



**Numeric Investors
has been
selected to serve
as Brethren
Foundation Funds'
domestic large cap
core investment
manager.**



Investment Perspective

FROM BRETHERN FOUNDATION FUNDS

JANUARY 2016

MARKETS AND THE ECONOMY

Stocks rose early in 2015 but lost momentum as concerns about the growth of China's economy and uncertainty surrounding the timing of the Federal Reserve's first interest rate rise left investors cautious, and contributed to the 1.4 percent increase of the S&P 500 Index for the year; it was down 1.6 percent during December. The Federal Reserve Bank raised its benchmark federal funds rate in December from near zero to between 0.25 percent and 0.5 percent, stating that it would adjust the pace of rate increases based on the economy's performance. The U.S. unemployment rate held steady at 5 percent in November. U.S. manufacturing activity contracted in December from the prior month, due to a strong dollar, weak global growth, depressed energy sector investment, and excessive inventories. The bond market, as measured by the Barclays Capital Government/Credit Index, decreased 0.4 percent in December, up 0.1 percent for the year.

In an effort to boost inflation as well as lending by banks to businesses and consumers, the European Central Bank cut its deposit rate to minus 0.3 percent from minus 0.2 percent and extended its monthly purchase of government bonds and other assets to March 2017 or beyond. Japan's third quarter gross domestic product grew 1 percent on an annualized basis from the second quarter, revised up from an initial estimate of a 0.8 percent contraction. Stalled fiscal reform brought on by political crisis, pared consumer spending, and halting business investment contributed to Brazil's GDP shrinking 4.5 percent in the third quarter from a year earlier. China's manufacturing activity ticked up in December from a month earlier. International equities, as measured by the MSCI EAFE Index, declined 1.3 percent in December, down 0.8 percent for the year.

BRETHERN FOUNDATION FUNDS SELECTS NEW DOMESTIC STOCK LARGE CAP CORE MANAGER

Numeric Investors has been selected to serve as Brethren Foundation Funds' domestic large cap core investment manager. The Boston-based registered investment adviser began managing the assets of BFFI's Domestic Stock Large Cap Core Fund in December 2015. Numeric is a wholly owned subsidiary of London-based Man Group that specializes in large cap equities with approximately \$17.2 billion in assets under management as of Sept. 30. Founded in 1989, Numeric serves more than 60 institutional clients globally, ranging from corporate clients to public entities to foundations and endowments.

Like the managers for BFFI's other separately managed investment options, Numeric oversees a custom portfolio for BFFI that complies with BFFI's Investment Guidelines, including the socially responsible investing screens that are based on positions established by the Church of the Brethren Annual Conference.

Numeric's asset management will affect the Domestic Stock Large Cap Core Fund and two other strategic investment options that hold a position in the Domestic Stock Large Cap Core Fund — the Domestic Stock Fund (17 percent) and the Balanced Fund (10 percent). Eight tactical funds may also hold a position in the Domestic Stock Large Cap Core Fund — SRI Aggressive Growth, Aggressive Growth, SRI Growth, Growth, SRI Income and Growth, Income and Growth, SRI Income, and Income.

Numeric replaces Cornerstone Investment Advisors, which was unable to meet BFFI's performance expectations.

Please contact Steve Mason, director of Brethren Foundation, if you have questions or comments.

Fund Performance Report

for the period ending Dec. 31, 2015



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%	0.0%	0.2%	0.3%	0.5%	1.9%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.0%	0.0%	0.2%	0.2%	0.2%	1.4%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.1%	0.4%	1.7%	1.9%	2.0%	2.5%
<i>No Benchmark</i>	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	(0.5)%	(0.7)%	0.1%	1.3%	3.6%	5.0%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.4)%	(0.7)%	0.1%	1.2%	3.4%	4.5%
Bond Fund	(0.5)%	(0.6)%	(0.1)%	1.3%	3.6%	5.1%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.4)%	(0.7)%	0.1%	1.2%	3.4%	4.5%
Treasury Inflation-Protected Securities Fund ³	(1.2)%	(1.0)%	(2.1)%	(3.3)%	1.8%	—
<i>Barclays Capital U.S. TIPS Index</i>	(0.8)%	(0.6)%	(1.4)%	(2.3)%	2.5%	—
Bank Loans Fund ^{3,4}	—	—	—	—	—	—
<i>S&P/LSTA U.S. Leveraged Loan 100 Index</i>	—	—	—	—	—	—
High Yield Bond Fund ³	(2.2)%	(1.5)%	(2.4)%	2.5%	5.2%	—
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	(2.5)%	(2.1)%	(4.5)%	1.7%	5.0%	—
Global Aggregate Fixed Income Fund ^{3,4}	—	—	—	—	—	—
<i>Barclays Capital Global Aggregate Bond Index</i>	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Fund	(4.2)%	1.6%	(17.8)%	5.9%	5.6%	4.6%
<i>S&P 500 Index</i>	(1.6)%	7.0%	1.4%	15.1%	12.6%	7.3%
Domestic Stock Large Cap Core Index Fund ⁴	—	—	—	—	—	—
<i>S&P 500 Index</i>	—	—	—	—	—	—
Domestic Stock Mid Cap Fund	(2.4)%	4.3%	(3.5)%	15.6%	14.8%	—
<i>Russell Midcap Index</i>	(2.7)%	3.6%	(2.4)%	14.2%	11.4%	—
Domestic Stock Growth Fund	(3.1)%	3.4%	5.9%	13.8%	11.1%	—
<i>Russell 1000 Growth Index</i>	(1.5)%	7.3%	5.7%	16.8%	13.5%	—
Domestic Stock Fund	(2.8)%	3.9%	(4.9)%	12.0%	10.6%	7.5%
<i>S&P 500 Index</i>	(1.6)%	7.0%	1.4%	15.1%	12.6%	7.3%
Small Cap Fund	(3.9)%	8.1%	1.5%	12.0%	11.5%	9.6%
<i>Russell 2000 Index</i>	(5.0)%	3.6%	(4.4)%	11.7%	9.2%	6.8%
INTERNATIONAL EQUITY						
International Stock Core Fund	(0.8)%	6.8%	(1.3)%	4.0%	2.9%	3.0%
<i>MSCI EAFE Index</i>	(1.3)%	4.7%	(0.8)%	5.0%	3.6%	3.0%
Emerging Markets Stock Fund ³	(3.5)%	1.9%	(18.3)%	(8.9)%	(7.9)%	—
<i>MSCI Emerging Markets Index</i>	(2.2)%	0.7%	(14.9)%	(6.8)%	(4.8)%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ³	(4.1)%	(10.8)%	(27.5)%	(20.6)%	(13.5)%	—
<i>Bloomberg Commodity Total Return Index</i>	(3.1)%	(10.5)%	(24.7)%	(17.3)%	(13.5)%	—
Public Real Estate Fund ³	0.8%	5.7%	(2.0)%	4.9%	—	—
<i>S&P Developed Property Index</i>	1.2%	4.7%	0.9%	7.1%	—	—
Multi-Strategy Hedge Fund ^{3,4}	—	—	—	—	—	—
<i>60% S&P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
Inflation Protection Fund ³	(2.0)%	0.5%	(6.9)%	—	—	—
<i>CPI + 5%</i> ⁵	0.2%	0.8%	5.5%	—	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	(2.0)%	2.1%	(2.7)%	7.8%	8.1%	6.9%
<i>Blended Balanced Index</i> ⁶	(1.1)%	3.9%	1.1%	9.5%	9.0%	6.5%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{3,4}	—	—	—	—	—	—
<i>Blended Conservative Index</i>	—	—	—	—	—	—
Income Fund ³	(1.2)%	1.3%	(3.7)%	—	—	—
<i>Blended Income Index</i>	(0.9)%	1.3%	(0.5)%	—	—	—
SRI Income Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
Income & Growth Fund ³	(1.9)%	2.3%	(5.6)%	—	—	—
<i>Blended Income & Growth Index</i>	(1.2)%	2.5%	(0.7)%	—	—	—
SRI Income & Growth Fund	(1.6)%	3.0%	—	—	—	—
<i>Blended SRI Income & Growth Index</i>	(1.2)%	2.5%	—	—	—	—
Growth Fund ³	(2.0)%	3.0%	(6.1)%	—	—	—
<i>Blended Growth Index</i>	(1.3)%	3.1%	(1.0)%	—	—	—
SRI Growth Fund	(1.7)%	4.0%	(3.4)%	—	—	—
<i>Blended SRI Growth Index</i>	(1.4)%	3.3%	(1.4)%	—	—	—
Aggressive Growth Fund ³	(2.2)%	3.4%	(7.4)%	—	—	—
<i>Blended Aggressive Growth Index</i>	(1.3)%	3.5%	(0.9)%	—	—	—
SRI Aggressive Growth Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	—	—	—	—	—	—
U.S. INFLATION						
Consumer Price Index (November 2015) ⁵	(0.2)%	(0.4)%	0.5%	1.0%	1.6%	1.8%

Performance Report

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 Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted. ⁶ Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).