

# Investment Perspective

FROM BROTHERS FOUNDATION FUNDS

May 2018



## 2018 Top 25 Publicly Traded Defense Contractors

1. Lockheed Martin
2. Boeing
3. Raytheon
4. General Dynamics
5. Northrop Grumman
6. United Technologies
7. BAE Systems
8. L-3 Communications Holdings
9. Huntington Ingalls Industries
10. Humana
11. UnitedHealth Group
12. McKesson
13. Health Net
14. Science Applications International Group
15. AmerisourceBergen
16. Tectra
17. Harris
18. Booz Allen Hamilton Holding
19. General Electric
20. Leidos Holdings
21. Oshkosh
22. CACI International
23. AECOM
24. Honeywell International
25. Leonardo SPA



## MARKETS AND THE ECONOMY

Investor concerns about rising interest rates overshadowed record earnings reports as the S&P 500 Index edged up 0.4 percent in April. The first estimate for first quarter real GDP growth is 2.3 percent at an annual rate; real GDP is up 2.9 percent from a year ago. Business investment and personal consumption made the largest positive contributions. Rising wages and salaries and a pickup in take-home pay, largely due to the federal tax cut, continue to boost incomes and consumer purchasing power. Personal income increased 0.3 percent in March, a healthy 3.6 percent gain over the past 12 months. On the spending side, personal consumption increased 0.4 percent in March, and is up 4.4 percent in the past year. New single-family home sales increased 4.0 percent in March; sales are up 8.8 percent from a year ago. The unemployment rate remained at 4.1 percent. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, declined 0.8 percent in April.

Amidst recent moderate economic activity, the European Central Bank held interest rates steady and affirmed current levels of monetary stimulus would remain intact. Unemployment rate in the eurozone ticked down to 8.5 percent in February from 8.6 percent in January. During the first quarter, the U.K. economy slowed, growing by 1.2 percent over the prior year; attributable factors were contraction in construction, weaker manufacturing, and lower consumer spending. China's economy grew 6.8 percent in the first quarter of 2018; strong consumer demand and property investment contributed to results. China's factory activity slowed in April but remains in expansionary territory with weaker foreign and domestic demand. Inflation in Japan was an annualized rate of 0.9 percent in March, well below the target of 2 percent. The Bank of Japan left its key benchmark rates unchanged and indicated it would maintain its easy monetary policy. Mexico's economy grew at an annualized rate of 4.6 percent during the first quarter; industrial production and services picked up. International equities, as measured by the MSCI EAFE Index, rose 2.3 percent in April.

## ANNUAL DoD LISTS RELEASED

Each year, as part of its Brethren Values Investing initiatives, Brethren Foundation Funds 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. AECOM and Leonardo SPA are new to the 2018 top 25 list, and Computer Sciences and Orbital ATK dropped off the list. The other list includes all publicly traded companies with market capitalization of more than \$200 million that generated more than 10 percent of their revenue from Department of Defense contracts (48 additional companies).

The lists produced for 2018 were adopted by the BFFI Board during its April meeting. The firms on the lists will be screened from BFFI's self-managed investment portfolios in 2018, as directed by BFFI'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. Companies that are egregious violators of environmental regulations or human rights are also screened from BFFI's portfolios. In addition to screening these companies out of its investments, BFFI will not knowingly use the services of any DoD list company or other company in violation of BVI guidelines as listed in BFFI's Investment Guidelines in 2018.

Copies of these two lists are available upon request or at [cobbt.org/screening](http://cobbt.org/screening).

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

# Fund Performance Report

for the period ending April 30, 2018



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
<b>SHORT-TERM</b>						
<b>Short-Term Fund</b>	0.1%	0.3%	0.4%	0.6%	0.6%	1.0%
Merrill Lynch 6-Month Treasury Bill Index <sup>1</sup>	0.1%	0.4%	0.5%	0.7%	0.5%	0.4%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund <sup>2</sup></b>	0.1%	0.4%	0.6%	1.6%	1.7%	2.2%
No Benchmark	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	(0.8)%	(1.3)%	(2.5)%	1.3%	1.7%	4.3%
Bloomberg Barclays U.S. Government/Credit Bond Index	(0.8)%	(1.3)%	(2.4)%	1.1%	1.4%	3.6%
<b>Bond Fund</b>	(1.0)%	(1.3)%	(2.5)%	1.5%	1.9%	4.3%
Bloomberg Barclays U.S. Government/Credit Bond Index	(0.8)%	(1.3)%	(2.4)%	1.1%	1.4%	3.6%
<b>Treasury Inflation-Protected Securities Fund <sup>3</sup></b>	(0.1)%	(0.2)%	(1.0)%	1.6%	(0.2)%	—
Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index	(0.1)%	0.0%	(0.8)%	1.0%	(0.1)%	—
<b>Bank Loans Fund <sup>3</sup></b>	0.5%	1.2%	2.1%	—	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	0.4%	0.7%	1.8%	—	—	—
<b>High Yield Bond Fund <sup>3</sup></b>	0.7%	(1.2)%	(0.7)%	4.8%	4.8%	—
Bloomberg Barclays U.S. Corporate High Yield Bond Index	0.7%	(0.8)%	(0.2)%	5.0%	4.8%	—
<b>Global Aggregate Fixed Income Fund <sup>3,4</sup></b>	—	—	—	—	—	—
Bloomberg Barclays Global Aggregate Index	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Large Cap Core Fund</b>	(0.3)%	(7.2)%	(2.5)%	3.1%	6.7%	4.9%
S&P 500 Index	0.4%	(5.8)%	(0.4)%	10.6%	13.0%	9.0%
<b>Domestic Stock Large Cap Core Index Fund <sup>5</sup></b>	0.5%	(5.6)%	(0.5)%	—	—	—
S&P 500 Index	0.4%	(5.8)%	(0.4)%	—	—	—
<b>Domestic Stock Mid Cap Fund</b>	(1.7)%	(7.4)%	(3.4)%	3.7%	10.7%	—
Russell Midcap Index	(0.2)%	(4.2)%	(0.6)%	8.3%	11.8%	—
<b>Domestic Stock Growth Fund</b>	0.8%	(4.4)%	1.7%	8.9%	11.8%	—
Russell 1000 Growth Index	0.3%	(5.0)%	1.8%	12.8%	15.1%	—
<b>Domestic Stock Fund</b>	(0.3)%	(6.1)%	(1.1)%	5.8%	10.1%	7.9%
S&P 500 Index	0.4%	(5.8)%	(0.4)%	10.6%	13.0%	9.0%
<b>Small Cap Fund</b>	(1.4)%	(2.6)%	4.9%	18.3%	16.8%	13.7%
Russell 2000 Index	0.9%	(1.8)%	0.8%	9.6%	11.7%	9.5%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	0.8%	(3.8)%	1.2%	4.8%	5.6%	2.9%
MSCI EAFE Index	2.3%	(4.1)%	0.7%	4.9%	5.9%	2.4%
<b>Emerging Markets Stock Fund <sup>3</sup></b>	1.0%	(5.1)%	2.9%	6.7%	4.3%	—
MSCI Emerging Markets Index	(0.4)%	(6.8)%	1.0%	6.0%	4.7%	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund <sup>3</sup></b>	3.1%	(2.6)%	1.3%	(4.6)%	(9.4)%	—
Bloomberg Commodity Total Return Index	2.6%	0.2%	2.2%	(4.2)%	(7.3)%	—
<b>Public Real Estate Fund <sup>3</sup></b>	2.0%	(2.2)%	(2.9)%	0.9%	1.9%	—
S&P Developed Property Index	1.9%	(2.6)%	(2.6)%	4.1%	4.5%	—
<b>Multi-Strategy Hedge Fund <sup>3,4</sup></b>	—	—	—	—	—	—
60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index	—	—	—	—	—	—
<b>Global Inflation Protection Fund <sup>3</sup></b>	0.4%	(1.6)%	0.5%	5.4%	—	—
Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%	0.0%	0.7%	0.1%	2.9%	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	(0.6)%	(4.3)%	(1.6)%	4.2%	6.9%	6.8%
Blended Balanced Index <sup>6</sup>	(0.1)%	(4.0)%	(1.1)%	6.8%	8.3%	7.1%
<b>TACTICAL FUNDS (additional fees apply)</b>						
<b>Conservative Fund <sup>3,4</sup></b>	—	—	—	—	—	—
Blended Conservative Index	—	—	—	—	—	—
<b>Income Fund <sup>3</sup></b>	(0.2)%	(2.6)%	(1.1)%	3.1%	—	—
Blended Income Index	(0.2)%	(2.7)%	(1.5)%	3.4%	—	—
<b>BVI Income Fund <sup>4</sup></b>	(0.5)%	(2.8)%	(1.7)%	—	—	—
Blended SRI Income Index	(0.1)%	(2.9)%	(1.4)%	—	—	—
<b>Income &amp; Growth Fund <sup>3</sup></b>	0.0%	(3.3)%	(0.2)%	4.8%	—	—
Blended Income & Growth Index	0.2%	(3.4)%	(0.9)%	5.0%	—	—
<b>BVI Income &amp; Growth Fund</b>	(0.5)%	(3.5)%	(1.2)%	—	—	—
Blended SRI Income & Growth Index	0.1%	(3.5)%	(1.0)%	—	—	—
<b>Growth Fund <sup>3</sup></b>	0.1%	(3.7)%	0.2%	5.4%	—	—
Blended Growth Index	0.4%	(3.8)%	(0.7)%	5.6%	—	—
<b>BVI Growth Fund</b>	(0.3)%	(3.9)%	(0.5)%	5.4%	—	—
Blended SRI Growth Index	0.4%	(4.1)%	(0.7)%	5.6%	—	—
<b>Aggressive Growth Fund <sup>3</sup></b>	0.2%	(4.0)%	0.4%	5.6%	—	—
Blended Aggressive Growth Index	0.5%	(4.0)%	(0.4)%	6.2%	—	—
<b>BVI Aggressive Growth Fund <sup>4</sup></b>	(0.1)%	(4.4)%	(0.4)%	—	—	—
Blended SRI Aggressive Growth Index	0.7%	(4.7)%	(0.3)%	—	—	—
<b>U.S. INFLATION</b>						
<b>Consumer Price Index (March 2018) <sup>7</sup></b>	0.2%	1.2%	1.2%	1.9%	1.4%	1.6%

<sup>1</sup>Changed May 1, 2009. 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 Brethren Values Investing guidelines because they are invested in mutual funds. All other investment funds must meet Brethren Values Investing guidelines. <sup>4</sup>No assets invested in this fund. <sup>5</sup>Expected to match benchmark gross of fees. Typically will not match benchmark net of fees and due to required cash position. <sup>6</sup>Weighted average of the S&P 500 Index (60 percent) and the Bloomberg Barclays U.S. Capital Government/Credit Bond Index (40 percent). <sup>7</sup>Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted.