



# Investment Perspective

FROM BRETHREN FOUNDATION

MAY 2014

## MARKETS AND THE ECONOMY

Due to lower exports as a result of weaker economies in Europe and Asia and reduced business investment caused by cold weather, first-quarter gross domestic product grew at an anemic annual rate of 0.1 percent. However, consumer spending, which generates more than two-thirds of U.S. economic output, grew at a 3 percent annual pace in the first quarter. The S&P 500 Index rose 0.7 percent in April. The jobless rate sank to 6.3 percent in April due to the combined effect of employers adding more jobs and a sharp contraction in the number of Americans seeking employment. The Federal Reserve announced tapering asset purchases by an additional \$10 billion in May to \$45 billion; approximately half the \$85 billion they were purchasing each month up until December. The bond market, as measured by the Barclays Capital Government/Credit Index, increased 0.8 percent in April.

Business activity in the eurozone expanded in April. However, businesses also reported cutting their prices at a faster pace, indicating that worries over low inflation persist. The European Central Bank signaled a willingness to act swiftly and deploy large scale asset purchases and negative interest rates if inflation worsened. China's economy grew 7.4 percent in the first quarter from a year earlier. Concerned about growth, China initiated fiscal stimulus measures aimed at boosting gross domestic product. Left out of the mix, for now, is any additional monetary stimulus. The UK economy advanced 0.8 percent in the first quarter, up 3.1 percent compared with the same quarter a year ago. Despite geopolitical headwinds from Ukraine, international equities, as measured by the MSCI EAFE Index, gained 1.5 percent in April.

### Top 25 Publicly Traded Defense Contractors in 2013

1. Lockheed Martin
2. Boeing
3. Raytheon
4. General Dynamics
5. Northrop Grumman
6. United Technologies
7. Huntington Ingalls Industries
8. BAE Systems
9. L-3 Communications
10. SAIC
11. Textron
12. Humana
13. Health Net
14. General Electric
15. Exelis
16. Fluor
17. Booz Allen Hamilton Holding
18. Computer Sciences
19. Oshkosh
20. Hewlett-Packard
21. CACI International
22. AmerisourceBergen
23. Harris
24. Alliant Techsystems
25. URS



## ANNUAL LISTS OF PUBLICLY TRADED DEPARTMENT OF DEFENSE CONTRACTORS RELEASED

Each year as part of its socially responsible investing initiatives, Brethren Foundation commissions two lists of companies that earned significant revenue from U.S. military operations in the government's most recently completed fiscal year. One list identifies the top 25 publicly traded defense contractors based on the size of contracts awarded by the Department of Defense, and the other list includes all publicly traded companies that generated more than 10 percent of their revenue from Department of Defense contracts. The lists produced for 2014 were adopted by the BFI Board during its April meeting. The firms on the lists will be screened from BFI's self-managed investment portfolios in 2014, as directed by BFI's Investment Guidelines, as will firms that receive more than 10 percent of their revenue from abortion, alcohol, firearms and other weapons, gambling, pornography, or tobacco.

New to this year's top 25 list are the following companies — Exelis, Oshkosh, Hewlett-Packard, AmerisourceBergen, Harris, and Alliant Techsystems. BFI will screen from its investments 64 additional companies that received more than 10 percent of their revenue from defense contracts. Copies of these two lists are available upon request or at [brethrenbenefittrust.org/screening](http://brethrenbenefittrust.org/screening).

In addition to screening these companies out of its investments, BFI will make every effort not to use any of their services in 2014. This will be challenging because BFI relies heavily on Hewlett-Packard technology. BFI will only purchase HP products that are necessary to support the equipment presently in use at the BFI office and cannot be purchased from another vendor.

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



All periods longer than one year are annualized.

# Fund Performance Report

for the period ending April 30, 2014

## 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>	0.0%	0.1%	0.1%	0.7%	1.0%	2.2%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> <sup>1</sup>	0.0%	0.0%	0.1%	0.2%	0.3%	1.6%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund</b> <sup>2</sup>	0.1%	0.5%	0.6%	2.1%	2.4%	2.7%
<i>No Benchmark</i>	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	0.9%	1.5%	3.1%	4.3%	6.7%	5.3%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.8%	1.3%	2.8%	4.0%	5.2%	4.8%
<b>Bond Fund</b>	0.8%	1.5%	3.2%	4.2%	6.8%	5.3%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.8%	1.3%	2.8%	4.0%	5.2%	4.8%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>3</sup>	1.1%	1.1%	2.8%	2.3%	—	—
<i>Barclays Capital U.S. TIPS Index</i>	1.4%	1.3%	3.3%	3.1%	—	—
<b>Bank Loans Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
<i>S&amp;P/LSTA U.S. Leveraged Loan 100 Index</i>	—	—	—	—	—	—
<b>High Yield Bond Fund</b> <sup>3</sup>	0.8%	2.9%	3.8%	8.4%	—	—
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	0.6%	2.9%	3.6%	8.7%	—	—
<b>Global Aggregate Fixed Income Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
<i>Barclays Capital Global Aggregate Bond Index</i>	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Core Fund</b>	0.0%	7.5%	0.5%	11.1%	16.2%	7.3%
<i>S&amp;P 500 Index</i>	0.7%	6.2%	2.6%	13.8%	19.1%	7.7%
<b>Domestic Stock Mid Cap Fund</b>	(0.2)%	5.5%	4.3%	18.2%	—	—
<i>Russell Midcap Index</i>	(0.6)%	5.0%	2.9%	13.1%	—	—
<b>Domestic Stock Growth Fund</b>	(0.1)%	3.2%	(0.5)%	10.6%	—	—
<i>Russell 1000 Growth Index</i>	0.0%	4.1%	1.1%	13.4%	—	—
<b>Domestic Stock Fund</b>	(0.1)%	5.4%	1.4%	13.3%	19.2%	8.9%
<i>S&amp;P 500 Index</i>	0.7%	6.2%	2.6%	13.8%	19.1%	7.7%
<b>Small Cap Fund</b>	(1.5)%	1.0%	(3.9)%	9.6%	20.9%	10.8%
<i>Russell 2000 Index</i>	(3.9)%	0.0%	(2.8)%	10.7%	19.8%	8.7%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	0.8%	5.2%	(0.1)%	4.7%	13.4%	6.6%
<i>MSCI EAFE Index</i>	1.5%	6.6%	2.3%	6.2%	14.1%	7.4%
<b>Emerging Markets Stock Fund</b> <sup>3</sup>	2.0%	6.9%	0.1%	(6.0)%	—	—
<i>MSCI Emerging Markets Index</i>	0.4%	6.9%	0.0%	(3.4)%	—	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund</b> <sup>3</sup>	3.3%	10.1%	9.6%	(6.5)%	—	—
<i>Dow Jones UBS Commodity Index</i>	2.4%	9.3%	9.6%	(7.7)%	—	—
<b>Public Real Estate Fund</b> <sup>3</sup>	3.3%	6.8%	5.9%	5.3%	—	—
<i>S&amp;P Developed Property Index</i>	2.9%	7.3%	6.9%	8.4%	—	—
<b>Multi-Strategy Hedge Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
<i>60% S&amp;P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	0.3%	3.8%	2.1%	9.9%	14.5%	7.8%
<i>Blended Balanced Index</i> <sup>5</sup>	0.8%	4.3%	2.7%	10.1%	13.7%	6.8%
<b>TACTICAL FUNDS (additional fees apply)</b>						
<b>Conservative Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
<i>Blended Conservative Index</i>	—	—	—	—	—	—
<b>Income Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
<i>Blended Income Index</i>	—	—	—	—	—	—
<b>Income &amp; Growth Fund</b> <sup>3</sup>	0.6%	4.1%	1.7%	—	—	—
<i>Blended Income &amp; Growth Index</i>	0.6%	3.9%	2.4%	—	—	—
<b>Growth Fund</b> <sup>3</sup>	0.5%	4.4%	1.3%	—	—	—
<i>Blended Growth Index</i>	0.5%	4.2%	2.2%	—	—	—
<b>Aggressive Growth Fund</b> <sup>3</sup>	0.5%	5.1%	1.4%	—	—	—
<i>Blended Aggressive Growth Index</i>	0.5%	4.8%	2.3%	—	—	—
<b>U.S. INFLATION</b>						
<b>Consumer Price Index</b> (March 2014) <sup>6</sup>	0.6%	1.4%	1.4%	1.9%	2.1%	2.3%

<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> No assets 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. CPI data are not seasonally adjusted.