



Brethren Foundation's Investment Committee approved the exploration of three new investment options: bank loans, global aggregate fixed income, and a multi-strategy hedge fund.



Investment Perspective

FROM BRETHREN FOUNDATION

JANUARY 2013

MARKETS AND THE ECONOMY

While legislators and the Obama administration discussed ways to avoid higher tax rates and government spending cuts, the S&P 500 Index gained 0.9 percent in December, and 16 percent for the full year — the eighth year in the past 10 that it has risen. The Federal Reserve renewed monetary policy aimed at stimulating the economy and communicated unemployment and inflation targets that would trigger an increase in the federal discount and/or funds rates. The U.S. unemployment rate held steady at 7.8 percent, strong U.S. auto sales in December helped boost 2012 total auto sales to its best year since 2007, and U.S. factory activity expanded modestly in December. The domestic housing market experienced a strong year, finishing 2012 with year-over-year home price gains in 82 out of 100 major metropolitan areas, compared with just 12 metro areas in 2011. The bond market, as measured by the Barclays Capital Government/Credit Index, decreased 0.3 percent in December, but was up 4.8 percent for the year.

Manufacturing in the eurozone continued to shrink in December, providing further evidence of a contracting economy. In the middle of the month, European negotiators approved a long-awaited \$57 billion bailout package for Greece, which continues to experience high unemployment. In China, service sector and manufacturing activity rose in December, adding to signs of improved economic performance. Japan's new prime minister is advocating looser monetary policy to stimulate that country's economy. International equities, as measured by the MSCI EAFE Index, increased 3.2 percent during December and 17.9 percent for the year.

ADDITIONAL INVESTMENT OPTIONS BEING CONSIDERED

During its November meeting, Brethren Foundation's Investment Committee approved the exploration of three new investment options: bank loans, global aggregate fixed income, and a multi-strategy hedge fund. These new options are expected to provide clients with additional diversification opportunities. After the BFI Board approves investment guidelines and managers for these new investment options, the new options will be available to clients. BFI will provide notice of availability at the appropriate time.

INVESTMENT COMMITTEE WELCOMES NEW MEMBER

The BFI Board welcomed Jerry Patterson at its November meeting to complete the unexpired term created by John Waggoner's resignation. Jerry was assigned to the Investment Committee.

Jerry is a financial adviser and co-owner of Valenstein & Patterson in Burke, Va. Jerry has been in the investment industry since 1994 and maintains his Series 7, Series 63, and Series 65 securities licenses. Jerry is a graduate of the University of Maryland, College Park, and a member of Manassas (Va.) Church of the Brethren.

Jerry joins Eric Kabler, Tom McCracken, and Harry Rhodes on the Investment Committee. Please see the September edition of *Investment Perspective* for additional information about these three Board members.



Jerry Patterson

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

Fund Performance Report

for the period ending Dec. 31, 2012



All periods longer than one year are annualized.

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	0.3%	0.5%	1.9%	1.1%	1.7%	2.3%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.0%	0.1%	0.2%	0.3%	0.5%	1.7%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.2%	0.5%	2.2%	2.5%	2.7%	N/A
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A	N/A
FIXED INCOME						
Bond Core Fund	0.1%	0.8%	6.9%	7.5%	7.0%	5.8%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.3)%	0.4%	4.8%	6.7%	6.1%	5.3%
Bond Fund	0.0%	0.8%	7.1%	7.6%	7.0%	6.0%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.3)%	0.4%	4.8%	6.7%	6.1%	5.3%
Treasury Inflation-Protected Securities Fund ³	0.0%	1.3%	7.0%	N/A	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	(0.7)%	0.7%	7.0%	N/A	N/A	N/A
High Yield Bond Fund ³	1.8%	3.4%	15.6%	N/A	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	1.6%	3.3%	15.8%	N/A	N/A	N/A
DOMESTIC EQUITY						
Domestic Stock Core Fund	0.4%	(1.1)%	14.9%	7.7%	0.4%	6.8%
<i>S&P 500 Index</i>	0.9%	(0.4)%	16.0%	10.9%	1.7%	7.1%
Domestic Stock Value Fund	3.0%	6.1%	29.6%	N/A	N/A	N/A
<i>Russell 1000 Value Index</i>	2.1%	1.5%	17.5%	N/A	N/A	N/A
Domestic Stock Growth Fund	0.4%	(0.2)%	14.5%	N/A	N/A	N/A
<i>Russell 1000 Growth Index</i>	0.0%	(1.3)%	15.3%	N/A	N/A	N/A
Domestic Stock Fund	1.3%	1.6%	19.5%	11.4%	3.2%	8.7%
<i>S&P 500 Index</i>	0.9%	(0.4)%	16.0%	10.9%	1.7%	7.1%
Small Cap Fund	0.8%	1.5%	12.2%	15.3%	8.1%	N/A
<i>Russell 2000 Index</i>	3.6%	1.9%	16.4%	12.3%	3.6%	N/A
INTERNATIONAL EQUITY						
International Stock Core Fund	3.1%	4.1%	15.1%	4.3%	(2.5)%	8.1%
<i>MSCI EAFE Index</i>	3.2%	6.6%	17.9%	4.0%	(3.2)%	8.7%
Emerging Markets Stock Fund ³	5.9%	5.2%	17.3%	N/A	N/A	N/A
<i>MSCI Emerging Markets Index</i>	4.9%	5.6%	18.6%	N/A	N/A	N/A
REAL ASSETS						
Commodities-Based Fund ³	(3.0)%	(4.6)%	6.4%	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	(2.6)%	(6.3)%	(1.1)%	N/A	N/A	N/A
Public Real Estate Fund ³	3.8%	4.5%	22.4%	N/A	N/A	N/A
<i>S&P Developed Property Index</i>	4.1%	6.0%	28.9%	N/A	N/A	N/A
EQUITY AND FIXED INCOME						
Balanced Fund	0.8%	1.3%	14.8%	10.3%	5.3%	7.9%
<i>Blended Balanced Index</i> ⁴	0.4%	(0.1)%	11.6%	9.6%	3.9%	6.7%
U.S. INFLATION						
Consumer Price Index (November 2012) ⁵	(0.5)%	(0.1)%	2.0%	2.1%	1.9%	2.4%

Performance Report

¹ Changed May 1, 2009. 5-year and 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 Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). ⁵ Most recent data available. CPI data are not seasonally adjusted.