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# Investment Perspective

FROM BROTHERS FOUNDATION FUNDS

DECEMBER 2014

## MARKETS AND THE ECONOMY

The S&P 500 Index reached a new all-time high in November and ended the month up 2.7 percent. Positive economic indicators included the third quarter real gross domestic product being revised upward from an annualized rate of 3.5 percent to 3.9 percent, the unemployment rate dropping to 5.8 percent in October, and the annual domestic inflation rate remaining low through October. Nevertheless, consumer confidence declined in November, influenced by economic factors such as continuing uncertainty about the future plans of the US Federal Reserve regarding interest rates, a 7.5 percent monthly increase in the international trade deficit in September, and a 2.8 percent monthly decline in privately-owned housing starts in October. The bond market, as measured by the Barclays Capital Government/Credit Index, rose 0.7 percent in November.

Japan, China, and the Eurozone continued to experience economic headwinds in November. Japan, which experienced declining retail sales, delayed a second consumption tax increase to avoid further slowing economic growth; the Chinese Central Bank unexpectedly cut its one-year lending rate to encourage investment as retail sales slowed; and the European Central Bank appeared to be edging toward its own quantitative easing as manufacturing activity continued its downward trajectory. International equities, as measured by the MSCI EAFE Index, gained 1.4 percent in November.

## YEAR-END CONSIDERATIONS

As 2014 comes to an end, please consider the following —

### Initiating transactions

To be certain that routine transactions are recorded in 2014, the Brethren Foundation Funds office must receive the properly completed documentation, including checks or EFT instructions in the case of deposits, no later than noon CST on Dec. 24. Paperwork may be submitted by fax to 847-960-5712, sent as an attachment to an email message to [bffi@cobbt.org](mailto:bffi@cobbt.org), or mailed through the postal service to 1505 Dundee Ave., Elgin, IL 60120. Please allow ample time for delivery.

### Keeping your list of authorized individuals current

Brethren Foundation Funds Inc. will only honor transaction or information requests about a client's accounts from individuals properly authorized to conduct business with BFFI on behalf of a client. Accordingly, it is very important that all clients keep their list of authorized individuals current. Doing so minimizes transaction delays caused by paperwork updating, and reduces the possibility of unauthorized access to accounts.

### Rebalancing your organization's portfolio

If your organization doesn't have rebalancing instructions on file with BFFI, now would be a good time to consider rebalancing your portfolio.

### Confirming the email address of your primary contact

Please make sure that the email address for the primary contact is correct. BFFI uses email to quickly distribute important information to all clients.

### Registering for BFFI's client portal

Organizations are encouraged to sign up for online account management. Authorized users can access monthly statements, initiate transactions, and more.

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

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are encouraged  
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All periods longer than one year are annualized.

# Fund Performance Report

for the period ending Nov. 30, 2014

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>	0.0%	0.0%	0.2%	0.8%	0.8%	2.1%
<i>Merrill Lynch 6-Month Treasury Bill Index<sup>1</sup></i>	0.0%	0.0%	0.1%	0.2%	0.2%	1.6%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund<sup>2</sup></b>	0.1%	0.4%	1.7%	2.1%	2.3%	2.7%
<i>No Benchmark</i>	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	0.8%	0.9%	6.3%	4.0%	4.9%	5.3%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.7%	0.8%	5.9%	3.2%	4.3%	4.8%
<b>Bond Fund</b>	0.7%	0.7%	6.4%	4.0%	5.0%	5.3%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.7%	0.8%	5.9%	3.2%	4.3%	4.8%
<b>Treasury Inflation-Protected Securities Fund<sup>3</sup></b>	0.2%	(1.8)%	4.2%	0.0%	—	—
<i>Barclays Capital U.S. TIPS Index</i>	0.3%	(1.4)%	4.8%	0.8%	—	—
<b>Bank Loans Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>S&amp;P/LSTA U.S. Leveraged Loan 100 Index</i>	—	—	—	—	—	—
<b>High Yield Bond Fund<sup>3</sup></b>	(0.2)%	(1.1)%	4.4%	10.2%	—	—
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	(0.7)%	(1.7)%	4.0%	9.9%	—	—
<b>Global Aggregate Fixed Income Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>Barclays Capital Global Aggregate Bond Index</i>	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Core Fund</b>	1.9%	1.5%	7.6%	18.3%	12.7%	7.3%
<i>S&amp;P 500 Index</i>	2.7%	3.7%	14.0%	20.9%	16.0%	8.1%
<b>Domestic Stock Mid Cap Fund</b>	3.5%	(0.6)%	12.1%	27.1%	—	—
<i>Russell Midcap Index</i>	2.6%	2.2%	13.0%	21.3%	—	—
<b>Domestic Stock Growth Fund</b>	1.7%	(0.7)%	6.0%	16.3%	—	—
<i>Russell 1000 Growth Index</i>	3.2%	4.4%	14.2%	20.6%	—	—
<b>Domestic Stock Fund</b>	2.4%	0.1%	8.5%	20.5%	16.1%	9.0%
<i>S&amp;P 500 Index</i>	2.7%	3.7%	14.0%	20.9%	16.0%	8.1%
<b>Small Cap Fund</b>	3.4%	4.4%	5.9%	15.2%	17.7%	10.3%
<i>Russell 2000 Index</i>	0.1%	0.2%	2.0%	18.4%	16.7%	7.8%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	2.4%	(4.0)%	(3.8)%	10.0%	6.3%	4.9%
<i>MSCI EAFE Index</i>	1.4%	(3.9)%	(1.1)%	12.5%	6.9%	5.7%
<b>Emerging Markets Stock Fund<sup>3</sup></b>	(0.1)%	(8.6)%	1.4%	5.3%	—	—
<i>MSCI Emerging Markets Index</i>	(1.1)%	(7.3)%	2.9%	5.6%	—	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund<sup>3</sup></b>	(0.4)%	(8.3)%	(7.3)%	(6.4)%	—	—
<i>Bloomberg Commodity Total Return Index</i>	(4.1)%	(10.8)%	(10.2)%	(8.2)%	—	—
<b>Public Real Estate Fund<sup>3</sup></b>	2.2%	0.6%	12.9%	13.9%	—	—
<i>S&amp;P Developed Property Index</i>	0.9%	0.6%	14.9%	16.6%	—	—
<b>Multi-Strategy Hedge Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>60% S&amp;P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
<b>Global Inflation Protection Fund</b>	0.4%	(2.7)%	—	—	—	—
<i>CPI + 5%<sup>5</sup></i>	0.1%	0.8%	—	—	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	1.7%	0.3%	7.7%	13.9%	11.9%	7.8%
<i>Blended Balanced Index<sup>6</sup></i>	1.9%	2.6%	10.8%	13.6%	11.4%	7.0%
<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>	1.0%	(0.1)%	—	—	—	—
<i>Blended Income Index</i>	1.0%	0.5%	—	—	—	—
<b>SRI Income Fund<sup>4</sup></b>	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
<b>Income &amp; Growth Fund<sup>3</sup></b>	1.3%	(0.8)%	5.0%	—	—	—
<i>Blended Income &amp; Growth Index</i>	1.2%	0.3%	7.1%	—	—	—
<b>SRI Income &amp; Growth Fund<sup>4</sup></b>	—	—	—	—	—	—
<i>Blended SRI Income &amp; Growth Index</i>	—	—	—	—	—	—
<b>Growth Fund<sup>3</sup></b>	1.5%	(1.2)%	4.4%	—	—	—
<i>Blended Growth Index</i>	1.3%	0.3%	7.1%	—	—	—
<b>SRI Growth Fund<sup>4</sup></b>	—	—	—	—	—	—
<i>Blended SRI Growth Index</i>	—	—	—	—	—	—
<b>Aggressive Growth Fund<sup>3</sup></b>	1.5%	(1.9)%	4.1%	—	—	—
<i>Blended Aggressive Growth Index</i>	1.1%	(0.6)%	6.1%	—	—	—
<b>SRI Aggressive Growth Fund<sup>4</sup></b>	—	—	—	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	—	—	—	—	—	—
<b>U.S. INFLATION</b>						
<b>Consumer Price Index (October 2014)<sup>5</sup></b>	(0.3)%	(0.4)%	1.7%	1.4%	1.7%	2.0%

Performance Report

<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 socially responsible investing guidelines because they are invested in mutual funds. All other investment funds must meet socially responsible investing guidelines. <sup>4</sup> No assets invested in this fund. <sup>5</sup> Most recent data available. CPI data are from the All U.S. Urban Consumers Chained CPI Index and are not seasonally adjusted. <sup>6</sup> Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).