



Simply stated,
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Investment Perspective

FROM BRETHREN FOUNDATION FUNDS

OCTOBER 2017

MARKETS AND THE ECONOMY

The S&P 500 demonstrated continued resilience in the face of geopolitical risks, rising 2.1 percent in September, up 4.5 percent during the third quarter, and advancing 14.2 percent since the beginning of the year. The Federal Reserve announced plans to start gradually reducing its balance sheet in October; it held the benchmark rate steady but penciled in one more rate increase before year's end. The Fed also outlined a slower path of interest rate increases going forward. The consumer price index grew 0.3 percent in August over the prior month; with a sharp rise in gasoline prices caused by Hurricane Harvey and increasing housing costs, the CPI is up 1.9 percent from a year ago. Existing home sales declined 1.7 percent in August, due to a decline in sales of single-family homes. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, declined 0.6 percent in September. It rose 0.8 percent during the third quarter and is up 3.5 percent since the beginning of the year.

S&P Global Ratings downgraded China's credit rating from AA-minus to A-plus, citing, "prolonged period of strong credit growth increasing economic and financial risks." The Bank of Japan left its benchmark interest rate at around zero and the short-term deposit rate at minus 0.1 percent. Inflation in Japan rose to 0.5 percent in July, below the Bank of Japan's target of 2 percent. Annual inflation in the U.K. hit 2.9 percent in August. The Bank of England held its benchmark interest rate steady at 0.25 percent, signaling its plan to raise rates if inflation continues to accelerate. The European Central Bank discussed options for reducing stimulus. Brazil's Central Bank cut its benchmark interest rate from 9.25 percent to 8.25 percent, the eighth cut since October 2016. International equities, as measured by the MSCI EAFE Index, rose 2.5 percent in September — up 5.4 percent during the third quarter — and have surged 20 percent since the beginning of the year.

MONEY WHEN IT IS NEEDED

Regardless of how client assets are invested at Brethren Foundation Funds Inc., the money is available when it is needed.

One of the objectives of Brethren Foundation Funds' asset management services, as stated in its Investment Guidelines, is "to maintain sufficient liquidity to provide for all anticipated withdrawals or transfers and to invest in issues with sufficient marketability to provide for unexpected withdrawals." Simply stated, BFFI wants its clients to have access to their money as quickly as possible.

When a withdrawal request is received, funds are moved from the client's BFFI account to a BFFI holding account. When this move takes place, assets are considered to be "in transit" and are no longer invested. Assets being distributed electronically are then transferred to the client's financial institution, where handling of the assets is subject to that institution's rules and procedures. Typically, clients can expect the funds to appear in their financial institution account within three to five business days following BFFI's receipt of the initial request.

Here are some additional things to consider —

- The withdrawal process may not start until the next business day for requests received after 2 p.m. CST.
- Assets being distributed via check are considered "in transit" until the check is cashed or deposited.
- Very large transactions or full liquidation of an account, subaccount, or investment option may take up to two days longer.

Rest assured, BFFI has the steps in place to make client money accessible as quickly as possible.

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

Fund Performance Report

for the period ending Sept. 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
SHORT-TERM						
Short-Term Fund	0.1%	0.3%	0.6%	0.5%	0.5%	1.2%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.4%	0.3%	0.7%	0.5%	0.4%	0.5%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.1%	0.4%	1.2%	1.6%	1.8%	2.3%
<i>No Benchmark</i>	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	(0.6)%	0.8%	3.6%	2.9%	2.3%	4.8%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	(0.6)%	0.8%	3.5%	2.8%	2.1%	4.3%
Bond Fund	(0.7)%	0.8%	3.9%	3.3%	2.5%	4.9%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	(0.6)%	0.8%	3.5%	2.8%	2.1%	4.3%
Treasury Inflation-Protected Securities Fund ³	(0.2)%	0.8%	5.3%	2.3%	0.1%	—
<i>Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index</i>	(0.6)%	0.9%	1.7%	1.6%	0.0%	—
Bank Loans Fund ^{3,4}	0.3%	—	—	—	—	—
<i>S&P/LSTA U.S. Leveraged Loan 100 Index</i>	0.3%	—	—	—	—	—
High Yield Bond Fund ³	1.3%	2.2%	7.0%	5.9%	6.4%	—
<i>Bloomberg Barclays U.S. Corporate High Yield Bond Index</i>	0.9%	2.0%	7.0%	5.8%	6.4%	—
Global Aggregate Fixed Income Fund ^{3,4}	—	—	—	—	—	—
<i>Bloomberg Barclays Global Aggregate Index</i>	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Fund	2.1%	4.6%	12.9%	2.1%	7.8%	4.0%
<i>S&P 500 Index</i>	2.1%	4.5%	14.2%	10.8%	14.2%	7.4%
Domestic Stock Large Cap Core Index Fund ⁵	2.0%	4.3%	13.7%	—	—	—
<i>S&P 500 Index</i>	2.1%	4.5%	14.2%	—	—	—
Domestic Stock Mid Cap Fund	3.6%	5.7%	19.8%	6.5%	14.5%	—
<i>Russell Midcap Index</i>	2.8%	3.5%	11.7%	9.5%	14.3%	—
Domestic Stock Growth Fund	0.9%	1.3%	11.4%	8.8%	11.7%	—
<i>Russell 1000 Growth Index</i>	1.3%	5.9%	20.7%	12.7%	15.3%	—
Domestic Stock Fund	2.2%	3.8%	14.8%	6.2%	11.6%	7.0%
<i>S&P 500 Index</i>	2.1%	4.5%	14.2%	10.8%	14.2%	7.4%
Small Cap Fund	4.2%	8.2%	22.3%	16.9%	15.5%	11.3%
<i>Russell 2000 Index</i>	6.2%	5.7%	10.9%	12.2%	13.8%	7.8%
INTERNATIONAL EQUITY						
International Stock Core Fund	2.0%	5.0%	22.9%	5.4%	7.4%	1.8%
<i>MSCI EAFE Index</i>	2.5%	5.4%	20.0%	5.0%	8.4%	1.3%
Emerging Markets Stock Fund ³	(3.0)%	5.0%	22.8%	3.7%	3.2%	—
<i>MSCI Emerging Markets Index</i>	(0.4)%	7.9%	27.8%	4.9%	4.0%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ³	2.3%	5.1%	(2.3)%	(11.2)%	(11.6)%	—
<i>Bloomberg Commodity Total Return Index</i>	(0.1)%	2.5%	(2.9)%	(10.5)%	(10.5)%	—
Public Real Estate Fund ³	(0.5)%	0.4%	5.7%	3.5%	4.8%	—
<i>S&P Developed Property Index</i>	(0.2)%	2.2%	8.9%	7.5%	8.4%	—
Multi-Strategy Hedge Fund ^{3,4}	—	—	—	—	—	—
<i>60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
Global Inflation Protection Fund ³	0.1%	3.1%	12.9%	4.3%	—	—
<i>Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%</i>	(0.3)%	1.2%	2.9%	3.3%	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	1.0%	2.6%	10.3%	5.1%	8.0%	6.5%
<i>Blended Balanced Index</i> ⁷	1.0%	3.0%	9.8%	7.7%	9.4%	6.5%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ³	0.0%	0.4%	0.9%	—	—	—
<i>Blended Conservative Index</i>	0.3%	0.4%	1.0%	—	—	—
Income Fund ³	0.6%	2.3%	9.1%	3.8%	—	—
<i>Blended Income Index</i>	0.3%	2.3%	8.1%	4.6%	—	—
BVI Income Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
Income & Growth Fund ³	0.7%	3.2%	12.3%	4.8%	—	—
<i>Blended Income & Growth Index</i>	0.9%	3.2%	11.0%	5.7%	—	—
BVI Income & Growth Fund	1.1%	3.1%	12.0%	—	—	—
<i>Blended SRI Income & Growth Index</i>	0.8%	3.2%	10.9%	—	—	—
Growth Fund ³	1.0%	3.8%	14.3%	5.2%	—	—
<i>Blended Growth Index</i>	1.1%	3.7%	12.4%	6.1%	—	—
BVI Growth Fund	1.5%	3.8%	14.5%	—	—	—
<i>Blended SRI Growth Index</i>	1.2%	3.9%	13.0%	—	—	—
Aggressive Growth Fund ³	1.1%	4.1%	15.7%	5.1%	—	—
<i>Blended Aggressive Growth Index</i>	1.3%	4.0%	13.3%	6.5%	—	—
BVI Aggressive Growth Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	—	—	—	—	—	—
U.S. INFLATION						
Consumer Price Index (August 2017) ⁶	0.3%	0.3%	1.7%	1.1%	1.3%	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 Brethren Values Investing guidelines because they are invested in mutual funds. All other investment funds must meet Brethren Values 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 Bloomberg Barclays U.S. Capital Government/Credit Bond Index (40 percent).