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# Investment Perspective

FROM BROTHERS FOUNDATION FUNDS

DECEMBER 2017

## MARKETS AND THE ECONOMY

Economic strength and hopes for a tax bill served as backdrop for the S&P 500 Index to close out November at a record high, up 3.1 percent for the month. The unemployment rate dropped to 4.1 percent in October from 4.2 percent in September, well below the 4.6 percent rate the Federal Reserve considers “full employment.” Real GDP was revised up to a 3.3 percent annual growth rate in the third quarter, versus a prior estimate of 3.0 percent. The upward revision was led by business investment, inventories, and government spending, which offset a slight downward revision to consumer spending. Consumers enjoyed rising wages and healthy spending in October. Personal income rose 0.4 percent in October while personal consumption increased 0.3 percent. Retail sales rose 0.2 percent in October, led by auto sales as people replaced vehicles destroyed in the hurricanes. Sales were also strong at restaurants and bars, as well as food and beverage stores. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, ticked down 0.1 percent in November.

The unemployment rate in the Eurozone in October fell to 8.8 percent from 8.9 percent the previous month, down from 9.8 percent a year ago. Inflation in the Eurozone remains tame, at a 1.5 percent annualized rate in November, and down from the 1.6 percent annualized rate during the prior month. The German economy grew 0.8 percent in the third quarter, up from a 0.6 percent increase in the second quarter; this was the result of strong demand from abroad. Greece’s economy grew 0.3 percent during the third quarter, slowing from a rate of 0.8 percent during the second quarter. The Bank of England raised its “main policy rate” to 0.5 percent from 0.25 percent. Exports drove Japan’s economy to grow at an annualized pace of 1.4 percent during the third quarter; however, weak wage growth dampened consumer spending. Brazil’s economy slowed in the third quarter, growth having expanded 0.1 percent versus 0.7 percent during the second quarter. International equities, as measured by the MSCI EAFE Index, rose 1 percent in November.

## YEAR-END CONSIDERATIONS

**Initiating transactions** — To be certain that routine transactions are recorded in 2017, 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. 21. Liquidations and other unusual transactions, due to size or complexity, will take longer to complete and should be initiated as soon as possible. Paperwork may be submitted by fax to 847-960-5712, sent as an attachment to an email message to [bfli@cobbt.org](mailto:bfli@cobbt.org), or mailed through the postal service to 1505 Dundee Ave., Elgin, IL 60120. Please allow ample time for delivery.

**Keeping the list of authorized individuals current** — BFFI will only honor transaction or information requests about a client’s account 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.

**Confirming the email address of the 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, generate custom reports, initiate transactions, and more.

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

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# Fund Performance Report

for the period ending Nov. 30, 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
<b>SHORT-TERM</b>						
<b>Short-Term Fund</b>	0.0%	0.2%	0.7%	0.5%	0.5%	1.1%
Merrill Lynch 6-Month Treasury Bill Index <sup>1</sup>	0.1%	0.6%	0.8%	0.6%	0.4%	0.5%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund <sup>2</sup></b>	0.1%	0.4%	1.5%	1.6%	1.8%	2.2%
No Benchmark	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	(0.1)%	(0.6)%	3.6%	2.4%	2.2%	4.6%
Bloomberg Barclays U.S. Government/Credit Bond Index	(0.1)%	(0.6)%	3.5%	2.2%	2.0%	4.0%
<b>Bond Fund</b>	(0.2)%	(0.5)%	4.0%	2.7%	2.3%	4.7%
Bloomberg Barclays U.S. Government/Credit Bond Index	(0.1)%	(0.6)%	3.5%	2.2%	2.0%	4.0%
<b>Treasury Inflation-Protected Securities Fund <sup>3</sup></b>	0.2%	(0.1)%	5.5%	2.1%	(0.1)%	—
Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index	0.1%	(0.3)%	2.1%	1.4%	(0.2)%	—
<b>Bank Loans Fund <sup>3</sup></b>	0.2%	1.1%	—	—	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	0.1%	1.0%	—	—	—	—
<b>High Yield Bond Fund <sup>3</sup></b>	0.0%	2.1%	7.9%	5.8%	6.3%	—
Bloomberg Barclays U.S. Corporate High Yield Bond Index	(0.3)%	1.1%	7.2%	5.7%	6.0%	—
<b>Global Aggregate Fixed Income Fund <sup>3,4</sup></b>	—	—	—	—	—	—
Bloomberg Barclays Global Aggregate Index	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Large Cap Core Fund</b>	2.7%	6.9%	18.1%	2.4%	9.1%	4.6%
S&P 500 Index	3.1%	7.6%	20.5%	10.9%	15.7%	8.3%
<b>Domestic Stock Large Cap Core Index Fund <sup>5</sup></b>	3.0%	7.7%	20.0%	—	—	—
S&P 500 Index	3.1%	7.6%	20.5%	—	—	—
<b>Domestic Stock Mid Cap Fund</b>	0.0%	5.8%	22.3%	6.2%	14.3%	—
Russell Midcap Index	3.4%	8.0%	17.4%	9.3%	15.3%	—
<b>Domestic Stock Growth Fund</b>	3.1%	8.1%	19.4%	10.2%	13.4%	—
Russell 1000 Growth Index	3.0%	8.4%	29.2%	13.1%	17.1%	—
<b>Domestic Stock Fund</b>	2.0%	7.1%	20.3%	6.7%	12.6%	7.8%
S&P 500 Index	3.1%	7.6%	20.5%	10.9%	15.7%	8.3%
<b>Small Cap Fund</b>	4.8%	12.8%	32.4%	16.9%	17.2%	12.3%
Russell 2000 Index	2.9%	10.2%	15.1%	11.1%	15.0%	8.7%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	0.3%	4.4%	25.7%	6.2%	7.7%	2.0%
MSCI EAFE Index	1.0%	5.1%	23.1%	6.0%	8.2%	1.5%
<b>Emerging Markets Stock Fund <sup>3</sup></b>	1.2%	2.4%	29.6%	5.9%	4.4%	—
MSCI Emerging Markets Index	0.2%	3.3%	32.5%	6.1%	4.6%	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund <sup>3</sup></b>	0.3%	4.8%	0.1%	(9.7)%	(10.9)%	—
Bloomberg Commodity Total Return Index	(0.5)%	1.5%	(1.2)%	(8.4)%	(9.5)%	—
<b>Public Real Estate Fund <sup>3</sup></b>	2.7%	2.3%	8.7%	2.2%	5.2%	—
S&P Developed Property Index	2.7%	2.3%	11.6%	6.0%	8.5%	—
<b>Multi-Strategy Hedge Fund <sup>3,4</sup></b>	—	—	—	—	—	—
60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index	—	—	—	—	—	—
<b>Global Inflation Protection Fund <sup>3</sup></b>	0.8%	1.8%	14.8%	4.7%	—	—
Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%	0.1%	0.1%	3.3%	3.1%	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	1.1%	4.0%	13.6%	5.2%	8.5%	6.9%
Blended Balanced Index <sup>6</sup>	1.8%	4.3%	13.4%	7.5%	10.2%	6.9%
<b>TACTICAL FUNDS (additional fees apply)</b>						
<b>Conservative Fund <sup>3,4</sup></b>	—	—	—	—	—	—
Blended Conservative Index	—	—	—	—	—	—
<b>Income Fund <sup>3</sup></b>	0.4%	2.1%	10.6%	3.7%	—	—
Blended Income Index	0.6%	1.7%	9.6%	4.4%	—	—
<b>BVI Income Fund <sup>4</sup></b>	—	—	—	—	—	—
Blended SRI Income Index	—	—	—	—	—	—
<b>Income &amp; Growth Fund <sup>3</sup></b>	1.0%	3.4%	15.3%	5.1%	—	—
Blended Income & Growth Index	1.0%	3.2%	13.5%	5.7%	—	—
<b>BVI Income &amp; Growth Fund</b>	0.9%	3.5%	14.6%	—	—	—
Blended SRI Income & Growth Index	1.0%	3.0%	13.3%	—	—	—
<b>Growth Fund <sup>3</sup></b>	1.1%	4.2%	17.9%	5.6%	—	—
Blended Growth Index	1.2%	3.8%	15.4%	6.3%	—	—
<b>BVI Growth Fund</b>	1.2%	4.5%	17.9%	—	—	—
Blended SRI Growth Index	1.3%	4.0%	16.2%	—	—	—
<b>Aggressive Growth Fund <sup>3</sup></b>	1.3%	4.6%	19.7%	5.7%	—	—
Blended Aggressive Growth Index	1.4%	4.4%	16.7%	6.9%	—	—
<b>BVI Aggressive Growth Fund <sup>4</sup></b>	—	—	—	—	—	—
Blended SRI Aggressive Growth Index	—	—	—	—	—	—
<b>U.S. INFLATION</b>						
<b>Consumer Price Index (October 2017) <sup>7</sup></b>	(0.1)%	0.8%	2.2%	1.3%	1.3%	1.7%

<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 Brethren Values Investing guidelines because they are invested in mutual funds. All other investment funds must meet Brethren Values Investing guidelines. <sup>4</sup>No assets invested in this fund. <sup>5</sup>Expected to match benchmark gross of fees. Typically, will not match benchmark net of fees and due to required cash position. <sup>6</sup>Weighted average of the S&P 500 Index (60 percent) and the Bloomberg Barclays U.S. Capital Government/Credit Bond Index (40 percent). <sup>7</sup>Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted.