



Investment Perspective

FROM BRETHERN FOUNDATION

MARCH 2013

MARKETS AND THE ECONOMY

Members of Congress and the president were unable to agree on measures to avoid a mandatory, across-the-board cut of \$85 billion, or approximately 2.3 percent, in federal spending. Congressional leaders shifted their focus toward a resolution to continue funding government operations beyond the current March 27 deadline. Absent any meaningful discussions in Washington to address long-term federal deficit issues, the S&P 500 Index gained 1.4 percent in February and is up 6.6 percent since the beginning of the year.

In his semiannual report to Congress, Federal Reserve Chairman Ben Bernanke maintained his commitment to current measures to stimulate the economy. Fourth quarter 2012 gross domestic product was revised up to a 0.1 percent increase at an annual rate (the original estimate reported a 0.1 percent decline). New home sales increased 28.9 percent in January from a year earlier, and sales of existing homes rose 9.1 percent from a year earlier. Consumer prices in January were flat for the second month in row. The bond market, as measured by the Barclays Capital Government/Credit Index, increased 0.6 percent in February.

The eurozone's GDP shrank at an annualized rate of 2.3 percent in the fourth quarter of 2012, and the European Central Bank left the door open to additional measures to stimulate the economy. Moody's stripped the U.K. of its triple-A credit rating, citing continued economic weakness and the country's growing debt burden. International equities, as measured by the MSCI EAFE Index, decreased 0.9 percent during February.

UNDERSTANDING YOUR STATEMENTS — PERFORMANCE

The two columns on your organization's monthly Brethren Foundation statement named "Interest & Dividends" and "Market Value Fluctuation" display data that reflect what is broadly referred to as "returns." Since Brethren Foundation's investment funds are commingled, no individual client actually owns a specific security. Instead, each client owns a proportional interest in the funds in which they are invested. The increase or decrease reported in these columns on the statement reflects the client's proportional interest in payments received and market value changes for the period.

The amount of interest and dividends is simply the amount of dividends declared on equities and/or the amount of interest payments received on fixed income securities held in the funds for the period. Typically, the number in the "Interest & Dividends" column will be positive, but occasionally, this number may seem unusually low or even be negative. A variety of factors could cause this; for instance, in January, a company held by the domestic value manager recharacterized dividends from a prior period as a return of capital. This also caused a corresponding increase in the "Market Value Fluctuation" column.

"Market Value Fluctuation" includes the result of any security sold by the investment managers and/or the impact of the market value changes on securities during the period. "Market Value Fluctuation" reflects the accumulated gain or loss for the time period. Most BFI organizational clients don't keep track of realized gains or losses, but for those who maintain a cost basis for their investments, gains or losses remain unrealized until the client withdraws or transfers money from their BFI accounts.

Together, these two columns show what your investment has earned.

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

The two columns on your organization's monthly statement named "Interest & Dividends" and "Market Value Fluctuation" display data that reflect what is broadly referred to as "returns."



Fund Performance Report

for the period ending Feb. 28, 2013



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
SHORT-TERM						
Short-Term Fund	(0.2)%	0.0%	(0.4)%	0.9%	1.5%	2.3%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.0%	0.0%	0.0%	0.3%	0.4%	1.7%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.2%	0.5%	0.3%	2.4%	2.6%	N/A
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A	N/A
FIXED INCOME						
Bond Core Fund	0.8%	(1.0)%	(1.1)%	6.3%	6.3%	5.5%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.6%	(0.5)%	(0.2)%	6.0%	5.5%	5.0%
Bond Fund	0.8%	(1.0)%	(1.0)%	6.5%	6.4%	5.6%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.6%	(0.5)%	(0.2)%	6.0%	5.5%	5.0%
Treasury Inflation-Protected Securities Fund ³	0.2%	(1.1)%	(1.1)%	N/A	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	0.0%	(1.3)%	(0.6)%	N/A	N/A	N/A
High Yield Bond Fund ³	0.3%	4.0%	2.1%	N/A	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	0.5%	3.5%	1.9%	N/A	N/A	N/A
DOMESTIC EQUITY						
Domestic Stock Core Fund	0.7%	5.9%	5.6%	9.7%	3.2%	7.8%
<i>S&P 500 Index</i>	1.4%	7.6%	6.6%	13.5%	4.9%	8.2%
Domestic Stock Value Fund	1.4%	9.8%	6.6%	N/A	N/A	N/A
<i>Russell 1000 Value Index</i>	1.4%	10.3%	8.0%	N/A	N/A	N/A
Domestic Stock Growth Fund	1.2%	6.7%	6.3%	N/A	N/A	N/A
<i>Russell 1000 Growth Index</i>	1.2%	5.6%	5.6%	N/A	N/A	N/A
Domestic Stock Fund	1.1%	7.5%	6.1%	13.8%	6.2%	9.7%
<i>S&P 500 Index</i>	1.4%	7.6%	6.6%	13.5%	4.9%	8.2%
Small Cap Fund	1.1%	7.8%	7.0%	18.1%	11.5%	N/A
<i>Russell 2000 Index</i>	1.1%	11.3%	7.4%	14.7%	7.4%	N/A
INTERNATIONAL EQUITY						
International Stock Core Fund	2.2%	9.8%	6.5%	7.6%	(0.2)%	9.5%
<i>MSCI EAFE Index</i>	(0.9)%	7.7%	4.3%	7.4%	(0.8)%	9.9%
Emerging Markets Stock Fund ³	(1.6)%	7.6%	1.6%	N/A	N/A	N/A
<i>MSCI Emerging Markets Index</i>	(1.2)%	5.0%	0.1%	N/A	N/A	N/A
REAL ASSETS						
Commodities-Based Fund ³	(4.2)%	(4.6)%	(1.7)%	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	(4.1)%	(4.4)%	(1.8)%	N/A	N/A	N/A
Public Real Estate Fund ³	(0.2)%	6.8%	2.9%	N/A	N/A	N/A
<i>S&P Developed Property Index</i>	0.9%	8.4%	4.1%	N/A	N/A	N/A
EQUITY AND FIXED INCOME						
Balanced Fund	1.0%	4.1%	3.3%	11.3%	6.8%	8.4%
<i>Blended Balanced Index</i> ⁴	1.1%	4.3%	3.9%	10.8%	5.6%	7.3%
U.S. INFLATION						
Consumer Price Index (January 2013) ⁵	0.3%	(0.5)%	0.3%	2.1%	1.8%	2.4%

¹ Changed May 1, 2009. 5-year and 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 Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). ⁵ Most recent data available. CPI data are not seasonally adjusted.