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# Investment Perspective

FROM BRETHERN FOUNDATION

JULY 2011

## MARKETS AND THE ECONOMY

In June, the domestic equity market declined for the second month in a row, although a robust end-of-month rally helped the second quarter end in positive territory.

The markets often reflected the swings in the month's economic news, leading some investors to pull out of the equities market and purchase bonds.

Financial woes in Europe and political woes in Libya had negative impacts on the markets last month. Domestically, the anticipated end of the Federal Reserve's bond-buying program, the domestic debt limit crisis, and less than stellar housing and employment figures weighed on the markets.

Thanks to encouraging news about Greece's navigation through its financial crisis, as well as strong manufacturing data and the announcement that some countries were going to tap into oil reserves, the S&P 500 Index gained 5.6 percent in the final four days of the month.

Domestic equities, as measured by the S&P 500, lost 1.7 percent in June but gained 0.1 percent in the second quarter and 6 percent during the first half of 2011. International equities, as measured by the MSCI EAFE, declined 1.2 percent in June but gained 1.8 percent in the second quarter and 5.4 percent in the first six months of the year. The bond market, as measured by the Barclays Capital Government/Credit Index, lost 0.5 percent in June but gained 2.3 percent in the second quarter and 2.6 percent year-to-date.

## CLIENT PORTAL INTRODUCED AT ANNUAL CONFERENCE

At Church of the Brethren Annual Conference in Grand Rapids, Mich., Brethren Foundation provided a glimpse of its new client Web portal that will soon be available to all clients. Interested conference attendees received an introduction to the client portal during an insight session and were able to explore a test site at the Brethren Benefit Trust booth. The client portal has been in beta testing since October 2010 and should be available for general client use later this year.

Clients who choose to use the new online portal will be able to view monthly statements, generate statements and performance reports for custom date ranges, view account activity both in summary and detail for custom date ranges, initiate transaction requests electronically, download and/or print reports, and communicate directly with BFI staff via a secure request generator.

The client portal is an expansion of services provided by BFI, and it will be available to all clients. It will allow transactions to be completed and information to be shared more quickly. Clients who wish to continue receiving printed statements and to mail, fax, or email submission of transaction requests, will be able to do so.

BFI will notify the primary contact for each client organization when the portal is available for use. To ensure that proper security is maintained, a client representative will need to complete some paperwork and provide documentation verifying that the representative is authorized to act on behalf of the client organization before online access is provided.

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

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# Fund Performance Report

for the period ending June 30, 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%	0.2%	0.5%	2.0%	3.0%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> <sup>1</sup>	0.0%	0.1%	0.2%	0.5%	1.8%
<b>COMMUNITY DEVELOPMENT</b>					
<b>Community Development Investment Fund</b> <sup>2</sup>	0.2%	0.5%	1.2%	2.9%	3.0%
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A
<b>FIXED INCOME</b>					
<b>Bond Core Fund</b>	(0.5)%	2.3%	2.9%	7.6%	7.1%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.5)%	2.3%	2.6%	6.2%	6.4%
<b>Bond Fund</b>	(0.5)%	2.3%	2.9%	7.7%	7.2%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.5)%	2.3%	2.6%	6.2%	6.4%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>3</sup>	0.9%	3.3%	5.5%	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	0.8%	3.7%	5.8%	N/A	N/A
<b>High Yield Bond Fund</b> <sup>3</sup>	(1.4)%	0.2%	4.1%	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	(1.0)%	1.1%	5.0%	N/A	N/A
<b>DOMESTIC EQUITY</b>					
<b>Domestic Stock Core Fund</b>	(2.0)%	(1.0)%	4.0%	1.1%	3.8%
<i>S&amp;P 500 Index</i>	(1.7)%	0.1%	6.0%	3.3%	2.9%
<b>Domestic Stock Value Fund</b>	(2.0)%	2.1%	12.9%	N/A	N/A
<i>Russell 1000 Value Index</i>	(2.1)%	(0.5)%	5.9%	N/A	N/A
<b>Domestic Stock Growth Fund</b>	(2.0)%	0.3%	7.6%	N/A	N/A
<i>Russell 1000 Growth Index</i>	(1.4)%	0.8%	6.8%	N/A	N/A
<b>Domestic Stock Fund</b>	(2.0)%	0.5%	8.1%	4.6%	5.9%
<i>S&amp;P 500 Index</i>	(1.7)%	0.1%	6.0%	3.3%	2.9%
<b>Small Cap Fund</b>	(1.6)%	3.7%	14.9%	15.1%	9.6%
<i>Russell 2000 Index</i>	(2.3)%	(1.6)%	6.2%	7.8%	4.1%
<b>Public Real Estate Fund</b> <sup>3</sup>	(1.4)%	3.3%	N/A	N/A	N/A
<i>S&amp;P Developed Property Index</i>	(2.4)%	2.9%	N/A	N/A	N/A
<b>INTERNATIONAL EQUITY</b>					
<b>International Stock Core Fund</b>	(1.9)%	0.7%	3.8%	(0.8)%	1.8%
<i>MSCI EAFE Index</i>	(1.2)%	1.8%	5.4%	(1.3)%	2.0%
<b>Emerging Markets Stock Fund</b> <sup>3</sup>	0.2%	(1.8)%	(2.6)%	N/A	N/A
<i>MSCI Emerging Markets Index</i>	(1.5)%	(1.0)%	1.0%	N/A	N/A
<b>ALTERNATIVES</b>					
<b>Commodities-Based Fund</b> <sup>3</sup>	(6.9)%	(5.0)%	(0.6)%	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	(5.0)%	(6.7)%	(2.6)%	N/A	N/A
<b>EQUITY AND FIXED INCOME</b>					
<b>Balanced Fund</b>	(1.4)%	1.2%	6.2%	6.5%	6.9%
<i>Blended Balanced Index</i> <sup>4</sup>	(1.2)%	1.0%	4.7%	5.0%	4.7%
<b>U.S. INFLATION</b>					
<b>Consumer Price Index</b> (May 2011) <sup>5</sup>	0.5%	2.1%	3.1%	1.4%	2.2%

<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 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.