



Investment Perspective

FROM BRETHREN FOUNDATION FUNDS

APRIL 2016

MARKETS AND THE ECONOMY

Upbeat U.S. economic readings over the past month helped change the moods in the markets and erase the S&P 500 Index's losses for the year; the index rose 6.8 percent in March and is up 1.3 percent since the beginning of the year. The Federal Reserve kept its benchmark interest rates unchanged and indicated a lower projected path for future rate increases due to soft global growth and financial market volatility. While there were widespread job gains across multiple sectors, the U.S. unemployment rate ticked up to 5 percent in March from 4.9 percent in February, as more Americans joined the labor force. U.S. manufacturing activity expanded in March. The bond market, as measured by the Barclays Capital Government/Credit Index, increased 1.2 percent in March, up 3.5 percent during the first quarter.

For the second time in three months, the European Central Bank implemented additional monetary stimulus to bolster weakening growth and inflation. Led by Germany, France, and Ireland, industrial output in the Eurozone rose by 2.1 percent in January over the prior month. Unemployment in the U.K. in January was 5.1 percent, down from 5.7 percent a year earlier; wages rose 2.1 percent over the same period. China factory output rose in March from February. China reduced the tax burden on companies in an effort to hasten the conversion toward a consumption-based economy. The unemployment rate in Japan increased to 3.3 percent in February from 3.2 percent in January. International equities, as measured by the MSCI EAFE Index, rose 6.5 percent in March, down 3 percent since the beginning of the year.

Most respondents indicated satisfaction with BFFI services.

CLIENT SATISFACTION SURVEY RESULTS

Late last year, Brethren Foundation Funds commissioned the Nonprofit Risk Management Center of Leesburg, Va., to conduct a satisfaction survey of all BFFI clients. Here is a summary of the results —

- I am satisfied with the asset management services (91.6 percent agree or somewhat agree).
- BFFI cares about my institution and treats us as a valued client (93.0 percent).
- My transactions are handled in a timely fashion (87.1 percent).
- My transactions are handled accurately with no errors (87.3 percent).
- I am able to reach the client service team when I need assistance (91.6 percent).
- The client service team is friendly and knowledgeable (91.6 percent).
- I am confident that the client service team can answer my questions and resolve my issues (91.6 percent).

In the “relatively high” number of responses (more than 41 percent), a few clients identified areas of concern or opportunities for improvement, including lack of in-house investment advice, using the Web portal, fees, and communication with clients. Most respondents indicated satisfaction with BFFI services.

Nearly 80 percent of the respondents indicated that the monthly newsletter, *Investment Perspective* (79.4 percent), and the annual disclosure document, the *Information Statement* (78.3 percent), are valuable resources and that the Web portal is a useful tool (76.1 percent), although the percentage of those who use these resources is lower.

The responses revealed opportunities for improvement, especially in those areas where less than 90 percent of the respondents were satisfied. BFFI will use this input to guide its efforts to offer excellent client service, with the expectation that the next survey will yield stronger participation and higher satisfaction.

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



Fund Performance Report

for the period ending March 31, 2016



All periods longer than one year are annualized.

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	0.1%	0.2%	0.2%	0.5%	0.5%	1.8%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.1%	0.2%	0.2%	0.2%	0.2%	1.1%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.1%	0.4%	0.4%	1.9%	2.0%	2.4%
<i>No Benchmark</i>	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	1.4%	3.3%	3.3%	2.8%	4.2%	5.4%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.2%	3.5%	3.5%	2.4%	4.0%	4.9%
Bond Fund	1.6%	3.5%	3.5%	2.8%	4.2%	5.4%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.2%	3.5%	3.5%	2.4%	4.0%	4.9%
Treasury Inflation-Protected Securities Fund ³	2.0%	4.6%	4.6%	(1.5)%	2.3%	—
<i>Barclays Capital U.S. TIPS Index</i>	1.8%	4.5%	4.5%	(0.7)%	3.0%	—
Bank Loans Fund ^{3,4}	—	—	—	—	—	—
<i>S&P/LSTA U.S. Leveraged Loan 100 Index</i>	—	—	—	—	—	—
High Yield Bond Fund ³	3.7%	1.9%	1.9%	2.1%	4.8%	—
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	4.4%	3.4%	3.4%	1.8%	4.9%	—
Global Aggregate Fixed Income Fund ^{3,4}	—	—	—	—	—	—
<i>Barclays Capital Global Aggregate Bond Index</i>	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Fund	7.0%	(0.3)%	(0.3)%	2.9%	4.5%	4.1%
<i>S&P 500 Index</i>	6.8%	1.3%	1.3%	11.8%	11.6%	7.0%
Domestic Stock Large Cap Core Index Fund	6.6%	—	—	—	—	—
<i>S&P 500 Index</i>	6.8%	—	—	—	—	—
Domestic Stock Mid Cap Fund	7.6%	(0.8)%	(0.8)%	11.1%	12.3%	—
<i>Russell Midcap Index</i>	8.2%	2.2%	2.2%	10.4%	10.3%	—
Domestic Stock Growth Fund	6.9%	0.6%	0.6%	10.3%	9.7%	—
<i>Russell 1000 Growth Index</i>	6.7%	0.7%	0.7%	13.6%	12.4%	—
Domestic Stock Fund	7.1%	0.0%	0.0%	8.5%	9.0%	7.2%
<i>S&P 500 Index</i>	6.8%	1.3%	1.3%	11.8%	11.6%	7.0%
Small Cap Fund	7.1%	3.3%	3.3%	9.8%	10.0%	8.8%
<i>Russell 2000 Index</i>	8.0%	(1.5)%	(1.5)%	6.8%	7.2%	5.3%
INTERNATIONAL EQUITY						
International Stock Core Fund	6.7%	(2.2)%	(2.2)%	1.2%	1.8%	1.8%
<i>MSCI EAFE Index</i>	6.5%	(3.0)%	(3.0)%	2.2%	2.3%	1.8%
Emerging Markets Stock Fund ³	15.7%	9.1%	9.1%	(6.3)%	(6.1)%	—
<i>MSCI Emerging Markets Index</i>	13.2%	5.7%	5.7%	(4.5)%	(4.1)%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ³	7.0%	2.4%	2.4%	(20.0)%	(13.9)%	—
<i>Bloomberg Commodity Total Return Index</i>	3.8%	0.4%	0.4%	(16.9)%	(14.1)%	—
Public Real Estate Fund ³	9.3%	3.4%	3.4%	4.3%	6.2%	—
<i>S&P Developed Property Index</i>	9.6%	5.6%	5.6%	6.7%	9.0%	—
Multi-Strategy Hedge Fund ^{3,4}	—	—	—	—	—	—
<i>60% S&P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
Global Inflation Protection Fund ³	7.1%	8.8%	8.8%	—	—	—
<i>CPI + 5%</i> ⁵	0.5%	1.1%	1.1%	—	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	4.8%	1.4%	1.4%	6.3%	7.3%	6.8%
<i>Blended Balanced Index</i> ⁶	4.5%	2.3%	2.3%	8.1%	8.7%	6.5%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{3,4}	—	—	—	—	—	—
<i>Blended Conservative Index</i>	—	—	—	—	—	—
Income Fund ³	4.0%	1.6%	1.6%	—	—	—
<i>Blended Income Index</i>	3.4%	2.4%	2.4%	—	—	—
SRI Income Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
Income & Growth Fund ³	5.8%	1.9%	1.9%	—	—	—
<i>Blended Income & Growth Index</i>	4.6%	1.7%	1.7%	—	—	—
SRI Income & Growth Fund	4.7%	1.4%	1.4%	—	—	—
<i>Blended SRI Income & Growth Index</i>	4.6%	1.8%	1.8%	—	—	—
Growth Fund ³	6.7%	1.6%	1.6%	—	—	—
<i>Blended Growth Index</i>	5.2%	1.4%	1.4%	—	—	—
SRI Growth Fund	5.4%	0.7%	0.7%	—	—	—
<i>Blended SRI Growth Index</i>	5.5%	1.3%	1.3%	—	—	—
Aggressive Growth Fund ³	7.4%	1.7%	1.7%	—	—	—
<i>Blended Aggressive Growth Index</i>	5.5%	1.0%	1.0%	—	—	—
SRI Aggressive Growth Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	—	—	—	—	—	—
U.S. INFLATION						
Consumer Price Index (February 2016) ⁵	0.1%	(0.1)%	(0.1)%	0.7%	1.4%	1.8%

¹ Changed May 1, 2009. 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 Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted. ⁶ Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).