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Investment Perspective

FROM BROTHERS FOUNDATION FUNDS

APRIL 2017

MARKETS AND THE ECONOMY

The S&P 500 Index curbed the trajectory of recent post-election advances and inched up only 0.1 percent in March, up 6.1 percent since January 1. The Federal Reserve raised the range for short-term interest rates by a quarter point to 0.75 – 1 percent. The Fed took the idea of four rate hikes this year off the table and instead introduced the idea of starting to reduce the size of its balance sheet as the process of rate normalization continues. The Consumer Price Index increased 0.3 percent in February, up 2.7 percent from a year ago. Inflation is running in the Fed's target range, and unlike in recent months, energy was not a key contributor. Job growth was strong, and the unemployment rate ticked down to 4.7 percent in February from 4.8 percent in January. The unemployment rate is below the Fed's long-term goal and wages are accelerating. The bond market, as measured by the Bloomberg Barclays Government/Credit Bond Index, ticked down 0.1 percent in March, up 1 percent during the first quarter.

Strong employment gains in Italy and Spain helped drive a decline in the Eurozone's unemployment rate in February to 9.5 percent from 9.6 percent in January. The European Central Bank indicated that while it will maintain current stimulus measures through the end of the year, it saw no need to provide any additional measures to support the economy. The United Kingdom officially notified the European Council of its intention to withdraw from the European Union. Japan's unemployment rate fell to 2.8 percent in February from 3 percent the prior month. Tightness in the labor market was caused by shrinkage in the Japanese working population and demands for labor. Brazil's gross domestic product shrank 3.6 percent in 2016; this follows the 2015 contraction of 3.8 percent. A steep decline in commodity prices led to a drop-off in investment spending, a rise in unemployment, and consumers reining in spending. International equities, as measured by the MSCI EAFE Index, rose 2.8 percent in March, up 7.3 percent during the first quarter.

INVESTMENT OPTIONS AND COMPLIANCE WITH BROTHERS VALUES

Brothers Foundation Funds Inc. offers 30 investment options and as many as possible are in compliance with Brothers Values Investing guidelines. Some of BFFI's investment options may not comply with BVI guidelines, because not enough money is invested in the underlying funds to hire investment managers who will comply with BVI guidelines. In order to be available, those investment options must use mutual funds to manage the assets invested in them. Accordingly, BFFI ensures that all clients know which of its investment options are in compliance with BVI investing guidelines, so that the clients can make informed investment choices.

BVI-compliant investment options that are available through BFFI:

- | | |
|--|-------------------------------|
| Short-Term Fund | Small Cap Fund |
| Bond Fund | International Stock Core Fund |
| Domestic Stock Large Cap Core Fund | Balanced Fund |
| Domestic Stock Large Cap Core Index Fund | BVI Income Fund |
| Domestic Stock Mid Cap Fund | BVI Income & Growth Fund |
| Domestic Stock Growth Fund | BVI Growth Fund |
| Domestic Stock Fund | BVI Aggressive Growth Fund |

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

Fund Performance Report

for the period ending March 31, 2017



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	0.0%	0.2%	0.2%	0.4%	0.5%	1.4%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.0%	0.1%	0.1%	0.4%	0.3%	0.7%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.0%	0.4%	0.4%	1.7%	1.9%	2.3%
<i>No Benchmark</i>	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	0.0%	1.0%	1.0%	2.8%	2.8%	4.8%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	(0.1)%	1.0%	1.0%	2.7%	2.5%	4.3%
Bond Fund	(0.2)%	1.0%	1.0%	3.0%	2.9%	4.9%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	(0.1)%	1.0%	1.0%	2.7%	2.5%	4.3%
Treasury Inflation-Protected Securities Fund ³	3.0%	4.5%	4.5%	2.6%	0.9%	—
<i>Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index</i>	(0.1)%	1.3%	1.3%	2.0%	1.0%	—
Bank Loans Fund ^{3,4}	—	—	—	—	—	—
<i>S&P/LSTA U.S. Leveraged Loan 100 Index</i>	—	—	—	—	—	—
High Yield Bond Fund ³	(0.3)%	2.8%	2.8%	4.6%	6.8%	—
<i>Bloomberg Barclays U.S. Corporate High Yield Bond Index</i>	(0.2)%	2.7%	2.7%	4.6%	6.8%	—
Global Aggregate Fixed Income Fund ³	1.2%	4.0%	4.0%	—	—	—
<i>Bloomberg Barclays Global Aggregate Index</i>	0.2%	1.8%	1.8%	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Fund	(0.7)%	5.5%	5.5%	0.9%	6.9%	4.7%
<i>S&P 500 Index</i>	0.1%	6.1%	6.1%	10.4%	13.3%	7.5%
Domestic Stock Large Cap Core Index Fund ⁵	0.1%	5.9%	5.9%	—	—	—
<i>S&P 500 Index</i>	0.1%	6.1%	6.1%	—	—	—
Domestic Stock Mid Cap Fund	1.6%	9.0%	9.0%	4.6%	13.3%	—
<i>Russell Midcap Index</i>	(0.2)%	5.1%	5.1%	8.5%	13.1%	—
Domestic Stock Growth Fund	0.3%	5.3%	5.3%	7.9%	10.8%	—
<i>Russell 1000 Growth Index</i>	1.2%	8.9%	8.9%	11.3%	13.3%	—
Domestic Stock Fund	0.5%	6.6%	6.6%	4.8%	10.6%	7.4%
<i>S&P 500 Index</i>	0.1%	6.1%	6.1%	10.4%	13.3%	7.5%
Small Cap Fund	(0.2)%	5.9%	5.9%	11.5%	11.9%	9.8%
<i>Russell 2000 Index</i>	0.1%	2.5%	2.5%	7.2%	12.4%	7.1%
INTERNATIONAL EQUITY						
International Stock Core Fund	3.9%	8.9%	8.9%	0.2%	4.5%	1.1%
<i>MSCI EAFE Index</i>	2.8%	7.3%	7.3%	0.5%	5.8%	1.1%
Emerging Markets Stock Fund ³	2.9%	14.7%	14.7%	2.8%	1.3%	—
<i>MSCI Emerging Markets Index</i>	2.5%	11.4%	11.4%	1.2%	0.8%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ³	(2.2)%	(1.9)%	(1.9)%	(14.3)%	(10.0)%	—
<i>Bloomberg Commodity Total Return Index</i>	(2.7)%	(2.3)%	(2.3)%	(13.9)%	(9.5)%	—
Public Real Estate Fund ³	(2.4)%	1.7%	1.7%	3.3%	5.0%	—
<i>S&P Developed Property Index</i>	(1.1)%	2.9%	2.9%	6.7%	8.8%	—
Multi-Strategy Hedge Fund ^{3,4}	—	—	—	—	—	—
<i>60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
Global Inflation Protection Fund ³	1.0%	7.8%	7.8%	—	—	—
<i>CPI + 5%</i> ⁶	0.7%	2.2%	2.2%	—	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	0.2%	4.4%	4.4%	4.2%	7.6%	6.7%
<i>Blended Balanced Index</i> ⁷	0.0%	4.0%	4.0%	7.4%	9.0%	6.6%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ³	0.0%	0.3%	0.3%	—	—	—
<i>Blended Conservative Index</i>	0.0%	0.2%	0.2%	—	—	—
Income Fund ³	0.8%	3.6%	3.6%	—	—	—
<i>Blended Income Index</i>	0.4%	3.0%	3.0%	—	—	—
BVI Income Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
Income & Growth Fund ³	1.1%	5.5%	5.5%	3.3%	—	—
<i>Blended Income & Growth Index</i>	0.7%	4.3%	4.3%	4.3%	—	—
BVI Income & Growth Fund	0.8%	4.7%	4.7%	—	—	—
<i>Blended SRI Income & Growth Index</i>	0.6%	4.2%	4.2%	—	—	—
Growth Fund ³	1.2%	6.3%	6.3%	3.3%	—	—
<i>Blended Growth Index</i>	0.8%	4.9%	4.9%	4.6%	—	—
BVI Growth Fund	1.2%	5.7%	5.7%	—	—	—
<i>Blended SRI Growth Index</i>	0.8%	5.1%	5.1%	—	—	—
Aggressive Growth Fund ³	1.4%	7.0%	7.0%	2.9%	—	—
<i>Blended Aggressive Growth Index</i>	0.9%	5.3%	5.3%	4.9%	—	—
BVI Aggressive Growth Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	—	—	—	—	—	—
U.S. INFLATION						
Consumer Price Index (February 2017) ⁶	0.3%	0.9%	0.9%	1.2%	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 Expected to match benchmark gross of fees. Typically, will not match benchmark net of fees and due to required cash position. ⁶ Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted. ⁷ Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).