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# Investment Perspective

FROM BRETHERN FOUNDATION

MARCH 2011

## MARKETS AND THE ECONOMY

Despite growing concerns late in the month regarding political unrest in North Africa and the Middle East — not to mention the rising price of oil and other commodities — most equity markets posted gains in February. The S&P 500 index rose 3.4 percent, and the MSCI EAFE index rose 3.3 percent. Emerging markets, as tracked by the MSCI Emerging Markets index, declined in February by 0.9 percent. Every sector of the S&P 500 index showed positive returns for the month; the energy sector led the way with a 7.2 percent gain. All sectors within the MSCI EAFE index also earned positive returns, led by information technology, which gained 5.3 percent.

In addition to the concerns about geopolitical risk and the rising price of oil, economic growth and inflation remain central concerns around the world. Domestically, slow job growth continues to hinder the economy, but it also appears to be delaying inflation pressures. Stronger consumer spending, rising manufacturing demand, favorable corporate earnings, and improved consumer confidence provided positive support for domestic market performance.

Resilience in the bond market despite higher U.S. stocks suggests that some investors are still cautious about the state of the economic recovery, especially given the current international political turmoil. Bond performance in February, as measured by the Barclays Capital Government Credit index, increased 0.2 percent.

## COMMUNITY INVESTING IN 2010

A woman in Peru who makes and sells miniature dolls that represent characters in Peruvian culture strengthened her business enough to increase her weekly income from \$11 to \$31. A family in Cambodia improved its standard of living by expanding and improving its ginger and arum farming operation. The old Lincoln High School in Park Falls, Wis., is being converted to an affordable housing building. In New Mexico, a single father of two daughters was able to become a first-time homeowner.

What do these success stories have in common? Each received financial support through a local community development financial institution or microfinance organization that includes investments from Brethren Foundation clients. Calvert Foundation operates the fund that connects BFI clients with borrowers like the aforementioned businesswoman, farming family, affordable housing building developers, and single father.

Through the BFI Community Development Investment Fund, each investor has the opportunity to support housing, microlending, small business development, and community development across the United States and internationally. By accepting a low, fixed rate of return, investors support development efforts in local communities while enjoying a modest financial return on their investment.

In 2010, the nearly \$300,000 of client assets invested in Brethren Foundation's CDIF built or rehabilitated four affordable housing units; provided microcredit loans for 106 new enterprises; financed two not-for-profit organizations, cooperatives, or social innovations; and created 152 new jobs. Investors who want to enjoy a significant social return on their investments and are willing to accept a modest financial return can do so by making a small investment in the CDIF.

For more information about the Community Development Investment Fund, contact Steve Mason, director of Brethren Foundation.

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# Fund Performance Report

for the period ending Feb. 28, 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
<b>SHORT-TERM</b>					
<b>Short-Term Fund</b>	0.0%	0.3%	0.2%	2.0%	3.2%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> <sup>1</sup>	0.0%	0.1%	0.0%	0.6%	2.1%
<b>COMMUNITY DEVELOPMENT</b>					
<b>Community Development Investment Fund</b> <sup>2</sup>	0.4%	1.3%	0.9%	3.6%	3.4%
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A
<b>FIXED INCOME</b>					
<b>Bond Core Fund</b>	0.3%	(0.8)%	0.6%	6.3%	6.4%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.2%	(1.1)%	0.3%	4.8%	5.6%
<b>Bond Fund</b>	0.4%	(0.7)%	0.6%	6.5%	6.5%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.2%	(1.1)%	0.3%	4.8%	5.6%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>3</sup>	0.9%	(0.8)%	1.4%	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	0.9%	(0.5)%	1.1%	N/A	N/A
<b>High Yield Bond Fund</b> <sup>3</sup>	1.1%	4.3%	3.6%	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	1.3%	5.4%	3.6%	N/A	N/A
<b>DOMESTIC EQUITY</b>					
<b>Domestic Stock Core Fund</b>	3.3%	11.8%	4.7%	1.5%	3.8%
<i>S&amp;P 500 Index</i>	3.4%	13.0%	5.9%	2.2%	2.9%
<b>Domestic Stock Value Fund</b>	3.0%	14.2%	6.0%	N/A	N/A
<i>Russell 1000 Value Index</i>	3.7%	14.4%	6.0%	N/A	N/A
<b>Domestic Stock Growth Fund</b>	3.0%	11.4%	5.0%	N/A	N/A
<i>Russell 1000 Growth Index</i>	3.3%	11.7%	5.9%	N/A	N/A
<b>Domestic Stock Fund</b>	3.1%	12.5%	5.2%	4.3%	5.0%
<i>S&amp;P 500 Index</i>	3.4%	13.0%	5.9%	2.2%	2.9%
<b>Small Cap Fund</b>	4.5%	12.9%	6.9%	11.9%	8.0%
<i>Russell 2000 Index</i>	5.5%	13.6%	5.2%	7.8%	3.8%
<b>Public Real Estate Fund</b> <sup>3,4</sup>	3.0%	N/A	N/A	N/A	N/A
<i>FTSE EPRA/NAREIT Global Real Estate Index</i>	2.9%	N/A	N/A	N/A	N/A
<b>INTERNATIONAL EQUITY</b>					
<b>International Stock Core Fund</b>	1.7%	11.6%	3.0%	(2.3)%	2.4%
<i>MSCI EAFE Index</i>	3.3%	14.4%	5.8%	(2.1)%	2.9%
<b>Emerging Markets Stock Fund</b> <sup>3</sup>	(2.1)%	2.2%	(4.9)%	N/A	N/A
<i>MSCI Emerging Markets Index</i>	(0.9)%	3.3%	(3.6)%	N/A	N/A
<b>ALTERNATIVES</b>					
<b>Commodities-Based Fund</b> <sup>3</sup>	1.4%	10.1%	3.3%	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	1.3%	13.3%	2.3%	N/A	N/A
<b>EQUITY AND FIXED INCOME</b>					
<b>Balanced Fund</b>	2.0%	7.3%	3.4%	5.8%	6.1%
<i>Blended Balanced Index</i> <sup>5</sup>	2.1%	7.0%	3.6%	2.7%	3.6%
<b>U.S. INFLATION</b>					
<b>Consumer Price Index</b> (January 2011) <sup>6</sup>	0.5%	0.7%	0.5%	1.4%	2.1%

<sup>1</sup> Changed May 1, 2009. 3-year and 5-year blended with 90-day Treasury Bill. <sup>2</sup> CDIF interest accrues on a quarterly 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> Net of mutual fund expenses only; no assets under BFI management are currently invested in this fund. <sup>5</sup> Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). <sup>6</sup> Most recent data available.