

# Investment Perspective

FROM BROTHERS FOUNDATION FUNDS

January 2020



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## MARKETS AND THE ECONOMY

Easing central bank monetary policy, subsiding fears of a U.S. recession, and cooling trade tensions contributed to the S&P 500 Index rising 31.5 percent for the year. The Index rose 3 percent in December and 9.1 percent during the fourth quarter. The Federal Reserve held the benchmark interest rate steady in a range between 1.5 percent and 1.75 percent. Real GDP growth in the third quarter was unrevised, coming in at a 2.1 percent annual rate. The U.S. labor market continued to strengthen in November as payrolls increased and the unemployment rate declined to 3.5 percent from 3.6 percent in October. Personal income rose 0.5 percent in November, up 4.9 percent in the past year. Personal consumption increased 0.4 percent in November, up 3.9 percent in the past year. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, declined 0.2 percent in December; it was flat during the fourth quarter and up 9.7 percent for the year.

China's central bank reduced the reserve requirements for banks, thus making more money available to stimulate the economy. Signs of economic stabilization within the region and easing trade tensions contributed to the European Central Bank leaving its key interest rate unchanged at a minus 0.5 percent. Japan unveiled a fiscal stimulus package to offset the negative economic effects of an increase in its national sales tax. Citing rising expectations of inflation and concerns about rising household debt, Sweden's central bank ended its policy of negative interest rates, raising the benchmark interest rate from a minus 0.25 percent to zero. In an effort to stimulate a sluggish economy, the Bank of Mexico cut its overnight interest rate from 7.5 percent to 7.25 percent, its fourth reduction since August. India's central bank left its lending rate unchanged at 5.15 percent, citing inflation concerns. International equities, as measured by the MSCI EAFE Index, rose 3.2 percent in December, up 8.2 percent during the fourth quarter, and increased 22 percent for the year.

## CLIENT SATISFACTION SURVEY RESULTS

Late last year, Brethren Foundation Funds commissioned the Nonprofit Risk Management Center of Leesburg, Virginia, to conduct a satisfaction survey of all BFFI clients. The chart below presents the percentage of 2019 respondents that indicated they "agree" or "somewhat agree" with the client service statements, with corresponding data from the 2015 survey —

| Regarding client service —                                                                 | 2015  | 2019  |
|--------------------------------------------------------------------------------------------|-------|-------|
| I am satisfied with the asset management services.                                         | 91.6% | 97.0% |
| BFFI cares about my institution and treats us as a valued client.                          | 93.0% | 98.0% |
| My transactions are handled in a timely fashion.                                           | 87.1% | 95.1% |
| My transactions are handled accurately with no errors.                                     | 87.3% | 95.1% |
| I am able to reach the client service team when I need assistance.                         | 91.6% | 96.0% |
| The client service team is friendly and knowledgeable.                                     | 91.6% | 97.0% |
| I am confident that the client service team can answer my questions and resolve my issues. | 91.6% | 97.0% |

In addition, nearly two-thirds of the respondents in 2019 indicated that *Investment Perspective* and the *Information Statement* are valuable resources, although actual readership declined from 61.2 percent in 2015 to 46.5 for the former and 58.5 percent in 2015 to 47.5 percent for the latter. More than 90 percent of the 2019 respondents indicated they were satisfied with the ease of use of the web portal (76.1% in 2015) and 52.7 percent indicated that problems with the web portal are resolved in a timely manner (58.7% in 2015).

The response rate for the 2019 survey was 54 percent; up from 41 percent in 2015.

BFFI will use the input from the survey, including useful comments from the respondents, to inform its efforts to offer excellent client service, including highlighting major changes in the annual *Information Statement*, improving access to the *Information Statement* and *Investment Perspective*, providing timely help with the web portal, and offering competitive fees.



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 December 31, 2019



All periods longer than one year are annualized.

| Funds (Net of Investment Fees)<br>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%          | 0.4%         | 2.1%         | 1.5%        | 1.0%       | 0.9%      |
| <i>ICE BofAML 6-Month Treasury Bill Index</i>                                 | 0.2%          | 0.5%         | 2.6%         | 1.8%        | 1.3%       | 0.7%      |
| <b>COMMUNITY DEVELOPMENT</b>                                                  |               |              |              |             |            |           |
| <b>Community Development Investment Fund <sup>1</sup></b>                     | 0.2%          | 0.5%         | 2.1%         | 1.8%        | 1.7%       | 2.0%      |
| <i>No Benchmark</i>                                                           | —             | —            | —            | —           | —          | —         |
| <b>FIXED INCOME</b>                                                           |               |              |              |             |            |           |
| <b>Bond Core Fund</b>                                                         | (0.4)%        | (0.3)%       | 9.7%         | 4.4%        | 3.3%       | 4.3%      |
| <i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>                   | (0.2)%        | 0.0%         | 9.7%         | 4.3%        | 3.2%       | 4.0%      |
| <b>Bond Fund</b>                                                              | (0.3)%        | (0.2)%       | 10.5%        | 4.6%        | 3.5%       | 4.4%      |
| <i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>                   | (0.2)%        | 0.0%         | 9.7%         | 4.3%        | 3.2%       | 4.0%      |
| <b>Treasury Inflation-Protected Securities Fund <sup>2</sup></b>              | 0.2%          | 0.7%         | 8.3%         | 4.2%        | 3.0%       | —         |
| <i>Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index</i>           | 0.4%          | 0.8%         | 8.4%         | 3.3%        | 2.6%       | —         |
| <b>Bank Loans Fund <sup>2</sup></b>                                           | 1.2%          | 1.2%         | 7.1%         | —           | —          | —         |
| <i>S&amp;P/LSTA U.S. Leveraged Loan 100 Index</i>                             | 1.7%          | 2.3%         | 10.7%        | —           | —          | —         |
| <b>High Yield Bond Fund <sup>2</sup></b>                                      | 1.6%          | 2.1%         | 14.1%        | 5.7%        | 5.7%       | —         |
| <i>Bloomberg Barclays U.S. Corporate High Yield Bond Index</i>                | 2.0%          | 2.6%         | 14.3%        | 6.4%        | 6.1%       | —         |
| <b>Global Aggregate Fixed Income Fund <sup>2,3</sup></b>                      | —             | —            | —            | —           | —          | —         |
| <i>Bloomberg Barclays Global Aggregate Index</i>                              | —             | —            | —            | —           | —          | —         |
| <b>DOMESTIC EQUITY</b>                                                        |               |              |              |             |            |           |
| <b>Domestic Stock Large Cap Core Fund</b>                                     | 2.8%          | 8.4%         | 28.9%        | 12.1%       | 4.9%       | 8.7%      |
| <i>S&amp;P 500 Index</i>                                                      | 3.0%          | 9.1%         | 31.5%        | 15.3%       | 11.7%      | 13.6%     |
| <b>Domestic Stock Large Cap Core Index Fund <sup>4</sup></b>                  | 3.1%          | 8.7%         | 30.4%        | 15.0%       | —          | —         |
| <i>S&amp;P 500 Index</i>                                                      | 3.0%          | 9.1%         | 31.5%        | 15.3%       | —          | —         |
| <b>Domestic Stock Mid Cap Fund</b>                                            | 2.1%          | 6.2%         | 36.1%        | 8.5%        | 4.3%       | —         |
| <i>Russell Midcap Index</i>                                                   | 2.3%          | 7.1%         | 30.5%        | 12.1%       | 9.3%       | —         |
| <b>Domestic Stock Growth Fund</b>                                             | 2.2%          | 8.2%         | 28.0%        | 14.8%       | 11.2%      | —         |
| <i>Russell 1000 Growth Index</i>                                              | 3.0%          | 10.6%        | 36.4%        | 20.5%       | 14.6%      | —         |
| <b>Domestic Stock Fund</b>                                                    | 2.4%          | 7.7%         | 31.2%        | 12.3%       | 7.3%       | 11.3%     |
| <i>S&amp;P 500 Index</i>                                                      | 3.0%          | 9.1%         | 31.5%        | 15.3%       | 11.7%      | 13.6%     |
| <b>Small Cap Fund</b>                                                         | 1.3%          | 4.8%         | 37.5%        | 22.5%       | 17.0%      | 16.6%     |
| <i>Russell 2000 Index</i>                                                     | 2.9%          | 9.9%         | 25.5%        | 8.6%        | 8.2%       | 11.8%     |
| <b>INTERNATIONAL EQUITY</b>                                                   |               |              |              |             |            |           |
| <b>International Stock Core Fund</b>                                          | 3.9%          | 11.2%        | 25.3%        | 11.3%       | 6.2%       | 5.8%      |
| <i>MSCI EAFE Index</i>                                                        | 3.2%          | 8.2%         | 22.0%        | 9.6%        | 5.7%       | 5.5%      |
| <b>Emerging Markets Stock Fund <sup>2</sup></b>                               | 4.6%          | 11.2%        | 9.8%         | 8.9%        | 4.7%       | —         |
| <i>MSCI Emerging Markets Index</i>                                            | 7.5%          | 11.8%        | 18.4%        | 11.6%       | 5.6%       | —         |
| <b>ALTERNATIVE INVESTMENTS</b>                                                |               |              |              |             |            |           |
| <b>Commodities-Based Fund <sup>2</sup></b>                                    | 4.9%          | 6.0%         | 11.9%        | (0.9)%      | (4.0)%     | —         |
| <i>Bloomberg Commodity Total Return Index</i>                                 | 5.0%          | 4.4%         | 7.7%         | (0.9)%      | (3.9)%     | —         |
| <b>Public Real Estate Fund <sup>2</sup></b>                                   | (1.0)%        | 2.1%         | 19.3%        | 7.5%        | 3.8%       | —         |
| <i>S&amp;P Developed Property Index</i>                                       | 0.8%          | 2.0%         | 22.8%        | 9.3%        | 6.8%       | —         |
| <b>Multi-Strategy Hedge Fund <sup>2,3</sup></b>                               | —             | —            | —            | —           | —          | —         |
| <i>60% S&amp;P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index</i> | —             | —            | —            | —           | —          | —         |
| <b>Global Inflation Protection Fund <sup>2</sup></b>                          | 0.8%          | 2.9%         | 11.1%        | 6.8%        | 5.3%       | —         |
| <i>Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%</i>                      | 0.9%          | 1.5%         | 9.0%         | 4.8%        | 4.4%       | —         |
| <b>EQUITY AND FIXED INCOME</b>                                                |               |              |              |             |            |           |
| <b>Balanced Fund</b>                                                          | 1.3%          | 4.5%         | 22.8%        | 9.5%        | 6.0%       | 8.8%      |
| <i>Blended Balanced Index <sup>5</sup></i>                                    | 1.7%          | 5.4%         | 22.6%        | 11.0%       | 8.5%       | 9.9%      |
| <b>TACTICAL FUNDS (additional fees apply)</b>                                 |               |              |              |             |            |           |
| <b>Conservative Fund <sup>2,3</sup></b>                                       | —             | —            | —            | —           | —          | —         |
| <i>Blended Conservative Index</i>                                             | —             | —            | —            | —           | —          | —         |
| <b>Income Fund <sup>2</sup></b>                                               | 1.2%          | 3.6%         | 16.3%        | 7.4%        | 4.7%       | —         |
| <i>Blended Income Index</i>                                                   | 1.1%          | 3.1%         | 15.6%        | 7.3%        | 5.2%       | —         |
| <b>BVI Income Fund</b>                                                        | 1.2%          | 3.6%         | 17.0%        | —           | —          | —         |
| <i>Blended SRI Income Index</i>                                               | 1.3%          | 3.5%         | 16.5%        | —           | —          | —         |
| <b>Income &amp; Growth Fund <sup>2</sup></b>                                  | 1.8%          | 5.1%         | 18.3%        | 9.0%        | 5.7%       | —         |
| <i>Blended Income &amp; Growth Index</i>                                      | 1.9%          | 4.9%         | 19.0%        | 9.0%        | 6.4%       | —         |
| <b>BVI Income &amp; Growth Fund</b>                                           | 1.5%          | 4.7%         | 20.4%        | 9.3%        | —          | —         |
| <i>Blended SRI Income &amp; Growth Index</i>                                  | 1.8%          | 4.9%         | 19.0%        | 8.9%        | —          | —         |
| <b>Growth Fund <sup>2</sup></b>                                               | 2.3%          | 6.2%         | 19.7%        | 9.9%        | 6.1%       | —         |
| <i>Blended Growth Index</i>                                                   | 2.3%          | 5.8%         | 20.7%        | 9.8%        | 6.9%       | —         |
| <b>BVI Growth Fund</b>                                                        | 2.0%          | 6.0%         | 23.2%        | 10.8%       | 6.6%       | —         |
| <i>Blended SRI Growth Index</i>                                               | 2.4%          | 6.2%         | 21.5%        | 10.1%       | 7.0%       | —         |
| <b>Aggressive Growth Fund <sup>2</sup></b>                                    | 2.5%          | 6.8%         | 20.5%        | 10.5%       | 6.3%       | —         |
| <i>Blended Aggressive Growth Index</i>                                        | 2.5%          | 6.5%         | 21.6%        | 10.4%       | 7.3%       | —         |
| <b>BVI Aggressive Growth Fund</b>                                             | 2.6%          | 7.6%         | 26.4%        | —           | —          | —         |
| <i>Blended SRI Aggressive Growth Index</i>                                    | 3.0%          | 7.6%         | 24.1%        | —           | —          | —         |
| <b>U.S INFLATION</b>                                                          |               |              |              |             |            |           |
| <b>Consumer Price Index (November 2019) <sup>6</sup></b>                      | (0.1)%        | 0.3%         | 2.1%         | 2.1%        | 1.7%       | 1.7%      |

<sup>1</sup>CDIF interest accrues on a daily basis. <sup>2</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>3</sup>No assets invested in this fund. <sup>4</sup>Expected to match benchmark gross of fees. Typically, will not match benchmark net of fees and due to required cash position. <sup>5</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>6</sup>Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted.

Performance Report