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# Investment Perspective

FROM BRETHERN FOUNDATION

JANUARY 2012

## MARKETS AND THE ECONOMY

Stock market volatility tapered off somewhat during December and was buoyed by positive signs of economic recovery on the domestic front. Consumer spending inched up, manufacturers' orders for durable goods rose 3.8 percent, and sales of new homes climbed for the third month in a row. Investors were also encouraged by a break in the latest round of budgetary gridlock in Congress.

Looking back on the year, the market peaked in late April 2011, but worries about European debt woes and Washington's battle over how to reduce the U.S. deficit generated considerable uncertainty and volatility during the second half of the year. While the S&P 500 rose 1.0 percent during December, a surge of 11.8 percent during the last three months of the year helped generate a return of 2.1 percent for the year. The bond market, as measured by the Barclays Capital Government/Credit Index, increased 1.3 percent in December for a year-to-date performance of 8.7 percent.

International markets continued to react to global concerns, including Europe's debt crisis and the deeper risk of economic and political disintegration within the eurozone, as well as continuing tension in the Middle East. International equities, as measured by the MSCI EAFE, declined 0.9 percent in December and were down 11.7 percent for the year.

## CLIENT ADMINISTRATIVE FEES NOW CALCULATED DAILY

Beginning on Jan. 1, 2012, Brethren Foundation administrative fees will be calculated on a daily basis and accumulated for quarterly billing. Historically, BFI's administrative fees have been assessed on a quarterly schedule based on the assets under management at the moment of calculation. Under this method, money deposited at any time during a quarter would receive a full quarter's fee assessment, and money withdrawn before the end of a quarter would avoid the quarter's fee assessment entirely. The new method ensures that BFI will only collect administrative fees on assets when they are under BFI management.

## FRIENDLY REMINDERS

- Maintain an accurate authorization list. Organizations minimize the chance of unauthorized transactions occurring by ensuring that their list of individuals authorized to conduct business with BFI is up-to-date.
- Update email addresses. Please make sure that the email address for the primary contact is correct. BFI uses email to distribute important information to all clients quickly.
- Manage accounts online. Organizations are encouraged to enjoy the benefits of online account management.

Please contact Steve Lipinski, manager of Brethren Foundation operations, at 847-622-3377 or [slipinski@cobbt.org](mailto:slipinski@cobbt.org) for assistance with these matters.

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

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Jan. 1, 2012,  
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# Fund Performance Report

for the period ending Dec. 31, 2011



All periods longer than one year are annualized.

## Performance Report

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%	(0.5)%	0.0%	1.4%	2.3%	2.5%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> <sup>1</sup>	0.0%	0.0%	0.3%	0.4%	1.3%	1.9%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund</b> <sup>2</sup>	0.2%	0.5%	2.3%	2.6%	2.8%	N/A
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A	N/A
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	1.3%	1.1%	7.5%	9.4%	7.0%	N/A
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.3%	1.2%	8.7%	6.6%	6.6%	N/A
<b>Bond Fund</b>	1.2%	1.0%	7.3%	9.6%	7.0%	6.1%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.3%	1.2%	8.7%	6.6%	6.6%	5.9%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>3</sup>	(0.1)%	3.1%	13.1%	N/A	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	0.0%	2.7%	13.6%	N/A	N/A	N/A
<b>High Yield Bond Fund</b> <sup>3</sup>	3.0%	5.5%	3.5%	N/A	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	2.7%	6.5%	5.0%	N/A	N/A	N/A
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Core Fund</b>	0.5%	10.0%	(3.6)%	10.8%	0.1%	2.7%
<i>S&amp;P 500 Index</i>	1.0%	11.8%	2.1%	14.1%	(0.3)%	2.9%
<b>Domestic Stock Value Fund</b>	0.0%	13.9%	(0.5)%	N/A	N/A	N/A
<i>Russell 1000 Value Index</i>	2.0%	13.1%	0.4%	N/A	N/A	N/A
<b>Domestic Stock Growth Fund</b>	(1.4)%	8.2%	0.3%	N/A	N/A	N/A
<i>Russell 1000 Growth Index</i>	(0.3)%	10.6%	2.6%	N/A	N/A	N/A
<b>Domestic Stock Fund</b>	(0.3)%	10.6%	(1.2)%	14.3%	2.0%	3.9%
<i>S&amp;P 500 Index</i>	1.0%	11.8%	2.1%	14.1%	(0.3)%	2.9%
<b>Small Cap Fund</b>	(0.5)%	10.3%	9.4%	22.7%	5.9%	N/A
<i>Russell 2000 Index</i>	0.7%	15.5%	(4.2)%	15.6%	0.2%	N/A
<b>Public Real Estate Fund</b> <sup>3</sup>	4.0%	4.7%	N/A	N/A	N/A	N/A
<i>S&amp;P Developed Property Index</i>	1.0%	6.6%	N/A	N/A	N/A	N/A
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	(1.4)%	5.2%	(10.9)%	8.3%	(3.9)%	4.8%
<i>MSCI EAFE Index</i>	(0.9)%	3.4%	(11.7)%	8.2%	(4.3)%	5.1%
<b>Emerging Markets Stock Fund</b> <sup>3</sup>	0.8%	1.3%	(25.2)%	N/A	N/A	N/A
<i>MSCI Emerging Markets Index</i>	(1.2)%	4.5%	(18.2)%	N/A	N/A	N/A
<b>ALTERNATIVES</b>						
<b>Commodities-Based Fund</b> <sup>3</sup>	(2.1)%	(0.6)%	(9.5)%	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	(3.8)%	0.3%	(13.3)%	N/A	N/A	N/A
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	0.3%	6.2%	2.4%	12.8%	4.4%	5.1%
<i>Blended Balanced Index</i> <sup>4</sup>	1.1%	7.6%	5.1%	11.5%	2.9%	4.5%
<b>U.S. INFLATION</b>						
<b>Consumer Price Index</b> (November 2011) <sup>5</sup>	(0.1)%	(0.1)%	3.3%	2.1%	2.3%	2.5%

<sup>1</sup> Changed May 1, 2009. 3-year, 5-year, and 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> Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). <sup>5</sup> Most recent data available.