



At the end of 2016, more than \$353,000 of BFFI client assets was invested in the CDIF.



---

# Investment Perspective

FROM BRETHERN FOUNDATION FUNDS

FEBRUARY 2017

## MARKETS AND THE ECONOMY

The S&P 500 Index continued its ascent in the new year, reaching a record high and rising 1.9 percent in January. GDP grew at an annual rate of 1.9 percent during the fourth quarter, up 1.9 percent from a year earlier. The largest positive contributions were consumer spending and inventories. The unemployment rate ticked up to 4.7 percent in December from 4.6 percent in November and down from 5 percent a year earlier; the labor force participation rate remains at historically subdued levels. Respectable income gains contributed to healthy increases in Christmastime consumer spending. Income increased 0.3 percent in December, up 3.5 percent in the past year. Consumer spending rose 0.5 percent in December, up 4.5 percent in the past year. The bond market, as measured by the Bloomberg Barclays Government/Credit Index rose 0.3 percent in January.

The Eurozone's GDP rose by an annualized rate of 1.8 percent in the fourth quarter of 2016, compared with the same quarter a year earlier. Over the whole year, GDP grew by 1.7 percent after expanding 2 percent in 2015. In December, Eurozone unemployment declined to 9.6 percent from 9.7 percent the previous month, down from 10.5 percent a year earlier. The U.K.'s GDP grew at an annualized rate of 2.2 percent during the fourth quarter; service sector and manufacturing both delivered strong results. Easy credit and government spending contributed to China's GDP growing at an annualized rate of 6.8 percent in the fourth quarter, and 6.7 percent for the year. With Brazil's inflation continuing to ease in a deep recession, the central bank cut its benchmark rate to 13 percent from 13.75 percent. International equities, as measured by the MSCI EAFE Index, rose 2.9 percent in January.

## CONSIDER COMMUNITY INVESTING

"Community investing is a vital form of sustainable and impact investing that ... directs capital, via community development financial institutions and other investment intermediaries, to communities and individuals underserved by conventional financial services." This statement from the biennial "Report on U.S. Sustainable, Responsible and Impact Investing Trends 2016," released by The Forum for Sustainable and Responsible Investment in December 2016, defines a form of socially responsible investing that increased more than 89 percent since 2014, to a total of \$121.6 billion.

Brethren Foundation Funds Inc. offers a community investing option, the Community Development Investment Fund, through Community Investment Notes issued by Calvert Foundation. At the end of 2016, more than \$353,000 of BFFI client assets was invested in the CDIF. In 2015 (most recent data available), BFFI assets helped build or rehabilitate two affordable housing units, establish 97 new enterprises through microcredit loans, finance one community facility, support seven Fair Trade farmers, and create 149 jobs.

The rate of return for the CDIF is based on agreements between BFFI and Calvert Foundation, and is not affected by market factors. The CDIF earned 1.6 percent in 2016. Nevertheless, because all of the CDIF assets are placed with a single organization, it does carry additional risk.

BFFI encourages its clients to consider placing 1 percent of their invested assets in the CDIF. Additional information about the CDIF and Calvert Foundation's Community Investment Notes is available upon request.

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

# Fund Performance Report

for the period ending Jan. 31, 2017



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%	0.1%	0.1%	0.3%	0.5%	1.5%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> <sup>1</sup>	0.1%	0.1%	0.1%	0.4%	0.3%	0.8%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund</b> <sup>2</sup>	0.1%	0.4%	0.1%	1.7%	1.9%	2.3%
<i>No Benchmark</i>	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	0.3%	(2.1)%	0.3%	2.8%	2.6%	4.9%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	0.3%	(2.2)%	0.3%	2.6%	2.1%	4.4%
<b>Bond Fund</b>	0.5%	(2.1)%	0.5%	3.0%	2.7%	5.0%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	0.3%	(2.2)%	0.3%	2.6%	2.1%	4.4%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>3</sup>	0.8%	(1.6)%	0.8%	1.4%	0.0%	—
<i>Bloomberg Barclays U.S. TIPS Index</i>	0.8%	(1.2)%	0.8%	1.9%	0.6%	—
<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>	1.6%	3.5%	1.6%	4.9%	7.0%	—
<i>Bloomberg Barclays U.S. Corporate High Yield Bond Index</i>	1.5%	2.8%	1.5%	4.9%	7.0%	—
<b>Global Aggregate Fixed Income Fund</b> <sup>3</sup>	0.7%	—	0.7%	—	—	—
<i>Bloomberg Barclays Global Aggregate Bond Index</i>	1.1%	—	1.1%	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Large Cap Core Fund</b>	1.4%	8.5%	1.4%	2.0%	7.7%	4.2%
<i>S&amp;P 500 Index</i>	1.9%	7.8%	1.9%	10.8%	14.1%	7.0%
<b>Domestic Stock Large Cap Core Index Fund</b> <sup>5</sup>	1.9%	7.6%	1.9%	—	—	—
<i>S&amp;P 500 Index</i>	1.9%	7.8%	1.9%	—	—	—
<b>Domestic Stock Mid Cap Fund</b>	4.7%	7.8%	4.7%	5.2%	13.9%	—
<i>Russell Midcap Index</i>	2.4%	9.2%	2.4%	9.5%	13.9%	—
<b>Domestic Stock Growth Fund</b>	2.5%	5.5%	2.5%	8.1%	11.6%	—
<i>Russell 1000 Growth Index</i>	3.4%	6.9%	3.4%	10.8%	13.9%	—
<b>Domestic Stock Fund</b>	2.9%	7.1%	2.9%	5.5%	11.3%	7.0%
<i>S&amp;P 500 Index</i>	1.9%	7.8%	1.9%	10.8%	14.1%	7.0%
<b>Small Cap Fund</b>	3.9%	13.9%	3.9%	11.8%	12.7%	9.6%
<i>Russell 2000 Index</i>	0.4%	14.7%	0.4%	7.9%	13.0%	6.9%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	4.2%	1.9%	4.2%	0.2%	4.9%	0.9%
<i>MSCI EAFE Index</i>	2.9%	4.3%	2.9%	0.7%	6.0%	1.0%
<b>Emerging Markets Stock Fund</b> <sup>3</sup>	6.6%	3.6%	6.6%	1.9%	0.1%	—
<i>MSCI Emerging Markets Index</i>	5.5%	0.8%	5.5%	1.4%	0.2%	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund</b> <sup>3</sup>	0.0%	1.9%	0.0%	(11.9)%	(10.1)%	—
<i>Bloomberg Commodity Total Return Index</i>	0.1%	3.3%	0.1%	(11.3)%	(9.4)%	—
<b>Public Real Estate Fund</b> <sup>3</sup>	0.1%	0.1%	0.1%	3.9%	5.5%	—
<i>S&amp;P Developed Property Index</i>	0.8%	1.0%	0.8%	7.4%	9.4%	—
<b>Multi-Strategy Hedge Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
<i>60% S&amp;P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
<b>Global Inflation Protection Fund</b> <sup>3</sup>	4.6%	1.6%	4.6%	—	—	—
<i>CPI + 5%</i> <sup>6</sup>	0.4%	1.2%	0.4%	—	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	2.0%	3.4%	2.0%	4.6%	8.0%	6.6%
<i>Blended Balanced Index</i> <sup>7</sup>	1.2%	3.7%	1.2%	7.6%	9.3%	6.3%
<b>TACTICAL FUNDS (additional fees apply)</b>						
<b>Conservative Fund</b> <sup>3</sup>	0.1%	0.0%	0.1%	—	—	—
<i>Blended Conservative Index</i>	0.1%	(0.1)%	0.1%	—	—	—
<b>Income Fund</b> <sup>3</sup>	1.6%	1.2%	1.6%	—	—	—
<i>Blended Income Index</i>	1.1%	0.6%	1.1%	—	—	—
<b>BVI Income Fund</b> <sup>4</sup>	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
<b>Income &amp; Growth Fund</b> <sup>3</sup>	2.4%	3.2%	2.4%	3.4%	—	—
<i>Blended Income &amp; Growth Index</i>	1.6%	2.3%	1.6%	4.5%	—	—
<b>BVI Income &amp; Growth Fund</b>	2.1%	2.7%	2.1%	—	—	—
<i>Blended SRI Income &amp; Growth Index</i>	1.6%	2.1%	1.6%	—	—	—
<b>Growth Fund</b> <sup>3</sup>	2.9%	3.9%	2.9%	3.4%	—	—
<i>Blended Growth Index</i>	1.9%	3.1%	1.9%	4.8%	—	—
<b>BVI Growth Fund</b>	2.5%	3.6%	2.5%	—	—	—
<i>Blended SRI Growth Index</i>	2.0%	3.3%	2.0%	—	—	—
<b>Aggressive Growth Fund</b> <sup>3</sup>	3.2%	4.5%	3.2%	3.1%	—	—
<i>Blended Aggressive Growth Index</i>	2.0%	3.8%	2.0%	5.1%	—	—
<b>BVI Aggressive Growth Fund</b> <sup>4</sup>	—	—	—	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	—	—	—	—	—	—
<b>U.S. INFLATION</b>						
<b>Consumer Price Index</b> (December 2016) <sup>6</sup>	0.0%	0.0%	0.0%	1.2%	1.4%	1.8%

Performance Report

<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 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>Expected to match benchmark gross of fees. Typically, will not match benchmark net of fees and due to required cash position. <sup>6</sup>Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted. <sup>7</sup>Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).