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# Investment Perspective

FROM BROTHERS FOUNDATION FUNDS

JANUARY 2015

## MARKETS AND THE ECONOMY

The S&P 500 Index declined 0.3 percent in December; up 4.9 percent for the quarter and 13.7 percent for the year. The Federal Reserve stated it could be “patient” in its approach to raising interest rates. Despite steady job gains, the unemployment rate remained unchanged at 5.8 percent in November as more people entered the job market. The second revision of the third quarter’s Gross Domestic Product estimates the economy grew at a 5 percent annual rate, up from the second quarter’s rate of 4.6 percent. U.S. factory activity slowed in December from November amid easing global demand. The bond market, as measured by the Barclays Capital Government/Credit Index, inched up 0.1 percent in December; it was up 1.8 percent for the quarter and 6 percent for the year.

The European Central Bank left its key interest rates unchanged but signaled that it is prepared to implement quantitative easing to further stimulate the economy and combat low inflation. China’s GDP grew at a 7.3 percent annual rate during the third quarter, below the target of 7.5 percent. China freed up more funds for banks to lend money in hopes of further stimulating the economy. Japan approved a stimulus package aimed at boosting consumer and local government spending. On the weight of Western sanctions, plunging oil prices, and substantial capital outflows, Russia’s GDP contracted 0.5 percent in November compared with a year earlier. International equities, as measured by the MSCI EAFE Index, declined 3.4 percent in December; it was down 3.5 percent for the quarter and 4.5 percent for the year.

BFFI encourages its clients to consider placing one percent of their invested assets in the CDIF.

## CONSIDER COMMUNITY INVESTING

“Community investing, a longstanding form of sustainable and impact investing, directs capital through community development financial institutions and other investment intermediaries to communities and individuals that are underserved by conventional financial services.” This statement from the biennial “Report on U.S. Sustainable, Responsible and Impact Investing Trends 2014,” released by The Forum for Sustainable and Responsible Investment in December, defines a form of socially responsible investing that has increased approximately 5 percent since 2012, to a total of \$64.3 billion.

Brethren Foundation Funds Inc. offers a community investing option, the Community Development Investment Fund, through Community Investment Notes issued by Calvert Foundation. At the end of 2014, more than \$323,000 of BFFI client assets was invested in the CDIF. In 2013 (most recent data available), BFFI assets helped build or rehabilitate two affordable housing units, establish 93 new enterprises through microcredit loans, finance one community facility or small business, support seven Fair Trade farmers, and create 143 jobs.

The rate of return for the CDIF is based on agreements between BFFI and Calvert Foundation, and is not affected by market factors. The CDIF earned 1.8 percent in 2014. Nevertheless, because all of the CDIF assets are placed with a single organization, it does carry additional risk.

BFFI encourages its clients to consider placing one percent of their invested assets in the CDIF. Additional information about the CDIF and Calvert Foundation’s Community Investment Notes is available upon request.

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





All periods longer than one year are annualized.

# Fund Performance Report

for the period ending Dec. 31, 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%	1.5%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund<sup>2</sup></b>	0.1%	0.4%	1.8%	2.0%	2.3%	2.6%
<i>No Benchmark</i>	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	0.1%	1.7%	6.4%	3.6%	5.3%	5.2%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.1%	1.8%	6.0%	2.8%	4.7%	4.7%
<b>Bond Fund</b>	0.3%	2.2%	6.7%	3.7%	5.3%	5.2%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.1%	1.8%	6.0%	2.8%	4.7%	4.7%
<b>Treasury Inflation-Protected Securities Fund<sup>3</sup></b>	(1.3)%	(0.6)%	2.8%	(0.4)%	—	—
<i>Barclays Capital U.S. TIPS Index</i>	(1.1)%	0.0%	3.6%	0.4%	—	—
<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>	(2.0)%	(1.0)%	2.3%	8.4%	—	—
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	(1.5)%	(1.0)%	2.5%	8.4%	—	—
<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>	0.8%	4.5%	8.4%	18.4%	12.6%	7.1%
<i>S&amp;P 500 Index</i>	(0.3)%	4.9%	13.7%	20.4%	15.5%	7.7%
<b>Domestic Stock Mid Cap Fund</b>	1.0%	4.2%	13.2%	27.5%	—	—
<i>Russell Midcap Index</i>	0.2%	5.9%	13.2%	21.4%	—	—
<b>Domestic Stock Growth Fund</b>	(0.3)%	2.9%	5.6%	16.7%	—	—
<i>Russell 1000 Growth Index</i>	(1.0)%	4.8%	13.1%	20.3%	—	—
<b>Domestic Stock Fund</b>	0.5%	3.9%	9.1%	20.8%	15.4%	8.6%
<i>S&amp;P 500 Index</i>	(0.3)%	4.9%	13.7%	20.4%	15.5%	7.7%
<b>Small Cap Fund</b>	1.1%	9.2%	7.1%	15.8%	16.3%	10.3%
<i>Russell 2000 Index</i>	2.9%	9.7%	4.9%	19.2%	15.6%	7.8%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	(2.8)%	(2.8)%	(6.5)%	9.5%	5.3%	4.2%
<i>MSCI EAFE Index</i>	(3.4)%	(3.5)%	(4.5)%	11.6%	5.8%	4.9%
<b>Emerging Markets Stock Fund<sup>3</sup></b>	(6.0)%	(6.9)%	(4.7)%	2.8%	—	—
<i>MSCI Emerging Markets Index</i>	(4.6)%	(4.4)%	(1.8)%	4.4%	—	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund<sup>3</sup></b>	(12.2)%	(14.4)%	(18.6)%	(9.7)%	—	—
<i>Bloomberg Commodity Total Return Index</i>	(7.6)%	(12.5)%	(17.0)%	(9.4)%	—	—
<b>Public Real Estate Fund<sup>3</sup></b>	1.3%	8.0%	14.4%	13.0%	—	—
<i>S&amp;P Developed Property Index</i>	0.3%	7.4%	15.2%	16.3%	—	—
<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>	(6.1)%	(5.6)%	—	—	—	—
<i>CPI + 5%<sup>5</sup></i>	(0.3)%	0.3%	—	—	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	0.4%	3.2%	8.1%	13.9%	11.6%	7.6%
<i>Blended Balanced Index<sup>6</sup></i>	(0.1)%	3.7%	10.6%	13.2%	11.3%	6.8%
<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>	(0.7)%	1.2%	—	—	—	—
<i>Blended Income Index</i>	(0.6)%	1.7%	—	—	—	—
<b>SRI Income Fund<sup>4</sup></b>	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
<b>Income &amp; Growth Fund<sup>3</sup></b>	(1.0)%	0.9%	3.9%	—	—	—
<i>Blended Income &amp; Growth Index</i>	(0.7)%	2.2%	6.3%	—	—	—
<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>	(1.2)%	0.7%	3.1%	—	—	—
<i>Blended Growth Index</i>	(0.8)%	2.3%	6.3%	—	—	—
<b>SRI Growth Fund<sup>4</sup></b>	—	—	—	—	—	—
<i>Blended SRI Growth Index</i>	—	—	—	—	—	—
<b>Aggressive Growth Fund<sup>3</sup></b>	(1.8)%	(0.1)%	2.2%	—	—	—
<i>Blended Aggressive Growth Index</i>	(1.3)%	1.5%	4.8%	—	—	—
<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 (November 2014)<sup>5</sup></b>	(0.7)%	(0.9)%	1.0%	1.2%	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).