



# Investment Perspective

FROM BROTHERS FOUNDATION FUNDS

MAY 2017

## MARKETS AND THE ECONOMY

The S&P 500 Index in April offered a slight improvement compared with its March performance, returning 1 percent. The preliminary estimate for first quarter GDP growth is an annual rate of 0.7 percent, up 1.9 percent from a year ago. Business investment in equipment and structures were the largest positive contributions; slower growth in inventories was the largest drag on GDP. The unemployment rate dropped to 4.5 percent in March from 4.7 percent in February. The largest gain was for professional and business services; the largest drop was for retail. The Consumer Price Index rose 0.1 percent in March, up 2.4 percent from a year ago. Energy prices fell 3.2 percent in March as gasoline prices fell 6.2 percent; food prices rose 0.3 percent. The bond market, as measured by the Bloomberg Barclays Government/Credit Bond Index, rose 0.8 percent in April.

Easy access to credit along with infrastructure spending and a booming property market fueled China's GDP, which grew at an annualized rate of 6.9 percent in the first quarter, a tick up from 6.8 percent in the previous quarter and ahead of the annual target of 6.5 percent. Manufacturing in China during April slowed but remained in expansionary territory from the previous month. The ECB held steady on its current monetary stimulus, opting to make no changes in its key lending rates or bond-purchase program. The Eurozone unemployment rate remained unchanged at 9.5 percent in March. Eurozone consumer prices rose 1.5 percent in March from a year earlier; ECB target is just below 2 percent. India's Central Bank left its main lending rate unchanged at 6.25 percent and continues to monitor inflation for the second half of this fiscal year. International equities, as measured by the MSCI EAFE Index, rose 2.5 percent in April.

## ANNUAL LISTS OF PUBLICLY TRADED DEPARTMENT OF DEFENSE CONTRACTORS RELEASED

Each year, as part of its Brethren Values Investing initiatives, Brethren Foundation Funds commissions two lists of companies that earned significant revenue from U.S. military operations in the government's most recently completed fiscal year. One list identifies the top 25 publicly traded defense contractors, based on the size of contracts awarded by the Department of Defense. Leidos Holdings, Oshkosh, and Orbital ATK are new to the 2017 top 25 list, and Hewlett-Packard, Royal Dutch Shell, and URS dropped off the list. The other list includes all publicly traded companies with market capitalization of more than \$200 million that generated more than 10 percent of their revenue from Department of Defense contracts (38 additional companies).

The lists produced for 2017 were adopted by the BFFI Board during its April meeting. The firms on the lists will be screened from BFFI's self-managed investment portfolios in 2017, as directed by BFFI's *Investment Guidelines*, as will firms that receive more than 10 percent of their revenue from abortion, alcohol, firearms and other weapons, gambling, pornography, or tobacco. Companies that are egregious violators of environmental regulations or human rights are also screened from BFFI's portfolios. In addition to screening these companies out of its investments, BFFI will not knowingly use the services of any DOD list company or other company in violation of BVI guidelines as listed in BFFI's *Investment Guidelines* in 2017.

Copies of these two lists are available upon request or at [cobbt.org/screening](http://cobbt.org/screening).

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

### Top 25 Publicly Traded Defense Contractors for 2017

1. Lockheed Martin
2. Boeing
3. Raytheon
4. General Dynamics
5. Northrop Grumman
6. United Technologies
7. L-3 Communications
8. BAE Systems
9. Humana
10. Huntington Ingalls Industries
11. Health Net
12. UnitedHealth Group
13. McKesson
14. Science Applications International Group
15. AmerisourceBergen
16. Booz Allen Hamilton Holding
17. Harris
18. Textron
19. Leidos Holdings
20. General Electric
21. Oshkosh
22. Computer Sciences
23. CACI International
24. Orbital ATK
25. Honeywell International



# Fund Performance Report

for the period ending April 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>	0.1%	0.1%	0.2%	0.4%	0.5%	1.3%
Merrill Lynch 6-Month Treasury Bill Index <sup>1</sup>	0.1%	0.1%	0.2%	0.4%	0.3%	0.7%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund <sup>2</sup></b>	0.1%	0.4%	0.5%	1.7%	1.8%	2.3%
No Benchmark	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	0.8%	1.6%	1.8%	2.8%	2.8%	4.8%
Bloomberg Barclays U.S. Government/Credit Bond Index	0.8%	1.5%	1.8%	2.7%	2.4%	4.4%
<b>Bond Fund</b>	0.8%	1.3%	1.8%	3.0%	2.9%	4.9%
Bloomberg Barclays U.S. Government/Credit Bond Index	0.8%	1.5%	1.8%	2.7%	2.4%	4.4%
<b>Treasury Inflation-Protected Securities Fund <sup>3</sup></b>	0.6%	4.3%	5.1%	2.4%	0.6%	—
Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index	0.6%	1.0%	1.9%	1.8%	0.7%	—
<b>Bank Loans Fund <sup>3,4</sup></b>	—	—	—	—	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	—	—	—	—	—	—
<b>High Yield Bond Fund <sup>3</sup></b>	1.1%	2.2%	3.8%	4.7%	6.9%	—
Bloomberg Barclays U.S. Corporate High Yield Bond Index	1.2%	2.4%	3.9%	4.7%	6.8%	—
<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>	0.7%	4.6%	6.1%	1.1%	7.2%	4.2%
S&P 500 Index	1.0%	5.2%	7.2%	10.5%	13.7%	7.2%
<b>Domestic Stock Large Cap Core Index Fund <sup>5</sup></b>	1.0%	4.9%	6.9%	—	—	—
S&P 500 Index	1.0%	5.2%	7.2%	—	—	—
<b>Domestic Stock Mid Cap Fund</b>	2.4%	6.5%	11.5%	5.5%	13.3%	—
Russell Midcap Index	0.8%	3.5%	6.0%	9.0%	13.3%	—
<b>Domestic Stock Growth Fund</b>	1.3%	4.1%	6.7%	8.4%	11.1%	—
Russell 1000 Growth Index	2.3%	7.8%	11.4%	12.1%	13.9%	—
<b>Domestic Stock Fund</b>	1.5%	5.1%	8.2%	5.4%	10.8%	7.0%
S&P 500 Index	1.0%	5.2%	7.2%	10.5%	13.7%	7.2%
<b>Small Cap Fund</b>	2.0%	4.0%	8.0%	12.8%	12.4%	9.9%
Russell 2000 Index	1.1%	3.2%	3.6%	9.0%	12.9%	7.0%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	3.1%	7.7%	12.2%	1.0%	5.4%	1.0%
MSCI EAFE Index	2.5%	6.9%	10.0%	0.9%	6.8%	0.9%
<b>Emerging Markets Stock Fund <sup>3</sup></b>	0.5%	8.1%	15.3%	2.3%	1.9%	—
MSCI Emerging Markets Index	2.2%	8.0%	13.9%	1.8%	1.5%	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund <sup>3</sup></b>	(1.9)%	(3.7)%	(3.7)%	(15.8)%	(10.5)%	—
Bloomberg Commodity Total Return Index	(1.5)%	(3.9)%	(3.8)%	(15.0)%	(9.7)%	—
<b>Public Real Estate Fund <sup>3</sup></b>	2.1%	3.7%	3.8%	2.9%	4.9%	—
S&P Developed Property Index	1.4%	3.5%	4.3%	6.1%	8.7%	—
<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>	0.2%	3.2%	7.9%	—	—	—
CPI + 5% <sup>6</sup>	0.5%	2.2%	2.7%	—	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	1.2%	3.6%	5.7%	4.5%	7.7%	6.5%
Blended Balanced Index <sup>7</sup>	0.9%	3.7%	5.0%	7.5%	9.2%	6.3%
<b>TACTICAL FUNDS (additional fees apply)</b>						
<b>Conservative Fund <sup>3</sup></b>	0.1%	0.3%	0.4%	—	—	—
Blended Conservative Index	0.2%	0.3%	0.4%	—	—	—
<b>Income Fund <sup>3</sup></b>	1.2%	3.3%	4.9%	—	—	—
Blended Income Index	1.1%	3.0%	4.1%	—	—	—
<b>BVI Income Fund <sup>4</sup></b>	—	—	—	—	—	—
Blended SRI Income Index	—	—	—	—	—	—
<b>Income &amp; Growth Fund <sup>3</sup></b>	1.3%	4.3%	6.8%	3.5%	—	—
Blended Income & Growth Index	1.2%	3.8%	5.5%	4.4%	—	—
<b>BVI Income &amp; Growth Fund</b>	1.5%	4.1%	6.3%	—	—	—
Blended SRI Income & Growth Index	1.2%	3.8%	5.5%	—	—	—
<b>Growth Fund <sup>3</sup></b>	1.4%	4.9%	7.8%	3.6%	—	—
Blended Growth Index	1.3%	4.2%	6.2%	4.7%	—	—
<b>BVI Growth Fund</b>	1.7%	4.9%	7.5%	—	—	—
Blended SRI Growth Index	1.3%	4.4%	6.5%	—	—	—
<b>Aggressive Growth Fund <sup>3</sup></b>	1.5%	5.3%	8.6%	3.2%	—	—
Blended Aggressive Growth Index	1.3%	4.5%	6.7%	5.0%	—	—
<b>BVI Aggressive Growth Fund <sup>4</sup></b>	—	—	—	—	—	—
Blended SRI Aggressive Growth Index	—	—	—	—	—	—
<b>U.S. INFLATION</b>						
<b>Consumer Price Index (March 2017) <sup>6</sup></b>	0.1%	1.0%	1.0%	1.0%	1.2%	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 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> Expected to match benchmark gross of fees. Typically, will not match benchmark net of fees and due to required cash position. <sup>6</sup> Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted. <sup>7</sup> Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).