



# Investment Perspective

FROM BRETHREN FOUNDATION

SEPTEMBER 2012

## MARKETS AND THE ECONOMY

During August, the S&P 500 rose 2.3 percent — its third straight month of gains. That index is up 13.5 percent year-to-date.

The Federal Reserve indicated that “additional monetary accommodation would likely be warranted” to further stimulate the economic recovery. Second quarter GDP, originally at 1.5 percent over the previous quarter, was revised upward to 1.7 percent. U.S. workplace productivity was also revised higher, to 2.2 percent, from its original second quarter estimate of 1.6 percent. While job gains were better than expected, unemployment rose slightly from 8.2 percent to 8.3 percent. The bond market, as measured by the Barclays Capital Government/Credit Index, was flat in August but remains up 4.4 percent for the year.

The European Central Bank issued encouraging comments that reflected a willingness to provide monetary stimulus as eurozone economic data continues to suggest recessionary conditions. Manufacturing and service sectors continue to contract in Europe, including in its largest economies, France and Germany; consumer confidence deteriorated from the prior month; and the unemployment rate remains at a record high of 11.3 percent. International equities, as measured by the MSCI EAFE, increased 2.7 percent in August and are up 7.4 percent year-to-date.

## MEET THE INVESTMENT COMMITTEE

The Brethren Foundation Board of Directors has charged its Investment Committee with oversight and direction of the organization’s investment program, which manages more than \$153 million in assets.

The Investment Committee consists of the following three individuals —



**Eric Kabler** is a financial advisor and managing partner for Kabler/Thomas Financial Group in Johnstown, Pa., which he established in 2001. Eric has been in the investment industry since 1989 and maintains his Series 7, Series 24, and Series 63 securities licenses. He is a graduate of Slippery Rock University of Pennsylvania. Eric is an ordained minister and member of the Moxham Church of the Brethren in Johnstown, Pa.



**Tom McCracken** is a vice president-financial advisor with RBC Wealth Management in York, Pa. Tom has been in the securities industry since 1998 and maintains his Series 7 and Series 66 securities licenses as well as health and life insurance licenses. He is a graduate of York College of Pennsylvania. Tom is a member of the York First Church of the Brethren in York, Pa.



**Harry Rhodes** is an owner of Rhodes, Butler & Dellinger PC, a law firm in Roanoke, Va. Harry has been practicing law since 1976, with an emphasis on estate planning and employee benefits. He is a graduate of the University of North Carolina and the University of Virginia School of Law and a member of the Virginia Bar Association and the American Bar Association. Harry is a member of Central Church of the Brethren in Roanoke, Va.

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

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# Fund Performance Report

for the period ending Aug. 31, 2012



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>	0.2%	0.6%	1.4%	1.1%	1.9%	2.4%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> <sup>1</sup>	0.0%	0.1%	0.1%	0.3%	0.7%	1.8%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund</b> <sup>2</sup>	0.2%	0.5%	1.4%	2.5%	2.7%	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>	0.5%	2.5%	5.7%	7.7%	7.5%	6.2%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.0%	1.6%	4.4%	6.9%	6.8%	5.6%
<b>Bond Fund</b>	0.7%	2.6%	5.7%	7.8%	7.6%	6.3%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.0%	1.6%	4.4%	6.9%	6.8%	5.6%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>3</sup>	(0.4)%	0.9%	5.0%	N/A	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	(0.3)%	1.0%	5.7%	N/A	N/A	N/A
<b>High Yield Bond Fund</b> <sup>3</sup>	1.1%	4.9%	10.1%	N/A	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	1.2%	5.3%	10.6%	N/A	N/A	N/A
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Core Fund</b>	3.2%	8.7%	13.4%	11.1%	1.0%	6.3%
<i>S&amp;P 500 Index</i>	2.3%	7.9%	13.5%	13.6%	1.3%	6.5%
<b>Domestic Stock Value Fund</b>	3.7%	9.2%	19.1%	N/A	N/A	N/A
<i>Russell 1000 Value Index</i>	2.2%	8.4%	12.2%	N/A	N/A	N/A
<b>Domestic Stock Growth Fund</b>	2.6%	5.8%	12.0%	N/A	N/A	N/A
<i>Russell 1000 Growth Index</i>	2.7%	6.9%	14.6%	N/A	N/A	N/A
<b>Domestic Stock Fund</b>	3.2%	7.9%	14.8%	14.1%	3.1%	7.8%
<i>S&amp;P 500 Index</i>	2.3%	7.9%	13.5%	13.6%	1.3%	6.5%
<b>Small Cap Fund</b>	3.1%	0.5%	7.5%	19.0%	7.0%	N/A
<i>Russell 2000 Index</i>	3.3%	7.0%	10.6%	13.9%	1.9%	N/A
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	2.7%	8.8%	7.2%	5.1%	(3.3)%	6.8%
<i>MSCI EAFE Index</i>	2.7%	11.2%	7.4%	2.9%	(4.3)%	7.2%
<b>Emerging Markets Stock Fund</b> <sup>3</sup>	0.3%	5.1%	3.9%	N/A	N/A	N/A
<i>MSCI Emerging Markets Index</i>	(0.3)%	5.7%	5.9%	N/A	N/A	N/A
<b>REAL ASSETS</b>						
<b>Commodities-Based Fund</b> <sup>3</sup>	0.1%	12.8%	9.2%	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	1.3%	13.8%	3.9%	N/A	N/A	N/A
<b>Public Real Estate Fund</b> <sup>3</sup>	(0.4)%	7.8%	14.3%	N/A	N/A	N/A
<i>S&amp;P Developed Property Index</i>	0.3%	10.8%	19.5%	N/A	N/A	N/A
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	2.2%	5.7%	11.4%	12.0%	5.4%	7.6%
<i>Blended Balanced Index</i> <sup>4</sup>	1.4%	5.4%	9.9%	11.3%	3.9%	6.5%
<b>U.S. INFLATION</b>						
<b>Consumer Price Index</b> (July 2012) <sup>5</sup>	(0.2)%	(0.4)%	1.5%	2.1%	1.9%	2.4%

<sup>1</sup> Changed May 1, 2009. 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. CPI data are not seasonally adjusted.