

Investment Perspective

FROM BROTHERS FOUNDATION FUNDS

September 2020



MARKETS AND THE ECONOMY

The S&P 500 Index reached new record highs during August, while increasing 7.2 percent over the prior month. Second quarter real GDP was revised slightly higher to a minus 31.7 percent annual growth rate from the initial estimate of minus 32.9 percent. The job market continued to expand in July and the unemployment rate dropped to 10.2 percent from 11.1 percent in June. Thirty-year fixed mortgage rates below 3 percent contributed to a 13.9 percent increase of new homes sales in July; sales are up 36.3 percent from a year ago. Led by restaurants, bars, gas stations, and electronic and appliance stores, retail sales rose 1.2 percent in July, and are up 2.7 percent versus a year ago. Rising wages and salaries drove personal income up 0.4 percent in July; it is up 8.2 percent in the past year. The effects of gradual re-openings from the coronavirus lockdowns contributed to an increase in energy prices, which led the Consumer Price Index up 0.5 percent in July. The CPI is up 1 percent from a year ago. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, declined 1.2 percent in August.

During the second quarter, household spending, business investment, and manufacturing and services output plummeted in the United Kingdom, and its gross domestic product shrank at an annualized rate of 59.8 percent. Lockdowns imposed to contain the spread of the pandemic paved the way for the European Union's gross domestic product to decrease 11.7 percent during the second quarter compared with the first quarter. Germany, France, Italy, and Spain all posted record declines in their economies. Japan's shutdown of its economy fueled a contraction of 7.8 percent during the second quarter versus the first quarter. Canada's economy plunged at a 38.7 percent annualized rate during the second quarter. The pandemic continues to besiege Brazil's labor market where the unemployment rate jumped to 13.3 percent during the second quarter, up from 12.2 percent during the first quarter. India's economy shrank 23.9 percent during the second quarter; government spending was not enough to overcome a steep decline in investment and consumer spending. International equities, as measured by the MSCI EAFE Index, rose 5.1 percent in August.

ANNUAL DOD LISTS RELEASED

Each year, as part of its Brethren Values Investing initiatives, Brethren Foundation Funds commissions two lists of companies that earned significant revenue from U.S. military operations in the government's most recently completed fiscal year. One list identifies the top 25 publicly traded defense contractors, based on the size of contracts awarded by the Department of Defense. Fluor, Leonardo, Austal, and Perspecta are new to the 2020 top 25 list, and Healthnet, United Health Group, Harris, and United Technology dropped off the list. The other list includes all publicly traded companies with market capitalization of more than \$200 million that generated more than 10 percent of their revenue from Department of Defense contracts (48 additional companies).

The lists produced for 2020 were received by the BFFI Board during its April meeting. The firms on the lists will be screened from BFFI's self-managed investment portfolios in 2020, as directed by BFFI's Investment Guidelines, as will firms that receive more than 10 percent of their revenue from abortion, alcohol, firearms and other weapons, gambling, pornography, or tobacco. Companies that are egregious violators of environmental regulations or human rights are also screened from BFFI's portfolios. In addition to screening these companies out of its investments, BFFI will not knowingly use the services of any company on the Department of Defense lists. Copies of these two lists are available upon request or can be found at cobbt.org/screening.

2020 Top 25 Publicly Traded Defense Contractors

1. Lockheed Martin
2. Boeing
3. Raytheon
4. General Dynamics
5. Northrop Grumman
6. Humana
7. Huntington Ingalls Industries
8. BAE Systems
9. L3Harris Technologies
10. General Electric
11. Centene
12. Leidos Holdings
13. Oshkosh
14. McKesson
15. Textron
16. Fluor
17. AmerisourceBergen
18. KBR
19. Booz Allen Hamilton Holding
20. AECOM
21. Science Applications International
22. Leonardo
23. CACI International
24. Austal
25. Perspecta



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 August 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%	0.0%	0.8%	1.6%	1.2%	0.9%
<i>ICE BofAML 6-Month Treasury Bill Index</i>	0.0%	0.1%	1.0%	2.1%	1.4%	0.8%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ¹	0.2%	0.5%	1.4%	1.9%	1.8%	1.9%
<i>No Benchmark</i>	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	(0.8)%	2.6%	9.4%	6.1%	5.2%	4.2%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	(1.2)%	1.7%	8.1%	5.7%	4.8%	3.9%
Bond Fund	(0.8)%	2.8%	8.4%	5.9%	5.2%	4.3%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	(1.2)%	1.7%	8.1%	5.7%	4.8%	3.9%
Treasury Inflation-Protected Securities Fund ¹	0.9%	4.0%	9.2%	5.4%	4.8%	—
<i>Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index</i>	1.1%	4.6%	9.6%	5.7%	4.6%	—
Bank Loans Fund ²	1.3%	4.5%	(1.5)%	2.5%	—	—
<i>S&P/LSTA U.S. Leveraged Loan 100 Index</i>	1.3%	3.3%	(0.5)%	3.5%	—	—
High Yield Bond Fund ³	1.3%	6.3%	2.7%	4.6%	6.0%	6.4%
<i>Bloomberg Barclays U.S. Corporate High Yield Bond Index</i>	1.0%	6.7%	1.7%	4.9%	6.5%	6.9%
Global Aggregate Fixed Income Fund ^{3,4}	—	—	—	—	—	—
<i>Bloomberg Barclays Global Aggregate Index</i>	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Index Fund ⁴	7.0%	15.3%	10.1%	14.6%	—	—
<i>S&P 500 Index</i>	7.2%	15.5%	9.7%	14.5%	—	—
Domestic Stock Mid Cap Fund	3.0%	8.3%	(4.1)%	1.9%	3.5%	—
<i>Russell Midcap Index</i>	3.5%	11.6%	(0.4)%	8.8%	9.8%	—
Domestic Stock Growth Fund	9.0%	18.8%	19.7%	17.9%	14.2%	—
<i>Russell 1000 Growth Index</i>	10.3%	24.0%	30.5%	24.2%	20.7%	—
Domestic Stock Fund	6.4%	14.1%	8.1%	10.9%	9.8%	12.7%
<i>S&P 500 Index</i>	7.2%	15.5%	9.7%	14.5%	14.5%	15.2%
Small Cap Fund	3.9%	10.1%	7.4%	18.9%	19.5%	17.5%
<i>Russell 2000 Index</i>	5.6%	12.4%	(5.5)%	5.0%	7.7%	11.5%
INTERNATIONAL EQUITY						
International Stock Core Fund	4.9%	13.1%	3.9%	6.0%	7.5%	6.8%
<i>MSCI EAFE Index</i>	5.1%	11.3%	(4.6)%	2.3%	4.7%	5.9%
Emerging Markets Stock Fund ⁵	3.1%	16.2%	(11.4)%	(3.3)%	5.6%	0.7%
<i>MSCI Emerging Markets Index</i>	2.2%	19.5%	0.4%	2.8%	8.7%	3.8%
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ⁶	8.5%	21.2%	(4.8)%	(1.0)%	(1.6)%	(4.8)%
<i>Bloomberg Commodity Total Return Index</i>	6.8%	15.4%	(9.0)%	(3.1)%	(3.1)%	(5.1)%
Public Real Estate Fund ⁷	2.6%	9.4%	(8.8)%	2.1%	3.2%	—
<i>S&P Developed Property Index</i>	3.2%	8.6%	(14.5)%	0.8%	4.5%	—
Multi-Strategy Hedge Fund ^{3,4}	—	—	—	—	—	—
<i>60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
Global Inflation Protection Fund ⁸	0.9%	7.5%	(0.4)%	2.4%	6.0%	—
<i>Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%</i>	1.6%	4.5%	8.5%	6.6%	5.7%	—
EQUITY AND FIXED INCOME						
Balanced Fund	3.6%	9.7%	9.7%	9.7%	8.5%	9.6%
<i>Blended Balanced Index</i> ⁹	3.9%	9.9%	9.7%	11.3%	10.8%	10.8%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{3,4}	—	—	—	—	—	—
<i>Blended Conservative Index</i>	—	—	—	—	—	—
Income Fund ⁷	1.6%	6.6%	7.2%	7.0%	6.8%	—
<i>Blended Income Index</i>	1.4%	6.4%	7.4%	7.2%	6.9%	—
BVI Income Fund	1.8%	7.2%	7.8%	—	—	—
<i>Blended SRI Income Index</i>	1.8%	7.0%	7.3%	—	—	—
Income & Growth Fund ⁷	3.1%	9.5%	6.1%	7.3%	8.0%	—
<i>Blended Income & Growth Index</i>	3.0%	9.2%	6.8%	8.0%	8.1%	—
BVI Income & Growth Fund	2.8%	8.6%	7.3%	8.1%	8.1%	—
<i>Blended SRI Income & Growth Index</i>	2.8%	9.1%	6.8%	7.9%	8.0%	—
Growth Fund ⁷	3.7%	10.7%	5.0%	7.2%	8.3%	—
<i>Blended Growth Index</i>	3.7%	10.6%	6.5%	8.3%	8.7%	—
BVI Growth Fund	3.7%	10.1%	7.1%	8.9%	8.9%	—
<i>Blended SRI Growth Index</i>	3.9%	11.1%	6.2%	8.3%	8.8%	—
Aggressive Growth Fund ⁷	4.2%	11.6%	4.4%	7.2%	8.6%	—
<i>Blended Aggressive Growth Index</i>	4.3%	11.5%	6.2%	8.5%	9.1%	—
BVI Aggressive Growth Fund	4.7%	11.9%	6.6%	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	5.0%	13.2%	5.5%	—	—	—
U.S. INFLATION						
Consumer Price Index (July 2020) ⁶	0.5%	1.1%	0.7%	1.9%	1.7%	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.