

Investment Perspective

FROM BRETHERN FOUNDATION FUNDS

August 2020



BFFI encourages clients to use secure methods to transmit sensitive data, such as bank account information.

MARKETS AND THE ECONOMY

Quarterly earnings that exceeded analysts' expectations, and the Federal Reserve keeping the interest rate policy steady, contributed to the S&P 500 Index rising 5.6 percent during July. The first estimate for second quarter real GDP growth is a minus 32.9 percent at an annual rate, down 9.5 percent from a year ago. The largest negative contribution to real GDP growth was consumer spending on services. Existing home sales increased 20.7 percent in June, as mortgage rates below 3 percent are boosting affordability; sales are down 11.3 percent versus a year ago. Personal income declined 1.1 percent in June, as extra government stimulus payments trended downward; income was up 7.4 percent in the past year. Personal consumption rose 5.6 percent in June led by purchases of vehicles and healthcare spending; spending is down 4.8 percent in the past year. The unemployment rate dropped to 11.1 percent in June from 13.3 percent in May. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, increased 2 percent in July.

In an effort to counter the devastating economic effects brought on by the coronavirus pandemic, the European Union reached an historic agreement to issue common debt on a massive scale to fund stimulus measures. Germany's economy shrank by 34.7 percent on an annualized basis during the second quarter. Its unemployment rate ticked up to 4.5 percent in June, from 4.4 percent the previous month. During the second quarter, China's economy rebounded and grew 3.2 percent from a year earlier. A sharp contraction in exports, investments, and consumption, resulting from the coronavirus pandemic, contributed to South Korea's economy slipping into a recession during the second quarter, and its GDP shrinking 2.9 percent versus the same period a year ago. Canada's central bank left its key interest rate unchanged at 0.25 percent and signaled it would remain unchanged until the economy generates a sustainable 2-percent annual rate inflation. Mexico's GDP contracted for the fifth consecutive quarter, down 18.9 percent from the second quarter of 2019. International equities, as measured by the MSCI EAFE Index, rose 2.3 percent in July.

BRETHERN FOUNDATION FUNDS REMINDERS

Is your list of authorized individuals up to date? Keeping this list current will minimize delays with transactions while paperwork is updated, and reduce the opportunity for unauthorized transactions. BFFI recommends that at least two individuals be authorized on each account.

Are you using only secure methods to share sensitive information with BFFI? BFFI encourages clients to use secure methods to transmit sensitive data, such as bank account information. Access to secure email is available upon request.

Have you registered for online account access? BFFI recommends that clients use the secure client portal, which offers online access to account information. Those who use the client portal have the earliest access to monthly statements and the latest issue of *Investment Perspective*. With proper authorization, online users can initiate transactions electronically, review account activity and performance data for their accounts, generate reports for custom date ranges, and export data in spreadsheet or PDF format.

Does BFFI have your email address? BFFI maintains a directory of email addresses for the primary contacts of organizational clients, so that organizations can be quickly contacted when the need arises. If you are the primary contact, please notify BFFI promptly when your email address changes.

Are you using the latest BFFI forms? Anyone not using the client portal should use the latest BFFI forms, which are available for download on the BFFI website at cobbt.org/asset-management-forms. These downloaded forms may be completed on the screen and saved to your computer. Print or electronic copies are also available upon request. Please use only the latest versions.

Please contact Sherri Crowe (847-622-3382 or scrowe@cobbt.org) for assistance with items listed above.



Please contact Steve Mason, director of Brethren Foundation, if you have questions or comments.

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Fund Performance Report

for the period ending July 31, 2020

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
SHORT-TERM						
Short-Term Fund	0.0%	0.1%	0.8%	1.6%	1.2%	0.9%
<i>ICE BofAML 6-Month Treasury Bill Index</i>	0.0%	0.0%	1.0%	2.0%	1.4%	0.8%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ¹	0.2%	0.5%	1.2%	1.9%	1.8%	1.9%
<i>No Benchmark</i>	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	2.1%	4.5%	10.3%	6.7%	5.3%	4.5%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	2.0%	3.5%	9.4%	6.4%	5.0%	4.2%
Bond Fund	1.9%	4.4%	9.3%	6.5%	5.3%	4.5%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	2.0%	3.5%	9.4%	6.4%	5.0%	4.2%
Treasury Inflation-Protected Securities Fund ²	1.9%	2.9%	8.2%	5.4%	4.5%	—
<i>Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index</i>	2.3%	3.8%	8.4%	5.7%	4.2%	—
Bank Loans Fund ²	1.4%	6.1%	(2.8)%	2.0%	—	—
<i>S&P/LSTA U.S. Leveraged Loan 100 Index</i>	2.2%	5.5%	(1.8)%	3.0%	—	—
High Yield Bond Fund ²	4.4%	9.7%	1.4%	4.1%	5.3%	6.2%
<i>Bloomberg Barclays U.S. Corporate High Yield Bond Index</i>	4.7%	10.4%	0.7%	4.5%	5.9%	6.8%
Global Aggregate Fixed Income Fund ^{2,3}	—	—	—	—	—	—
<i>Bloomberg Barclays Global Aggregate Index</i>	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Index Fund ⁴	5.7%	13.1%	2.9%	12.1%	—	—
<i>S&P 500 Index</i>	5.6%	12.9%	2.4%	12.0%	—	—
Domestic Stock Mid Cap Fund	5.0%	10.8%	(6.9)%	1.0%	2.0%	—
<i>Russell Midcap Index</i>	5.9%	15.4%	(3.8)%	7.3%	7.8%	—
Domestic Stock Growth Fund	5.9%	16.4%	9.8%	14.2%	11.1%	—
<i>Russell 1000 Growth Index</i>	7.7%	19.9%	18.3%	20.9%	16.8%	—
Domestic Stock Fund	5.5%	13.6%	1.6%	8.6%	7.4%	11.4%
<i>S&P 500 Index</i>	5.6%	12.9%	2.4%	12.0%	11.5%	13.8%
Small Cap Fund	5.2%	14.6%	3.4%	18.2%	17.2%	16.2%
<i>Russell 2000 Index</i>	2.8%	13.3%	(10.6)%	2.7%	5.1%	10.1%
INTERNATIONAL EQUITY						
International Stock Core Fund	4.3%	15.0%	(0.9)%	4.2%	4.7%	5.9%
<i>MSCI EAFE Index</i>	2.3%	10.4%	(9.3)%	0.6%	2.1%	5.0%
Emerging Markets Stock Fund ²	6.4%	11.9%	(14.0)%	(3.5)%	3.1%	0.2%
<i>MSCI Emerging Markets Index</i>	8.9%	17.8%	(1.7)%	2.8%	6.1%	3.3%
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ²	7.5%	19.3%	(12.2)%	(4.1)%	(4.1)%	(5.7)%
<i>Bloomberg Commodity Total Return Index</i>	5.5%	12.8%	(14.8)%	(5.1)%	(4.5)%	(5.9)%
Public Real Estate Fund ²	5.2%	7.9%	(11.1)%	1.1%	1.8%	—
<i>S&P Developed Property Index</i>	3.0%	6.0%	(17.1)%	(0.1)%	2.6%	—
Multi-Strategy Hedge Fund ^{2,3}	—	—	—	—	—	—
<i>60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
Global Inflation Protection Fund ²	3.5%	9.6%	(1.3)%	2.5%	4.9%	—
<i>Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%</i>	1.6%	3.7%	6.8%	6.3%	5.3%	—
EQUITY AND FIXED INCOME						
Balanced Fund	4.2%	10.1%	5.9%	8.5%	7.0%	9.0%
<i>Blended Balanced Index ⁵</i>	4.2%	9.1%	5.6%	10.1%	9.2%	10.2%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{2,3}	—	—	—	—	—	—
<i>Blended Conservative Index</i>	—	—	—	—	—	—
Income Fund ²	3.2%	7.8%	5.5%	6.6%	5.9%	—
<i>Blended Income Index</i>	3.2%	6.9%	6.0%	7.0%	6.1%	—
BVI Income Fund	3.2%	8.1%	5.8%	—	—	—
<i>Blended SRI Income Index</i>	3.3%	7.4%	5.5%	—	—	—
Income & Growth Fund ²	4.0%	10.1%	3.0%	6.4%	6.4%	—
<i>Blended Income & Growth Index</i>	3.8%	8.9%	3.7%	7.1%	6.7%	—
BVI Income & Growth Fund	3.7%	9.5%	4.4%	7.3%	6.7%	—
<i>Blended SRI Income & Growth Index</i>	3.8%	8.9%	3.9%	7.1%	6.6%	—
Growth Fund ²	4.4%	11.1%	1.2%	6.1%	6.5%	—
<i>Blended Growth Index</i>	4.1%	9.9%	2.6%	7.1%	6.9%	—
BVI Growth Fund	4.2%	11.0%	3.3%	7.7%	7.1%	—
<i>Blended SRI Growth Index</i>	4.3%	10.4%	2.2%	7.1%	6.9%	—
Aggressive Growth Fund ²	4.6%	11.9%	0.2%	5.9%	6.5%	—
<i>Blended Aggressive Growth Index</i>	4.3%	10.5%	1.8%	7.2%	7.1%	—
BVI Aggressive Growth Fund	4.6%	12.3%	1.8%	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	4.8%	11.9%	0.5%	—	—	—
U.S. INFLATION						
Consumer Price Index (June 2020) ⁶	0.5%	(0.1)%	0.2%	1.7%	1.6%	1.7%

¹CDIF interest accrues on a daily basis. ²These 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. ³No assets invested in this fund. ⁴Expected to match benchmark gross of fees. Typically, will not match benchmark net of fees and due to required cash position. ⁵Weighted average of the S&P 500 Index (60 percent) and the Bloomberg Barclays U.S. Capital Government/Credit Bond Index (40 percent). ⁶Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted.