



Investment Perspective

FROM BRETHREN FOUNDATION FUNDS

SEPTEMBER 2017

MARKETS AND THE ECONOMY

Rising global tensions and domestic political turmoil sparked a tumultuous month in the U.S. markets; the S&P 500 Index eked out a 0.3 percent gain. The unemployment rate ticked up to 4.4 percent in August from 4.3 percent in July. Average hourly earnings rose 0.1 percent in August, up 2.5 percent versus a year ago. Real GDP was revised to a 3 percent annual growth rate during the second quarter from a prior estimate of 2.6 percent; the largest positive contribution was personal consumption and the largest drag was residential investment. Existing home sales declined 1.3 percent in July, up 2.1 percent versus a year ago. One major headwind for sales has been the decline in inventories, which are down 9 percent from a year ago. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, rose 1 percent in August.

The U.K. economy grew 0.3 percent during the second quarter due to sluggish business investment. Unemployment in the U.K. fell to 4.4 percent during the second quarter from 4.5 percent in the previous quarter. Eurozone GDP during the second quarter was revised to 2.5 percent annualized, up from an initial estimate of 2.3 percent. The European Central Bank expressed caution toward withdrawing monetary stimulus too soon. Retail sales in China increased 10.4 percent in July from a year earlier, slowing from June's 11 percent gain. Japan's economy grew at an annualized rate of 4 percent during the second quarter, up from a first quarter annualized rate of 2.2 percent due to strong consumer and business spending. International equities, as measured by the MSCI EAFE Index, were flat in August.

NEW MEMBER ADDED TO INVESTMENT COMMITTEE

The Brethren Foundation Funds Board of Directors has charged its Investment Committee with oversight and direction of the organization's investment program, which manages more than 174 million dollars in assets. The Investment Committee consists of five individuals. Four were introduced in the March 2017 issue of *Investment Perspective*. During its July meeting, the Board added a new member to the committee.

Ron Gebhardt is clinical associate professor of actuarial science and faculty-in-charge of the Actuarial Science Program of Pennsylvania State University's Smeal College of Business. Ron, a Fellow of the Society of Actuaries since 1978, has expertise and extensive experience in employee benefits, including service as a consulting pension actuary and the staff person in Congress that oversaw pension laws. He is a graduate of Pennsylvania State University and Northeastern University. Ron is a member of the University Baptist & Brethren Church, State College, Pa.

Meet the Board

Following is a list of the current members of the BFFI Board:

Sara Brenneman
Hershey, Pa.

Eunice Culp
Goshen, Ind.

Nevin Dulabaum (Ex-off.)
Elgin, Ill.

Ron Gebhardt
State College, Pa.

Eric Kabler
Johnstown, Pa.

Kevin Kessler
Canton, Ill.

Dennis Kingery
San Diego, Calif.

Thomas McCracken
Dallastown, Pa.

Jerry Patterson
Ashtown, Va.

Donna Rhodes
Huntingdon, Pa.

Harry Rhodes
Roanoke, Va.

Wayne Scott
Harrisburg, Pa.

David Shissler
Hummelstown, Pa.

David Steele (Ex-off.)
Elgin, Ill.

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

Fund Performance Report

for the period ending Aug. 31, 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%	0.2%	0.5%	0.4%	0.5%	1.2%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	(0.2)%	0.0%	0.3%	0.4%	0.3%	0.5%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.1%	0.4%	1.1%	1.6%	1.8%	2.3%
<i>No Benchmark</i>	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	1.0%	1.4%	4.2%	2.9%	2.5%	5.0%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	1.0%	1.4%	4.1%	2.7%	2.2%	4.5%
Bond Fund	1.0%	1.5%	4.5%	3.1%	2.7%	5.1%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	1.0%	1.4%	4.1%	2.7%	2.2%	4.5%
Treasury Inflation-Protected Securities Fund ³	0.7%	0.4%	5.6%	1.5%	0.3%	—
<i>Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index</i>	1.1%	0.5%	2.4%	1.0%	0.2%	—
Bank Loans Fund ^{3,4}	0.0%	—	—	—	—	—
<i>S&P/LSTA U.S. Leveraged Loan 100 Index</i>	(0.2)%	—	—	—	—	—
High Yield Bond Fund ³	(0.3)%	0.9%	5.7%	4.7%	6.5%	—
<i>Bloomberg Barclays U.S. Corporate High Yield Bond Index</i>	0.0%	1.2%	6.1%	4.8%	6.5%	—
Global Aggregate Fixed Income Fund ^{3,4}	—	—	—	—	—	—
<i>Bloomberg Barclays Global Aggregate Index</i>	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Fund	0.5%	2.9%	10.5%	0.7%	7.9%	4.4%
<i>S&P 500 Index</i>	0.3%	3.0%	11.9%	9.5%	14.3%	7.6%
Domestic Stock Large Cap Core Index Fund ⁵	0.2%	2.9%	11.4%	—	—	—
<i>S&P 500 Index</i>	0.3%	3.0%	11.9%	—	—	—
Domestic Stock Mid Cap Fund	0.3%	3.1%	15.6%	4.0%	14.3%	—
<i>Russell Midcap Index</i>	(0.8)%	1.7%	8.7%	7.3%	14.1%	—
Domestic Stock Growth Fund	(1.0)%	1.8%	10.5%	7.1%	12.0%	—
<i>Russell 1000 Growth Index</i>	1.8%	4.3%	19.2%	11.7%	15.4%	—
Domestic Stock Fund	(0.1)%	2.6%	12.3%	4.3%	11.6%	7.3%
<i>S&P 500 Index</i>	0.3%	3.0%	11.9%	9.5%	14.3%	7.6%
Small Cap Fund	2.0%	6.7%	17.5%	14.0%	15.2%	11.0%
<i>Russell 2000 Index</i>	(1.3)%	2.9%	4.4%	7.7%	13.2%	7.4%
INTERNATIONAL EQUITY						
International Stock Core Fund	(0.3)%	2.6%	20.4%	3.3%	7.7%	2.1%
<i>MSCI EAFE Index</i>	0.0%	2.7%	17.0%	2.8%	8.5%	1.6%
Emerging Markets Stock Fund ³	2.6%	7.6%	26.6%	2.0%	5.3%	—
<i>MSCI Emerging Markets Index</i>	2.2%	9.4%	28.3%	2.4%	5.3%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ³	(1.5)%	(0.2)%	(4.5)%	(13.7)%	(11.6)%	—
<i>Bloomberg Commodity Total Return Index</i>	0.4%	2.5%	(2.7)%	(12.3)%	(10.1)%	—
Public Real Estate Fund ³	(0.5)%	2.2%	6.2%	1.6%	5.4%	—
<i>S&P Developed Property Index</i>	0.3%	3.3%	9.1%	5.4%	8.8%	—
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	1.1%	3.1%	12.8%	3.2%	—	—
<i>Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%</i>	0.9%	0.9%	3.2%	2.8%	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	0.3%	2.2%	9.2%	3.9%	8.1%	6.7%
<i>Blended Balanced Index</i> ⁷	0.6%	2.4%	8.7%	6.9%	9.5%	6.7%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ³	0.2%	0.4%	1.0%	—	—	—
<i>Blended Conservative Index</i>	(0.1)%	0.1%	0.6%	—	—	—
Income Fund ³	0.4%	1.8%	8.4%	2.9%	—	—
<i>Blended Income Index</i>	0.8%	2.2%	7.8%	3.9%	—	—
BVI Income Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
Income & Growth Fund ³	0.6%	2.7%	11.5%	3.6%	—	—
<i>Blended Income & Growth Index</i>	0.6%	2.6%	10.0%	4.6%	—	—
BVI Income & Growth Fund	0.5%	2.4%	10.8%	—	—	—
<i>Blended SRI Income & Growth Index</i>	0.6%	2.6%	10.0%	—	—	—
Growth Fund ³	0.5%	3.0%	13.2%	3.8%	—	—
<i>Blended Growth Index</i>	0.6%	2.9%	11.1%	4.9%	—	—
BVI Growth Fund	0.4%	2.7%	12.8%	—	—	—
<i>Blended SRI Growth Index</i>	0.6%	3.0%	11.7%	—	—	—
Aggressive Growth Fund ³	0.5%	3.2%	14.4%	3.4%	—	—
<i>Blended Aggressive Growth Index</i>	0.5%	3.0%	11.8%	5.2%	—	—
BVI Aggressive Growth Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	—	—	—	—	—	—
U.S. INFLATION						
Consumer Price Index (July 2017) ⁶	(0.1)%	0.1%	1.4%	0.9%	1.3%	1.6%

Performance Report

¹Changed May 1, 2009. 10-year blended with 90-day Treasury Bill. ²CDIF interest accrues on a daily basis. ³These 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. ⁴No assets invested in this fund. ⁵Expected to match benchmark gross of fees. Typically, will not match benchmark net of fees and due to required cash position. ⁶Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted. ⁷Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).