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# Investment Perspective

FROM BRETHERN FOUNDATION

AUGUST 2011

## MARKETS AND THE ECONOMY

During July, debt ceiling negotiations dominated the headlines. Debt ceiling legislation was ultimately approved, but not before the markets negatively reacted to the protracted and contentious debate. This contributed to the S&P 500's third straight monthly decline; however, for the year it is up 3.9 percent and has increased 19.7 percent since July 31, 2010.

There remain continuing headwinds for the economy, and data released in July suggested weakening U.S. fundamentals. Second quarter real GDP growth was lower than expected, consumer spending declined, the unemployment rate ticked up, and budget deficits at the state and local levels are impeding the recovery. In addition, the agreement on the debt ceiling may dilute any fiscal stimulus for the economy, and the weak economic growth is contributing to fears of a credit downgrade. Internationally, continuing worries over the European region's debt woes, signs of a sluggish German manufacturing sector, and increasing discussion about China experiencing a slowdown all loom on the horizon.

Nevertheless, there were positive developments. Oil prices have declined, corporate fundamentals are strong as cash balances are growing and facing less price pressure, leverage remains low from a historical perspective, and the Fed is continuing to reinvest principal and interest payments from its holdings.

International equities that are included in the MSCI EAFE decreased 1.6 percent in July but remained up by 3.7 percent for the year and 17.7 percent year-over-year. Bonds, as measured by the Barclays Capital Government/Credit Index, rose 1.95 percent during July and are up 4.6 percent for the year.

## MCGOUGH JOINS BBT AS CHIEF FINANCIAL OFFICER

John McGough began serving Church of the Brethren Benefit Trust as its chief financial officer on July 1. He brings more than 27 years of financial experience to the role, including 19 years in banking. He most recently served for nine years as vice president of treasury management at BMO Harris Bank N.A. (formerly Amcore) in Rockford, Ill. John holds an MBA from DePaul University and is a Certified Treasury Professional. John, his wife, Christy, and their two daughters live in South Elgin, Ill. John is a parishioner of St. Thomas More Catholic Church in Elgin.

## KEEP AUTHORIZED INDIVIDUALS LIST CURRENT

Regularly check the list of individuals authorized by your organization or congregation to receive information from or conduct business with Brethren Foundation and update it as needed. Keeping this list current will minimize delays with transactions while paperwork is brought up to date, and will also reduce the opportunity for unauthorized transactions. Please direct questions to Steve Lipinski at 847-622-3377 or [slipinski\\_bbt@brethren.org](mailto:slipinski_bbt@brethren.org).

## CURRENT BFI FORMS AVAILABLE ONLINE

All current BFI forms are available for download on the BFI website — [bbtfoundation.org](http://bbtfoundation.org). Please discard any old forms and use only those downloaded from the website, since information on the forms has changed. Please contact Steve Lipinski for printed copies.

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

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# Fund Performance Report

for the period ending July 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
<b>SHORT-TERM</b>					
<b>Short-Term Fund</b>	0.0%	0.1%	0.5%	1.9%	2.9%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> <sup>1</sup>	0.0%	0.0%	0.2%	0.4%	1.7%
<b>COMMUNITY DEVELOPMENT</b>					
<b>Community Development Investment Fund</b> <sup>2</sup>	0.2%	0.5%	1.4%	2.8%	2.9%
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A
<b>FIXED INCOME</b>					
<b>Bond Core Fund</b>	2.0%	2.9%	4.9%	8.5%	7.2%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	2.0%	3.0%	4.6%	6.9%	6.5%
<b>Bond Fund</b>	2.0%	2.8%	5.0%	8.6%	7.3%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	2.0%	3.0%	4.6%	6.9%	6.5%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>3</sup>	2.5%	3.8%	8.1%	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	3.9%	5.1%	10.0%	N/A	N/A
<b>High Yield Bond Fund</b> <sup>3</sup>	1.6%	0.6%	5.7%	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	1.2%	0.7%	6.2%	N/A	N/A
<b>DOMESTIC EQUITY</b>					
<b>Domestic Stock Core Fund</b>	(2.3)%	(5.9)%	1.6%	0.5%	3.5%
<i>S&amp;P 500 Index</i>	(2.0)%	(4.8)%	3.9%	2.9%	2.4%
<b>Domestic Stock Value Fund</b>	(3.9)%	(5.6)%	8.5%	N/A	N/A
<i>Russell 1000 Value Index</i>	(3.3)%	(6.3)%	2.4%	N/A	N/A
<b>Domestic Stock Growth Fund</b>	(2.5)%	(5.6)%	4.9%	N/A	N/A
<i>Russell 1000 Growth Index</i>	(1.0)%	(3.5)%	5.8%	N/A	N/A
<b>Domestic Stock Fund</b>	(2.9)%	(5.7)%	5.0%	3.9%	5.6%
<i>S&amp;P 500 Index</i>	(2.0)%	(4.8)%	3.9%	2.9%	2.4%
<b>Small Cap Fund</b>	(3.9)%	(4.8)%	10.4%	12.0%	8.9%
<i>Russell 2000 Index</i>	(3.6)%	(7.6)%	2.4%	5.2%	4.0%
<b>Public Real Estate Fund</b> <sup>3</sup>	1.3%	(1.1)%	N/A	N/A	N/A
<i>S&amp;P Developed Property Index</i>	0.8%	(1.3)%	N/A	N/A	N/A
<b>INTERNATIONAL EQUITY</b>					
<b>International Stock Core Fund</b>	(0.6)%	(5.3)%	3.2%	0.3%	1.5%
<i>MSCI EAFE Index</i>	(1.6)%	(5.5)%	3.7%	(0.8)%	1.4%
<b>Emerging Markets Stock Fund</b> <sup>3</sup>	1.8%	(3.5)%	(0.9)%	N/A	N/A
<i>MSCI Emerging Markets Index</i>	(0.4)%	(4.4)%	0.7%	N/A	N/A
<b>ALTERNATIVES</b>					
<b>Commodities-Based Fund</b> <sup>3</sup>	4.2%	(5.7)%	3.6%	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	3.0%	(7.2)%	0.3%	N/A	N/A
<b>EQUITY AND FIXED INCOME</b>					
<b>Balanced Fund</b>	(1.0)%	(2.4)%	5.2%	6.4%	6.7%
<i>Blended Balanced Index</i> <sup>4</sup>	(0.4)%	(1.7)%	4.2%	5.0%	4.4%
<b>U.S. INFLATION</b>					
<b>Consumer Price Index</b> (June 2011) <sup>5</sup>	(0.1)%	1.0%	3.0%	1.0%	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 rate 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.