
Investment Perspective

FROM BRETHERN FOUNDATION FUNDS

JULY 2016

MARKETS AND THE ECONOMY

Investors shook off their initial panic over the U.K.'s decision last month to leave the European Union and rallied, putting the S&P 500 Index back into the black for 2016; it was up 0.3 percent for June, 2.5 percent for the quarter, and 3.8 percent year to date. The Federal Reserve did not raise short-term rates and lowered projections on how much it will raise them in the coming years. Personal income rose 0.2 percent in May while spending advanced 0.4 percent, pushing the personal saving rate down in May to 5.3 percent. Sales of existing homes rose 1.8 percent in May from the prior month. Higher gasoline prices and increasing housing rental rates drove an increase of 0.4 percent in the Consumer Price Index in May over the previous month. Sovereign debt rallied in the market turmoil following Britain's vote to exit the European Union amid a rush for haven assets, driving the bond market, as measured by the Barclays Capital Government/Credit Index, to increase 2.2 percent in June, up 2.7 percent for the quarter, and up 6.2 percent year to date.

On the heels of Great Britain's vote to leave the European Union and the projection of slowing growth in the coming months, the Bank of England indicated further interest rate cuts and other stimulus measures may be needed. Eurozone's May unemployment rate fell to 10.1 percent from 10.2 percent the month earlier. Broad-based contributions from all members of the Eurozone drove manufacturing activity to rise in May from the previous month. In Japan, consumer prices fell 0.4 percent from a year earlier in May, and the unemployment rate was unchanged at 3.2 percent. Manufacturing activity in China weakened in June from the prior month in contrast to activity in the service sector, which rose in June from May. Brazil's unemployment rate increased to 11.2 percent between March 1 and May 31 from 10.2 percent in the previous three-month period. International equities, as measured by the MSCI EAFE Index, dropped 3.4 percent in June, down 1.5 percent for the quarter, and down 4.4 percent year to date.

BRETHERN FOUNDATION FUNDS RELEASES ITS 2016 INFORMATION STATEMENT

Brethren Foundation Funds is pleased to announce the release of its *2016 Information Statement*. This disclosure resource provides important information about BFFI and its processes, fees, investment options, and performance. BFFI's audited financial statements for the 2015 calendar year are also included in the document.

The *2016 Information Statement* should be reviewed carefully. This year's edition has been updated to be consistent with changes made to BFFI's *Investment Guidelines*, provide a broadened discussion of investment risks, explain BFFI's 30 investment options (21 strategic and nine tactical options), and include an expanded definitions section as well as copies of revised forms.

A printed copy of the *2016 Information Statement* is being sent with this issue of *Investment Perspective* to the primary contact for all organizational clients who have not registered to use BFFI's online services.

All organizational client representatives who have access to BFFI's client portal also have access to an electronic copy of the *2016 Information Statement* and will not be provided a printed copy, unless one is specifically requested.

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



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Fund Performance Report

for the period ending June 30, 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
SHORT-TERM						
Short-Term Fund	0.1%	0.1%	0.3%	0.3%	0.5%	1.7%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.1%	0.2%	0.4%	0.3%	0.2%	1.0%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.1%	0.4%	0.8%	1.8%	1.9%	2.5%
<i>No Benchmark</i>	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	2.1%	2.9%	6.3%	4.3%	4.3%	5.7%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	2.2%	2.7%	6.2%	4.2%	4.1%	5.2%
Bond Fund	2.1%	2.9%	6.5%	4.5%	4.3%	5.7%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	2.2%	2.7%	6.2%	4.2%	4.1%	5.2%
Treasury Inflation-Protected Securities Fund ³	1.9%	1.6%	6.3%	1.6%	2.0%	—
<i>Barclays Capital U.S. TIPS Index</i>	2.1%	1.7%	6.2%	2.3%	2.6%	—
Bank Loans Fund ^{3,4}	—	—	—	—	—	—
<i>S&P/LSTA U.S. Leveraged Loan 100 Index</i>	—	—	—	—	—	—
High Yield Bond Fund ³	0.5%	4.7%	6.7%	4.2%	5.7%	—
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	0.9%	5.5%	9.1%	4.2%	5.8%	—
Global Aggregate Fixed Income Fund ^{3,4}	—	—	—	—	—	—
<i>Barclays Capital Global Aggregate Bond Index</i>	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Fund	0.4%	0.3%	0.0%	2.0%	4.8%	4.3%
<i>S&P 500 Index</i>	0.3%	2.5%	3.8%	11.7%	12.1%	7.4%
Domestic Stock Large Cap Core Index Fund ⁵	0.1%	2.1%	—	—	—	—
<i>S&P 500 Index</i>	0.3%	2.5%	—	—	—	—
Domestic Stock Mid Cap Fund	(2.9)%	(3.1)%	(3.9)%	8.7%	11.1%	—
<i>Russell Midcap Index</i>	0.5%	3.2%	5.5%	10.8%	10.9%	—
Domestic Stock Growth Fund	(0.7)%	2.1%	2.7%	10.5%	10.0%	—
<i>Russell 1000 Growth Index</i>	(0.4)%	0.6%	1.4%	13.1%	12.3%	—
Domestic Stock Fund	(1.1)%	0.1%	0.1%	7.5%	8.9%	7.4%
<i>S&P 500 Index</i>	0.3%	2.5%	3.8%	11.7%	12.1%	7.4%
Small Cap Fund	0.1%	4.3%	7.7%	10.7%	10.1%	9.9%
<i>Russell 2000 Index</i>	(0.1)%	3.8%	2.2%	7.1%	8.4%	6.2%
INTERNATIONAL EQUITY						
International Stock Core Fund	(3.5)%	(1.0)%	(3.3)%	1.3%	1.5%	1.6%
<i>MSCI EAFE Index</i>	(3.4)%	(1.5)%	(4.4)%	2.1%	1.7%	1.6%
Emerging Markets Stock Fund ³	3.7%	(0.3)%	8.8%	(2.7)%	(5.8)%	—
<i>MSCI Emerging Markets Index</i>	4.0%	0.7%	6.4%	(1.6)%	(3.8)%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ³	5.0%	13.7%	16.4%	(11.5)%	(10.8)%	—
<i>Bloomberg Commodity Total Return Index</i>	4.1%	12.8%	13.3%	(10.6)%	(10.8)%	—
Public Real Estate Fund ³	2.2%	1.4%	4.9%	6.2%	5.8%	—
<i>S&P Developed Property Index</i>	3.6%	3.7%	9.5%	9.3%	9.1%	—
Multi-Strategy Hedge Fund ^{3,4}	—	—	—	—	—	—
<i>60% S&P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
Global Inflation Protection Fund ³	2.4%	3.3%	12.4%	—	—	—
<i>CPI + 5%</i> ⁶	0.8%	2.6%	3.7%	—	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	0.1%	1.2%	2.6%	6.4%	7.3%	7.1%
<i>Blended Balanced Index</i> ⁷	1.0%	2.5%	4.9%	8.8%	9.1%	6.9%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ³	0.3%	0.4%	—	—	—	—
<i>Blended Conservative Index</i>	0.3%	0.4%	—	—	—	—
Income Fund ³	0.1%	1.9%	3.5%	—	—	—
<i>Blended Income Index</i>	1.2%	2.1%	4.6%	—	—	—
SRI Income Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
Income & Growth Fund ³	0.1%	1.5%	3.4%	—	—	—
<i>Blended Income & Growth Index</i>	0.6%	1.7%	3.5%	—	—	—
SRI Income & Growth Fund	(0.1)%	1.3%	2.7%	—	—	—
<i>Blended SRI Income & Growth Index</i>	0.7%	1.8%	3.6%	—	—	—
Growth Fund ³	(0.3)%	1.1%	2.7%	—	—	—
<i>Blended Growth Index</i>	0.3%	1.6%	2.9%	—	—	—
SRI Growth Fund	(0.7)%	0.9%	1.6%	—	—	—
<i>Blended SRI Growth Index</i>	0.2%	1.5%	2.8%	—	—	—
Aggressive Growth Fund ³	(0.5)%	0.8%	2.5%	—	—	—
<i>Blended Aggressive Growth Index</i>	0.1%	1.5%	2.5%	—	—	—
SRI Aggressive Growth Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	—	—	—	—	—	—
U.S. INFLATION						
Consumer Price Index (May 2016) ⁶	0.4%	1.3%	1.2%	1.0%	1.2%	1.7%

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 Expected to match benchmark gross of fees. Typically, will not match benchmark net of fees and due to required cash position. ⁶ Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted. ⁷ Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).