



A well-conceived and managed investment plan tolerates and is not influenced by market activity.



Investment Perspective

FROM BRETHERN FOUNDATION

SEPTEMBER 2013

MARKETS AND THE ECONOMY

Although domestic economic data were generally positive in August, issues such as the Federal Reserve's decision to wind down its quantitative easing, a possible U.S. intervention in Syria, and Washington's wrangling over the budget and debt ceiling contributed to the domestic equity market's pullback in August. The S&P 500 declined 2.9 percent last month, reducing the year-to-date performance to 16.2 percent. Second quarter gross domestic product growth was revised upward to 2.5 percent — an improvement over first quarter GDP of 1.1 percent. The unemployment rate eased to 7.4 percent in July, marking its lowest rate since December 2008. The consumer price index rose 0.2 percent in July, keeping it on target with the Fed's annual inflation rate. The bond market, as measured by the Barclays Capital Government/Credit Index, decreased 0.6 percent in August and is down 3.1 percent for the year.

The Bank of England pledged to stimulate the British economy until the jobless rate falls to 7.0 percent. That rate remained at 7.8 percent in the second quarter, and the economy shrank 0.7 percent. The eurozone's second quarter GDP rose 0.3 percent over the prior quarter, ending six straight quarters of contraction, while unemployment reached a euro-era record of 12.1 percent. China's economy expanded 7.5 percent during the second quarter, which is below the first quarter's rate of 7.7 percent. Japan's economy expanded 2.6 percent in the second quarter — slower than the revised first quarter pace of 3.8 percent. In August, Brazil's central bank raised its key lending rate for the fourth time since April in an effort to curb inflation. International equities, as measured by the MSCI EAFE, decreased 1.3 percent during August and are up 8.5 percent for the year.

LOOKING FOR SAFETY IN UNCERTAIN TIMES

August was the worst month for the S&P 500 since May 2012. Domestic and international concerns such as the fiscal cliff, ending quantitative easing, unrest in the Middle East, and possible intervention in Syria have made the markets skittish. Some investors are wondering what they should do with their invested assets in this time of uncertainty.

Investors are often tempted to seek a safe haven for their invested assets when the markets exhibit volatility. Although this can be a good thing to do, the safe haven may not be where it is expected to be. The truly safe haven is an investment plan that correctly addresses comfort with risk, accurately assesses how soon the money will be needed, and clearly states the purpose of the invested assets — as long as the investors have the discipline to stay there. Every plan should be reviewed periodically; the lack of a plan is always a sufficient reason for establishing one. A well-conceived and managed investment plan tolerates and is not influenced by market activity.

A volatile market tempts investors to react to what has already happened. Yielding to this temptation often does not serve them well.

KEEP AUTHORIZED INDIVIDUALS LIST CURRENT

Regularly check the list of individuals authorized by your organization or congregation to receive information from or conduct business with BFI and update it as needed. Keeping this list current will minimize delays with transactions while paperwork is updated, and will also reduce the opportunity for unauthorized transactions. Please direct questions to Steve Lipinski at 847-622-3377 or slipinski@cobb.org.

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

Fund Performance Report

for the period ending Aug. 31, 2013



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	0.0%	0.1%	0.3%	0.8%	1.4%	2.3%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.0%	0.1%	0.1%	0.2%	0.3%	1.7%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.2%	0.6%	1.5%	2.3%	2.5%	2.8%
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A	N/A
FIXED INCOME						
Bond Core Fund	(0.5)%	(2.3)%	(3.0)%	3.2%	6.2%	5.3%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.6)%	(2.2)%	(3.1)%	2.7%	5.0%	4.8%
Bond Fund	(0.6)%	(2.5)%	(3.2)%	3.1%	6.2%	5.4%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.6)%	(2.2)%	(3.1)%	2.7%	5.0%	4.8%
Treasury Inflation-Protected Securities Fund ³	(0.9)%	(4.4)%	(8.8)%	N/A	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	(1.5)%	(4.3)%	(8.1)%	N/A	N/A	N/A
High Yield Bond Fund ³	(0.8)%	(1.3)%	3.2%	8.6%	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	(0.6)%	(1.4)%	2.7%	9.9%	N/A	N/A
DOMESTIC EQUITY						
Domestic Stock Core Fund	(1.6)%	2.0%	16.0%	15.4%	4.8%	6.8%
<i>S&P 500 Index</i>	(2.9)%	0.7%	16.2%	18.4%	7.3%	7.1%
Domestic Stock Value Fund	(2.4)%	1.7%	19.1%	N/A	N/A	N/A
<i>Russell 1000 Value Index</i>	(3.8)%	0.5%	17.5%	N/A	N/A	N/A
Domestic Stock Growth Fund	(2.7)%	2.0%	14.5%	N/A	N/A	N/A
<i>Russell 1000 Growth Index</i>	(1.7)%	1.6%	15.7%	N/A	N/A	N/A
Domestic Stock Fund	(2.2)%	1.9%	16.5%	19.1%	7.7%	8.6%
<i>S&P 500 Index</i>	(2.9)%	0.7%	16.2%	18.4%	7.3%	7.1%
Small Cap Fund	(1.4)%	4.4%	15.5%	21.3%	11.5%	N/A
<i>Russell 2000 Index</i>	(3.2)%	3.1%	20.0%	20.5%	8.0%	N/A
INTERNATIONAL EQUITY						
International Stock Core Fund	(1.1)%	(1.0)%	8.3%	9.3%	2.0%	7.5%
<i>MSCI EAFE Index</i>	(1.3)%	0.2%	8.5%	9.8%	2.1%	8.1%
Emerging Markets Stock Fund ³	(3.1)%	(10.3)%	(10.6)%	(2.6)%	N/A	N/A
<i>MSCI Emerging Markets Index</i>	(1.7)%	(6.9)%	(9.9)%	1.4%	N/A	N/A
ALTERNATIVES						
Commodities-Based Fund ³	4.0%	(4.1)%	(11.9)%	0.0%	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	3.4%	(0.1)%	(6.2)%	0.0%	N/A	N/A
Public Real Estate Fund ³	(4.8)%	(5.7)%	(1.5)%	N/A	N/A	N/A
<i>S&P Developed Property Index</i>	(4.1)%	(5.4)%	0.1%	N/A	N/A	N/A
EQUITY AND FIXED INCOME						
Balanced Fund	(1.6)%	0.1%	8.4%	12.8%	7.6%	7.6%
<i>Blended Balanced Index</i> ⁴	(2.0)%	(0.4)%	8.2%	12.2%	6.8%	6.5%
U.S. INFLATION						
Consumer Price Index (July 2013) ⁵	1.6%	0.4%	1.7%	2.4%	1.2%	2.4%

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.