



Investment Perspective

FROM BRETHREN FOUNDATION

JULY 2012

MARKETS AND THE ECONOMY

Markets rallied on the last trading day in June on hopes for a new plan by European Union leaders to create a central eurozone bank supervisor and recapitalize eurozone banks. A centrist party win in Greece's elections eased fears of the country's exit from the eurozone. Europe's unemployment rate increased to 11.1 percent from 11 percent in May, and manufacturing surveys indicate a slowdown, but retail sales unexpectedly rose 0.6 percent over April's figure. International equities, as measured by the MSCI EAFE, increased 7.1 percent in June and are up 3.4 percent year-to-date.

The Federal Reserve extended Operation Twist through the end of 2012 in an effort to drive down long-term interest rates and encourage more borrowing. The Fed also lowered its expectations for economic growth for the next two years and raised its forecast for the unemployment rate. Other economic data released in the month showed that home prices increased for the third month in a row in May, and the nation's manufacturing sector contracted in June for the first time since July 2009. The S&P 500 rose 4.1 percent in the month and is up 9.5 percent year-to-date. The bond market, as measured by the Barclays Capital Government/Credit Index, was flat during June but remains up 2.7 percent for the year.

BFI RELEASES ITS 2012 *INFORMATION STATEMENT*

Brethren Foundation is pleased to announce the release of its 2012 *Information Statement*. This disclosure resource provides important information about BFI and its processes, fees, and performance. Audited financial statements for the 2011 calendar year are included in the document.

The 2012 *Information Statement* includes important information about BFI and should be reviewed carefully. This year's edition is updated to be consistent with changes made to BFI's *Investment Guidelines*, introduces BFI's five new tactical investment options (which will be launched soon), and includes an expanded definitions section as well as copies of revised forms.

The 2012 *Information Statement* is being sent with this issue of *Investment Perspective* and the June statement to the primary contact for each of BFI's organizational clients. Additional copies are available upon request from BFI in either printed or electronic format. Clients who use BFI's online services also have access to an electronic copy of the 2012 *Information Statement* via the client portal.



Brethren Foundation is pleased to announce the release of its 2012 *Information Statement*.



SPECIAL NOTE: After this year, clients' primary contacts who have registered to use BFI's online services will no longer receive a printed copy of the *Information Statement* unless they specifically request it. An electronic copy of the *Information Statement* will be available via the client portal.

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

Fund Performance Report

for the period ending June 30, 2012



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	Ten Years
SHORT-TERM						
Short-Term Fund	0.1%	(0.2)%	0.9%	1.0%	2.0%	2.4%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.0%	0.1%	0.1%	0.3%	0.9%	1.8%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.2%	0.5%	1.1%	2.6%	2.8%	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)%	2.0%	3.1%	8.5%	7.4%	6.2%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.0%	2.6%	2.7%	7.3%	6.9%	5.8%
Bond Fund	0.0%	1.9%	3.0%	8.6%	7.4%	6.3%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.0%	2.6%	2.7%	7.3%	6.9%	5.8%
Treasury Inflation-Protected Securities Fund ³	(0.2)%	2.9%	3.9%	N/A	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	(0.6)%	3.2%	4.0%	N/A	N/A	N/A
High Yield Bond Fund ³	1.7%	1.2%	6.7%	N/A	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	2.1%	1.8%	7.3%	N/A	N/A	N/A
DOMESTIC EQUITY						
Domestic Stock Core Fund	3.2%	(4.8)%	7.7%	12.2%	0.1%	5.0%
<i>S&P 500 Index</i>	4.1%	(2.8)%	9.5%	16.4%	0.2%	5.3%
Domestic Stock Value Fund	1.6%	(5.7)%	10.8%	N/A	N/A	N/A
<i>Russell 1000 Value Index</i>	5.0%	(2.2)%	8.7%	N/A	N/A	N/A
Domestic Stock Growth Fund	2.1%	(4.2)%	8.1%	N/A	N/A	N/A
<i>Russell 1000 Growth Index</i>	2.7%	(4.0)%	10.1%	N/A	N/A	N/A
Domestic Stock Fund	2.3%	(4.9)%	8.9%	14.8%	1.7%	6.5%
<i>S&P 500 Index</i>	4.1%	(2.8)%	9.5%	16.4%	0.2%	5.3%
Small Cap Fund	1.6%	(3.0)%	8.7%	24.6%	6.4%	N/A
<i>Russell 2000 Index</i>	5.0%	(3.5)%	8.5%	17.8%	0.5%	N/A
Public Real Estate Fund ³	3.9%	(1.3)%	10.1%	N/A	N/A	N/A
<i>S&P Developed Property Index</i>	6.7%	2.0%	15.0%	N/A	N/A	N/A
INTERNATIONAL EQUITY						
International Stock Core Fund	5.0%	(8.0)%	3.5%	7.5%	(4.6)%	5.3%
<i>MSCI EAFE Index</i>	7.1%	(6.9)%	3.4%	6.5%	(5.6)%	5.6%
Emerging Markets Stock Fund ³	1.0%	(12.6)%	(0.2)%	N/A	N/A	N/A
<i>MSCI Emerging Markets Index</i>	3.9%	(8.8)%	4.1%	N/A	N/A	N/A
ALTERNATIVES						
Commodities-Based Fund ³	0.4%	(4.8)%	(2.8)%	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	5.5%	(4.6)%	(3.7)%	N/A	N/A	N/A
EQUITY AND FIXED INCOME						
Balanced Fund	1.3%	(2.2)%	6.8%	12.8%	4.5%	6.8%
<i>Blended Balanced Index</i> ⁴	2.5%	(0.6)%	6.9%	13.1%	3.3%	5.9%
U.S. INFLATION						
Consumer Price Index (May 2012) ⁵	(0.1)%	1.0%	1.8%	2.5%	2.0%	2.5%

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.