



Investment Perspective

FROM BRETHREN FOUNDATION

NOVEMBER 2014

MARKETS AND THE ECONOMY

After declining 7.0 percent in the first half of the month, the S&P 500 Index surged from its mid-month low and posted a gain of 2.4 percent in October. Strong consumer confidence in October was buoyed by multiple factors, including third quarter real gross domestic product growth of 3.5 percent annualized topping expectations, the unemployment rate surpassing expectations by dropping to 5.9 percent in September, personal income remaining moderately positive, and favorable earnings and sales reports in the third quarter. Factors placing pressure on the markets included a growing trade deficit in September, disappointing retail sales in September falling below low expectations, manufacturing and services indicators pulling back in October, and uncertainty about future plans of the US Federal Reserve regarding the timing and pace of interest rate increases. The bond market, as measured by the Barclays Capital Government/Credit Index, rose 1.0 percent in October.

The European Central Bank launched another round of bond purchases to help stimulate the economy and counter low inflation, which was 0.4 percent in October. Eurozone manufacturing and services activity expanded modestly in October with growth in Germany offset by contraction in France. United Kingdom third quarter real GDP grew at a 3.0 percent annual rate, slightly slower than the previous quarter. The Bank of Japan significantly expanded its purchases of government bonds to boost growth and inflation expectations. Chinese real GDP growth of 7.3 percent in the third quarter over the same quarter last year represents a deceleration from prior quarters. International equities, as measured by the MSCI EAFE Index, declined 1.5 percent in October.

BRETHREN FOUNDATION FUNDS INC. IS LAUNCHED

On Nov. 3, Brethren Foundation Funds Inc. began operation as manager of all organizational (including congregational) client assets. All services and program features are provided by the same staff, but under the Brethren Foundation Funds Inc. name. New forms are available at the BFFI website at www.brethrenfoundationfunds.org, upon request by email at bffi@cobbt.org, or by telephone at 888-311-6530. Questions may be directed to Steve Lipinski at slipinski@cobbt.org or 847-622-3377 or Steve Mason at smason@cobbt.org or 847-622-3369.

SECURITY OF CLIENT INFORMATION IS A TOP PRIORITY

In the ongoing effort to keep your information secure, BFI and BFFI have switched email encryption vendors from Cisco to Netmail.

What this means for you: IF in the past you have received email via the Cisco Registered Envelope Service, beginning Nov. 7 you will instead receive it via Netmail SecureSend.

When you receive a secure email message from Brethren Foundation, you may be asked to register a passphrase with the new Netmail SecureSend system.

NOTE: Should you wish to keep any secure email previously received via the Cisco Registered Envelope Service for future reference, it needs to be unlocked and then copied to a new location. After Dec. 31, 2014, you will no longer be able to unlock any secure emails previously received via Cisco.

Steve Lipinski is available to answer any questions you may have about the new email service.

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



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All periods longer than one year are annualized.

Fund Performance Report

for the period ending Oct. 31, 2014

Funds (Net of Investment Fees) Benchmarks (Gross)	Current Month	Three Months	Year-to- Date	Three Years	Five Years	Ten Years
SHORT-TERM						
Short-Term Fund	0.0%	0.0%	0.2%	0.7%	0.8%	2.1%
<i>Merrill Lynch 6-Month Treasury Bill Index¹</i>	0.0%	0.0%	0.1%	0.2%	0.2%	1.6%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund²	0.1%	0.4%	1.5%	2.1%	2.3%	2.7%
<i>No Benchmark</i>	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	0.9%	1.2%	5.5%	3.5%	5.0%	5.1%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.0%	1.3%	5.2%	2.8%	4.4%	4.6%
Bond Core	1.2%	1.1%	5.7%	3.5%	5.1%	5.2%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.0%	1.3%	5.2%	2.8%	4.4%	4.6%
Treasury Inflation-Protected Securities Fund³	0.5%	(1.4)%	4.0%	0.5%	—	—
<i>Barclays Capital U.S. TIPS Index</i>	0.9%	(1.2)%	4.6%	1.0%	—	—
Bank Loans Fund^{3,4}	—	—	—	—	—	—
<i>S&P/LSTA U.S. Leveraged Loan 100 Index</i>	—	—	—	—	—	—
High Yield Bond Fund³	1.3%	(0.3)%	4.6%	9.2%	—	—
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	1.2%	0.6%	4.7%	9.4%	—	—
Global Aggregate Fixed Income Fund^{3,4}	—	—	—	—	—	—
<i>Barclays Capital Global Aggregate Bond Index</i>	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Core Fund	1.7%	2.5%	5.5%	17.3%	13.4%	7.5%
<i>S&P 500 Index</i>	2.4%	5.1%	11.0%	19.8%	16.7%	8.2%
Domestic Stock Mid Cap Fund	(0.4)%	1.8%	8.3%	25.7%	—	—
<i>Russell Midcap Index</i>	3.1%	4.5%	10.2%	20.1%	—	—
Domestic Stock Growth Fund	1.5%	1.4%	4.2%	15.9%	—	—
<i>Russell 1000 Growth Index</i>	2.6%	5.8%	10.7%	19.3%	—	—
Domestic Stock Fund	0.9%	1.9%	6.0%	19.6%	16.6%	9.1%
<i>S&P 500 Index</i>	2.4%	5.1%	11.0%	19.8%	16.7%	8.2%
Small Cap Fund	4.5%	4.0%	2.4%	14.0%	17.7%	10.4%
<i>Russell 2000 Index</i>	6.6%	5.1%	1.9%	18.2%	17.4%	8.7%
INTERNATIONAL EQUITY						
International Stock Core Fund	(2.3)%	(5.8)%	(6.0)%	7.8%	6.9%	5.4%
<i>MSCI EAFE Index</i>	(1.5)%	(5.3)%	(2.4)%	10.2%	7.0%	6.3%
Emerging Markets Stock Fund³	(0.8)%	(7.9)%	1.5%	1.0%	—	—
<i>MSCI Emerging Markets Index</i>	1.2%	(4.1)%	4.0%	3.6%	—	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund³	(2.1)%	(9.6)%	(6.9)%	(7.3)%	—	—
<i>Bloomberg Commodity Total Return Index</i>	(1.2)%	(8.0)%	(6.4)%	(7.6)%	—	—
Public Real Estate Fund³	4.3%	(2.2)%	10.5%	9.2%	—	—
<i>S&P Developed Property Index</i>	6.2%	1.1%	13.9%	14.1%	—	—
Multi-Strategy Hedge Fund^{3,4}	—	—	—	—	—	—
<i>60% S&P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
Global Inflation Protection Fund	0.2%	—	—	—	—	—
<i>CPI + 5%⁵</i>	0.5%	—	—	—	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	1.0%	1.6%	5.9%	13.1%	12.2%	7.9%
<i>Blended Balanced Index⁶</i>	1.9%	3.5%	8.7%	12.8%	11.9%	7.1%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund^{3,4}	—	—	—	—	—	—
<i>Blended Conservative Index</i>	—	—	—	—	—	—
Income Fund³	0.8%	(0.4)%	—	—	—	—
<i>Blended Income Index</i>	1.3%	1.0%	—	—	—	—
SRI Income Fund⁴	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
Income & Growth Fund³	0.6%	(0.6)%	3.6%	—	—	—
<i>Blended Income & Growth Index</i>	1.7%	1.3%	5.9%	—	—	—
SRI Income & Growth Fund⁴	—	—	—	—	—	—
<i>Blended SRI Income & Growth Index</i>	—	—	—	—	—	—
Growth Fund³	0.5%	(1.0)%	2.9%	—	—	—
<i>Blended Growth Index</i>	1.9%	1.4%	5.8%	—	—	—
SRI Growth Fund⁴	—	—	—	—	—	—
<i>Blended SRI Growth Index</i>	—	—	—	—	—	—
Aggressive Growth Fund³	0.2%	(1.9)%	2.5%	—	—	—
<i>Blended Aggressive Growth Index</i>	1.7%	0.7%	5.0%	—	—	—
SRI Aggressive Growth Fund⁴	—	—	—	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	—	—	—	—	—	—
U.S. INFLATION						
Consumer Price Index (September 2014)⁵	0.1%	(0.2)%	2.0%	1.4%	1.8%	2.1%

Performance Report

¹ Changed May 1, 2009. 10-year blended with 90-day Treasury Bill. ² CDIF interest accrues on a daily basis. ³ 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. ⁴ No assets invested in this fund. ⁵ Most recent data available. CPI data are from the All U.S. Urban Consumers Chained CPI Index and are not seasonally adjusted. ⁶ Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).