



We seek on a daily basis to earn your satisfaction with our performance and service.



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# Investment Perspective

FROM BROTHERS FOUNDATION FUNDS

FEBRUARY 2016

## MARKETS AND THE ECONOMY

Fresh concerns about China's slowing economy, persistent weakness in Europe, high debt and slowing growth in emerging markets, as well as fear that the U.S. economic expansion may be vulnerable, all combined for investors' broad reassessment of the strength of the global economy and generated a turbulent start to the year; the S&P 500 Index dropped 5 percent in January. The unemployment rate held steady at 5 percent in December as the labor force participation rate ticked up. Shrinking exports and business investment contributed to the U.S. GDP decelerating to an annual rate of 0.7 percent in the fourth quarter, down from 2 percent in the third quarter. Economic slowdown overseas, a stronger dollar, and pullback in U.S. oil production influenced durable goods orders falling 5.1 percent in December from the prior month. The Federal Reserve raised questions about whether interest rates would increase in March. The bond market, as measured by the Barclays Capital Government/Credit Index, increased 1.4 percent in January.

Despite efforts to stimulate the economy through infrastructure spending, easy credit, and devaluing the currency to boost exports, China's fourth quarter GDP slowed to an annual rate of 6.8 percent, down from 6.9 percent in the third quarter. With Japan's economy sputtering, and inflation near zero, the Bank of Japan cut the rate on excess reserves from 0.1 percent to minus 0.1 percent. European Central Bank sent a strong signal that it is prepared to launch additional monetary stimuli to combat ultralow inflation and sluggish economic growth. GDP in France, Eurozone's second largest economy, slowed to an annual rate of 1 percent in the fourth quarter, down from 1.3 percent annual rate in the third quarter, with continued safety concerns after the terror attacks. The British economy expanded at a 1.9 percent annual rate in the fourth quarter, down from 2.1 percent in the third quarter. International equities, as measured by the MSCI EAFE Index, plummeted 7.2 percent in January.

## A NOTE FROM STEVE MASON

Do you have a question or concern about the asset management program of Brethren Foundation Funds? If so, we hope that the first thing you do is contact us. We may be able to provide an answer or solution that is completely satisfactory, and we'd like to have the opportunity to try.

You have chosen Brethren Foundation Funds to serve as a manager of your church's or organization's invested assets, and we would like that relationship to continue. We seek on a daily basis to earn your satisfaction with our performance and service. Nevertheless, from time to time, you may have a question or concern about BFFI's investment program. You may learn about alternative options that seem attractive, or you may believe that BFFI has not provided adequate service. Whether for these or any other reasons, we hope that your first course of action will be to contact us so that we may hear your concern and attempt to resolve it.

We also would be glad to hear from you if there are things that you appreciate, that you believe we're doing well, or that you would like us to continue doing. Whether it be our investments, customer service, the web portal with customized reports, or this publication, we would like to know what we do that helps provide you with better investment oversight for your organization or congregation.

We only ask that your first thought be to contact us. You may contact me directly at 847-622-3369 or [smason@cobbt.org](mailto:smason@cobbt.org).

Thanks for the opportunity to serve your church or organization.

# Fund Performance Report

for the period ending Jan. 31, 2016



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>	0.1%	0.1%	0.1%	0.4%	0.5%	1.9%
Merrill Lynch 6-Month Treasury Bill Index <sup>1</sup>	0.1%	0.1%	0.1%	0.2%	0.2%	1.2%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund</b> <sup>2</sup>	0.1%	0.4%	0.1%	1.9%	2.0%	2.5%
No Benchmark	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	1.2%	0.5%	1.2%	2.4%	3.8%	5.1%
Barclays Capital U.S. Government/Credit Bond Index	1.4%	0.6%	1.4%	2.0%	3.7%	4.6%
<b>Bond Fund</b>	1.2%	0.5%	1.2%	2.3%	3.8%	5.1%
Barclays Capital U.S. Government/Credit Bond Index	1.4%	0.6%	1.4%	2.0%	3.7%	4.6%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>3</sup>	1.4%	0.3%	1.4%	(2.5)%	2.0%	—
Barclays Capital U.S. TIPS Index	1.5%	0.6%	1.5%	(1.6)%	2.8%	—
<b>Bank Loans Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	—	—	—	—	—	—
<b>High Yield Bond Fund</b> <sup>3</sup>	(1.5)%	(5.6)%	(1.5)%	1.4%	4.4%	—
Barclays Capital U.S. Corporate High Yield Bond Index	(1.6)%	(6.2)%	(1.6)%	0.7%	4.2%	—
<b>Global Aggregate Fixed Income Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
Barclays Capital Global Aggregate Bond Index	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Large Cap Core Fund</b>	(6.3)%	(10.6)%	(6.3)%	2.0%	3.9%	3.6%
S&P 500 Index	(5.0)%	(6.2)%	(5.0)%	11.3%	10.9%	6.5%
<b>Domestic Stock Large Cap Core Index Fund</b> <sup>4</sup>	—	—	—	—	—	—
S&P 500 Index	—	—	—	—	—	—
<b>Domestic Stock Mid Cap Fund</b>	(10.0)%	(12.9)%	(10.0)%	9.8%	11.7%	—
Russell Midcap Index	(6.6)%	(8.8)%	(6.6)%	9.2%	9.5%	—
<b>Domestic Stock Growth Fund</b>	(5.6)%	(7.3)%	(5.6)%	9.8%	9.4%	—
Russell 1000 Growth Index	(5.6)%	(6.7)%	(5.6)%	13.0%	11.7%	—
<b>Domestic Stock Fund</b>	(7.1)%	(9.5)%	(7.1)%	7.5%	8.6%	6.5%
S&P 500 Index	(5.0)%	(6.2)%	(5.0)%	11.3%	10.9%	6.5%
<b>Small Cap Fund</b>	(5.8)%	(5.9)%	(5.8)%	7.8%	9.7%	8.4%
Russell 2000 Index	(8.8)%	(10.6)%	(8.8)%	6.1%	7.3%	4.9%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	(6.3)%	(8.4)%	(6.3)%	0.4%	1.3%	1.7%
MSCI EAFE Index	(7.2)%	(9.9)%	(7.2)%	0.7%	1.6%	1.7%
<b>Emerging Markets Stock Fund</b> <sup>3</sup>	(8.7)%	(14.7)%	(8.7)%	(12.5)%	(9.0)%	—
MSCI Emerging Markets Index	(6.5)%	(12.1)%	(6.5)%	(9.2)%	(5.6)%	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund</b> <sup>3</sup>	(2.5)%	(13.1)%	(2.5)%	(21.9)%	(14.3)%	—
Bloomberg Commodity Total Return Index	(1.7)%	(11.6)%	(1.7)%	(18.4)%	(13.9)%	—
<b>Public Real Estate Fund</b> <sup>3</sup>	(7.6)%	(8.8)%	(7.6)%	1.1%	—	—
S&P Developed Property Index	(4.4)%	(5.3)%	(4.4)%	4.5%	—	—
<b>Multi-Strategy Hedge Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
60% S&P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index	—	—	—	—	—	—
<b>Globally Inflation Protection Fund</b> <sup>3</sup>	2.2%	(1.1)%	2.2%	—	—	—
CPI + 5% <sup>5</sup>	0.1%	0.6%	0.1%	—	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	(3.8)%	(5.6)%	(3.8)%	5.6%	6.9%	6.3%
Blended Balanced Index <sup>6</sup>	(2.4)%	(3.5)%	(2.4)%	7.6%	8.2%	6.1%
<b>TACTICAL FUNDS (additional fees apply)</b>						
<b>Conservative Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
Blended Conservative Index	—	—	—	—	—	—
<b>Income Fund</b> <sup>3</sup>	(2.0)%	(3.6)%	(2.0)%	—	—	—
Blended Income Index	(1.2)%	(2.6)%	(1.2)%	—	—	—
<b>SRI Income Fund</b> <sup>4</sup>	—	—	—	—	—	—
Blended SRI Income Index	—	—	—	—	—	—
<b>Income &amp; Growth Fund</b> <sup>3</sup>	(3.8)%	(5.9)%	(3.8)%	—	—	—
Blended Income & Growth Index	(2.8)%	(4.4)%	(2.8)%	—	—	—
<b>SRI Income &amp; Growth Fund</b>	(3.1)%	(4.4)%	(3.1)%	—	—	—
Blended SRI Income & Growth Index	(2.7)%	(4.4)%	(2.7)%	—	—	—
<b>Growth Fund</b> <sup>3</sup>	(4.8)%	(7.0)%	(4.8)%	—	—	—
Blended Growth Index	(3.5)%	(5.3)%	(3.5)%	—	—	—
<b>SRI Growth Fund</b>	(4.2)%	(5.6)%	(4.2)%	—	—	—
Blended SRI Growth Index	(3.8)%	(5.8)%	(3.8)%	—	—	—
<b>Aggressive Growth Fund</b> <sup>3</sup>	(5.3)%	(7.9)%	(5.3)%	—	—	—
Blended Aggressive Growth Index	(4.0)%	(5.9)%	(4.0)%	—	—	—
<b>SRI Aggressive Growth Fund</b> <sup>4</sup>	—	—	—	—	—	—
Blended SRI Aggressive Growth Index	—	—	—	—	—	—
<b>U.S. INFLATION</b>						
<b>Consumer Price Index (December 2015)</b> <sup>5</sup>	(0.3)%	(0.6)%	(0.3)%	1.0%	1.5%	1.9%

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 Consumer Price Index for All Urban Consumers. All items are not seasonally weighted. <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).