Treasuries — Agincourt Capital Management LLC (active duration)
— Income Research & Management Inc. (duration neutral)
Performance benchmark: Bloomberg Barclays U.S. Government/Credit Bond Index
- Bond Fund without Treasuries — Agincourt Capital Management LLC (active duration)
— Income Research & Management Inc. (duration neutral)
Performance benchmark: Bloomberg Barclays U.S. Government/Credit Bond Index
- Treasury Inflation-Protected Securities Fund* — Vanguard Inflation-Protected Securities Fund Admiral Shares (VAIPX)
Performance benchmark: Bloomberg Barclays US Treasury Inflation-Linked Bond Index
- Bank Loans Fund* — Eaton Vance Floating Rate R6 Fund (ESBLX)
Performance benchmark: S&P/LSTA U.S. Leveraged Loan 100 Index
- High Yield Bond Fund* — Principal High Yield Fund Class R6 (PHYFX)
Performance benchmark: Bloomberg Barclays U.S. Corporate High Yield Bond Index
- Global Aggregate Fixed Income Fund* — Templeton Global Bond Fund Class R6 (FBNRX)
Performance benchmark: Bloomberg Barclays Global Aggregate Index
- Global Inflation Protection Fund* — PIMCO All Asset Fund Institutional Class (PAAIX)
Performance benchmark: Bloomberg Barclays US TIPS 1-10 Year Index + 2 percent
- Balanced Fund — Domestic Stock Fund and Bond Fund without Treasuries
Performance benchmark: Weighting of the S&P 500 and the Bloomberg Barclays U.S. Government/Credit Bond Index that matches the asset allocation of the Fund
- Multi-Strategy Hedge Fund* — PIMCO All Asset All Authority Fund Institutional Class (PAUIX)
Performance benchmark: 60 percent weighting of the S&P 500 Index and a 40 percent weighting of the Bloomberg Barclays U.S. Aggregate Bond Index
- Domestic Stock Large Cap Core Index Fund — Crossmark Global Investments
Performance benchmark: S&P 500 Index
- Domestic Stock Fund — Numeric Investors LLC (core)
Crossmark Global Investments (core index)
Walden Asset Management (mid cap)
BMO Asset Management Corp (growth)
Performance benchmark: S&P 500 Index
- Domestic Stock Large Cap Core Fund — Numeric Investors LLC
Performance benchmark: S&P 500 Index

Domestic Stock Growth Fund — BMO Asset Management Corp
Performance benchmark: Russell 1000 Growth Index

Domestic Stock Mid Cap Fund — Walden Asset Management
Performance benchmark: Russell Midcap Index

Small Cap Fund — Kayne Anderson Rudnick Investment Management LLC
Performance benchmark: Russell 2000 Index

International Stock Core Fund — Boston Common Asset Management LLC
Performance benchmark: MSCI EAFE Index (Net)

Public Real Estate Fund* — Principal Global Real Estate Instl Sec Fund Class R6 (PGRSX) (~~POSI~~)
Performance benchmark: S&P Developed Property Index

Emerging Markets Stock Fund* — DFA Emerging Markets Value Portfolio Institutional Class (DFEVX)
Performance benchmark: MSCI Emerging Markets Index (Net)

Commodities-Based Fund* — PIMCO CommodityRealReturn Strategy Institutional Class (PCRIX)
Performance benchmark: Bloomberg Commodity Total Return Index

BVI Aggressive Growth Fund — Marquette Associates Fiduciary Services (Fund of BFFI Funds)
Performance benchmark: Weighting of the following indexes that match the target asset allocation of the Fund —

15% Bloomberg Barclays U.S. Government/Credit Bond Index
85% MSCI All Country World Index (Net)

BVI Growth Fund — Marquette Associates Fiduciary Services (Fund of BFFI Funds)
Performance benchmark: Weighting of the following indexes that match the target asset allocation of the Fund —

30% Bloomberg Barclays U.S. Government/Credit Bond Index
70% MSCI All Country World Index (Net)

BVI Income and Growth Fund — Marquette Associates Fiduciary Services (Fund of BFFI Funds)
Performance benchmark: weighting of the following indexes that match the target asset allocation of the Fund —

45% Bloomberg Barclays U.S. Government/Credit Bond Index
55% MSCI All Country World Index (Net)

BVI Income Fund — Marquette Associates Fiduciary Services (Fund of BFFI Funds)
Performance benchmark: weighting of the following indexes that match the target asset allocation of the Fund —

60% Bloomberg Barclays U.S. Government/Credit Bond Index
40% MSCI All Country World Index (Net)

Aggressive Growth Fund — Marquette Associates Fiduciary Services (Fund of BFFI Funds)
Performance benchmark: weighting of the following indexes that match the target asset allocation of the Fund —

19% Bloomberg Barclays U.S. Government/Credit Bond Index
71% MSCI All Country World Index (Net)
10% Bloomberg Barclays US TIPS 1-10 Year Index + 2 percent

Growth Fund — Marquette Associates Fiduciary Services (Fund of BFFI Funds)

Performance benchmark: weighting of the following indexes that match the target asset allocation of the Fund —

- 30% Bloomberg Barclays U.S. Corporate High Yield Bond Index
- 65% MSCI All Country World Index (Net)
- 5% Bloomberg Barclays US TIPS 1-10 Year Index + 2 percent

Income and Growth Fund — Marquette Associates Fiduciary Services (Fund of BFFI Funds)

Performance benchmark: weighting of the following indexes that match the target asset allocation of the Fund —

- 40% Bloomberg Barclays U.S. Government/Credit Bond Index
- 55% MSCI All Country World Index (Net)
- 5% Bloomberg Barclays US TIPS 1-10 Year Index + 2 percent

Income Fund — Marquette Associates Fiduciary Services (Fund of BFFI Funds)

Performance benchmark: weighting of the following indexes that match the target asset allocation of the Fund —

- 65% Bloomberg Barclays U.S. Government/Credit Bond Index
- 35% MSCI All Country World Index (Net)

Conservative Fund — Marquette Associates Fiduciary Services (Fund of BFFI Funds)

Performance benchmark: weighting of the following indexes that match the target asset allocation of the Fund —

- 90% ICE BofAML 6-Month Treasury Bill Index
- 10% Bloomberg Barclays U.S. Government/Credit Bond Index

** Denotes mutual fund*

Additional Service Providers

J.P. Morgan Chase & Co. — Liquidity fund

Marquette Associates, Inc. – Investment consultant and tactical investment management services

Nottingham Investment Administration — Reconciliation agent

RiskMetrics Group Inc. — Proxy voting

U.S. Bank N.A. — Custodian