



# Investment Perspective

FROM BRETHREN FOUNDATION

OCTOBER 2014

## MARKETS AND THE ECONOMY

The S&P 500 Index declined 1.4 percent in September as uncertainties over the timeline for monetary tightening by the Federal Reserve, an uneven domestic recovery, a murky global economic picture, and international conflicts weighed on investors. The Index is up 1.1 percent for the quarter. While job growth slowed, the unemployment rate ticked down to 6.1 percent in August in part because of a decrease in the participation rate. The second revision of the second quarter's GDP was 4.6 percent, up from 4.2 percent. The consumer price index rose 1.7 percent in August from a year earlier, but fell below the Fed's 2 percent target. A decline in investor appetite, tight credit underwriting standards by lenders, rising home prices, and stagnant incomes all contributed to sales of existing homes falling 1.8 percent in August from July, down 5.3 percent from a year earlier. New orders for durable goods fell 18.2 percent in August from the prior month. The manufacturing sector strengthened in August over July. The bond market, as measured by the Barclays Capital Government/Credit Index, declined 0.9 percent in September, up 0.2 percent for the quarter.

Worries about economic growth in Europe and China, continued shrinkage of the Japanese economy, economic concerns in Brazil, Russia opening the door to potential seizure of foreign assets, escalating tensions in the Middle East, and pro-democracy protests in Hong Kong engendered a 3.8 percent decline in international equities in September, as measured by the MSCI EAFE Index. International equities were down 5.8 percent for the quarter.

## IMMEDIATE RESPONSE REQUESTED

Brethren Foundation Inc. needs to receive a completed Transfer of Assets Authorization Form from each organizational (including congregational) client by **Oct. 15**. Submission of this completed form is required to confirm that organizational clients desire to continue to benefit from the asset management services currently offered by BFI, which will only be available through Brethren Foundation Funds Inc. after Nov. 3.

In September, BFI announced that it would launch Brethren Foundation Funds Inc., a new 501(c)(3) tax exempt corporation, on Nov. 3 to hold and manage all organizational client assets. This change separates organizational client assets from the obligations and liabilities of BFI and its deferred gift program.

"Although we believe that we currently offer a safe platform for invested assets and the risk to organizational client assets is low, we also believe this is an opportunity to provide an additional layer of protection for these assets," said Steve Mason, director of BFI.

**Functionally, everything will continue to operate as it has.** The same staff will support the same investment program with the same investment options and the same program features. After Nov. 3, with the exception of being branded "Brethren Foundation Funds Inc.," this program enhancement will be invisible to clients.

A detailed explanation and copy of the Transfer of Assets Authorization Form was provided to the primary contact for each client. Additional copies are available by contacting Steve Lipinski at [slipinski@cobbt.org](mailto:slipinski@cobbt.org) or 847-622-3377.

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 Sept. 30, 2014

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>	0.0%	0.0%	0.1%	0.7%	0.8%	2.1%
<i>Merrill Lynch 6-Month Treasury Bill Index<sup>1</sup></i>	0.0%	0.0%	0.1%	0.2%	0.2%	1.6%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund<sup>2</sup></b>	0.1%	0.4%	1.4%	2.1%	2.3%	2.6%
<i>No Benchmark</i>	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	(0.8)%	0.2%	4.6%	3.3%	5.0%	5.1%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.9)%	0.2%	4.1%	2.5%	4.3%	4.6%
<b>Bond Core</b>	(1.2)%	(0.2)%	4.4%	3.3%	5.1%	5.1%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.9)%	0.2%	4.1%	2.5%	4.3%	4.6%
<b>Treasury Inflation-Protected Securities Fund<sup>3</sup></b>	(2.5)%	(1.9)%	3.5%	0.8%	—	—
<i>Barclays Capital U.S. TIPS Index</i>	(2.5)%	(2.0)%	3.7%	1.3%	—	—
<b>Bank Loans Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>S&amp;P/LSTA U.S. Leveraged Loan 100 Index</i>	—	—	—	—	—	—
<b>High Yield Bond Fund<sup>3</sup></b>	(2.2)%	(2.2)%	3.3%	10.7%	—	—
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	(2.1)%	(1.9)%	3.5%	11.1%	—	—
<b>Global Aggregate Fixed Income Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>Barclays Capital Global Aggregate Bond Index</i>	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Core Fund</b>	(2.1)%	0.4%	3.7%	20.4%	12.9%	7.5%
<i>S&amp;P 500 Index</i>	(1.4)%	1.1%	8.3%	23.0%	15.7%	8.1%
<b>Domestic Stock Mid Cap Fund</b>	(3.6)%	(1.8)%	8.7%	31.4%	—	—
<i>Russell Midcap Index</i>	(3.3)%	(1.7)%	6.9%	23.8%	—	—
<b>Domestic Stock Growth Fund</b>	(3.9)%	(2.3)%	2.7%	18.7%	—	—
<i>Russell 1000 Growth Index</i>	(1.5)%	1.5%	7.9%	22.5%	—	—
<b>Domestic Stock Fund</b>	(3.2)%	(1.2)%	5.0%	23.4%	15.9%	9.2%
<i>S&amp;P 500 Index</i>	(1.4)%	1.1%	8.3%	23.0%	15.7%	8.1%
<b>Small Cap Fund</b>	(3.3)%	(2.9)%	(2.0)%	16.2%	15.8%	10.3%
<i>Russell 2000 Index</i>	(6.1)%	(7.4)%	(4.4)%	21.3%	14.3%	8.2%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	(4.0)%	(5.3)%	(3.8)%	12.4%	6.7%	6.0%
<i>MSCI EAFE Index</i>	(3.8)%	(5.8)%	(1.0)%	14.2%	7.0%	6.8%
<b>Emerging Markets Stock Fund<sup>3</sup></b>	(7.7)%	(3.7)%	2.3%	5.8%	—	—
<i>MSCI Emerging Markets Index</i>	(7.4)%	(3.4)%	2.8%	7.6%	—	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund<sup>3</sup></b>	(5.9)%	(13.0)%	(4.9)%	(5.1)%	—	—
<i>Bloomberg Commodity Total Return Index</i>	(5.8)%	(11.5)%	(5.2)%	(5.2)%	—	—
<b>Public Real Estate Fund<sup>3</sup></b>	(5.7)%	(5.4)%	5.9%	11.8%	—	—
<i>S&amp;P Developed Property Index</i>	(6.1)%	(4.5)%	7.2%	16.0%	—	—
<b>Multi-Strategy Hedge Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>60% S&amp;P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
<b>Global Inflation Protection Fund</b>	(3.3)%	—	—	—	—	—
<i>CPI + 5%<sup>5</sup></i>	0.2%	—	—	—	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	(2.4)%	(0.8)%	4.8%	15.0%	11.8%	7.9%
<i>Blended Balanced Index<sup>6</sup></i>	(1.2)%	0.8%	6.7%	14.6%	11.3%	7.0%
<b>TACTICAL FUNDS (additional fees apply)</b>						
<b>Conservative Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>Blended Conservative Index</i>	—	—	—	—	—	—
<b>Income Fund<sup>3</sup></b>	(1.9)%	(1.4)%	—	—	—	—
<i>Blended Income Index</i>	(1.8)%	(0.9)%	—	—	—	—
<b>SRI Income Fund<sup>4</sup></b>	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
<b>Income &amp; Growth Fund<sup>3</sup></b>	(2.7)%	(1.6)%	3.0%	—	—	—
<i>Blended Income &amp; Growth Index</i>	(2.6)%	(1.6)%	4.1%	—	—	—
<b>SRI Income &amp; Growth Fund<sup>4</sup></b>	—	—	—	—	—	—
<i>Blended SRI Income &amp; Growth Index</i>	—	—	—	—	—	—
<b>Growth Fund<sup>3</sup></b>	(3.1)%	(2.0)%	2.5%	—	—	—
<i>Blended Growth Index</i>	(2.8)%	(1.9)%	3.9%	—	—	—
<b>SRI Growth Fund<sup>4</sup></b>	—	—	—	—	—	—
<i>Blended SRI Growth Index</i>	—	—	—	—	—	—
<b>Aggressive Growth Fund<sup>3</sup></b>	(3.5)%	(2.4)%	2.3%	—	—	—
<i>Blended Aggressive Growth Index</i>	(3.2)%	(2.6)%	3.3%	—	—	—
<b>SRI Aggressive Growth Fund<sup>4</sup></b>	—	—	—	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	—	—	—	—	—	—
<b>U.S. INFLATION</b>						
<b>Consumer Price Index (August 2014)<sup>5</sup></b>	(0.2)%	(0.1)%	1.9%	1.5%	1.8%	2.1%

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> Most recent data available. CPI data are from the All U.S. Urban Consumers Chained CPI Index and are not seasonally adjusted. <sup>6</sup> Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).