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# Investment Perspective

FROM BRETHREN FOUNDATION FUNDS

JUNE 2015

## MARKETS AND THE ECONOMY

Despite crosscurrents of economic data and uncertainty over the timetable for an expected Federal Reserve interest rate increase, the S&P Index set four record highs in May, but only crept up 1.3 percent in a volatile month of trading. The second reading of the U.S. GDP revealed the economy contracted at a 0.7 percent annual rate during the first quarter, revised from an initial estimate of 0.2 percent growth. While the jobless rate ticked down to 5.4 percent in April from March, the average hourly wage is up only 2.2 percent over the previous year. Despite existing home sales slowing 3.3 percent in April when compared with a strong March, steady job growth, historically low interest rates, and rising rental costs pushed buyers into the market, causing overall home sales to remain strong; new home sales climbed 6.8 percent over the same period. The bond market, as measured by the Barclays Capital Government/Credit Index, declined 0.3 percent.

The annual inflation rate in the eurozone rose 0.3 percent in May, up from 0.0 percent in April, creating hope that the European Central Bank's bond-buying program is stimulating the eurozone economy and fending off deflation. Expansion in France and Italy overcame slowing growth in Germany and led the eurozone GDP to advance 0.4 percent in the first quarter over the prior quarter. Household spending and business investment contributed to Japan's GDP growing at an annual rate of 2.4 percent in the first quarter. Upward pressure from higher food costs caused an uptick in China's annual inflation rate to 1.5 percent in April from a year earlier. Citing concerns about low inflation, the People's Bank of China reduced its benchmark lending rates by a quarter of a percent. International equities, as measured by the MSCI EAFE Index, decreased 0.4 percent in May.

## *BFFI REMINDERS*

**Have you registered for online account access?** Brethren Foundation Funds recommends that clients use the BFFI 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.

**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 page at [cobbt.org/asset-management-forms](http://cobbt.org/asset-management-forms). These downloaded forms may be completed on the screen and saved to your computer. Print or email copies are also available upon request. Please use only the latest versions.

**Is your list of authorized individuals up to date?** Regularly check the list of individuals authorized by your organization or congregation to receive information from or conduct business with BFFI, and update it as needed. Keeping this list current will minimize delays with transactions while paperwork is updated, and reduce the opportunity for unauthorized transactions.

**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 remember to make BFFI aware of any email address updates or changes that occur.

**Who should I contact for assistance?** Please contact Steve Lipinski, manager of Brethren Foundation operations, at 847-622-3377 or [slipinski@cobbt.org](mailto:slipinski@cobbt.org) for assistance with items listed above.

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

If you are the primary contact, please remember to make BFFI aware of any email address updates or changes that occur.





All periods longer than one year are annualized.

# Fund Performance Report

for the period ending May 31, 2015

Performance Report

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%	0.1%	0.2%	0.6%	0.7%	2.0%
Merrill Lynch 6-Month Treasury Bill Index <sup>1</sup>	0.0%	0.1%	0.1%	0.2%	0.2%	1.4%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund<sup>2</sup></b>	0.1%	0.4%	0.7%	2.0%	2.1%	2.6%
No Benchmark	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	(0.4)%	(0.5)%	0.9%	2.8%	4.5%	5.1%
Barclays Capital U.S. Government/Credit Bond Index	(0.3)%	(0.4)%	1.0%	2.2%	4.1%	4.6%
<b>Bond Fund</b>	(0.3)%	(0.5)%	0.8%	2.9%	4.6%	5.1%
Barclays Capital U.S. Government/Credit Bond Index	(0.3)%	(0.4)%	1.0%	2.2%	4.1%	4.6%
<b>Treasury Inflation-Protected Securities Fund<sup>3</sup></b>	(1.1)%	(0.5)%	1.1%	(1.4)%	—	—
Barclays Capital U.S. TIPS Index	(0.8)%	(0.6)%	1.3%	(0.6)%	—	—
<b>Bank Loans Fund<sup>3,4</sup></b>	—	—	—	—	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	—	—	—	—	—	—
<b>High Yield Bond Fund<sup>3</sup></b>	0.6%	1.7%	5.1%	8.5%	—	—
Barclays Capital U.S. Corporate High Yield Bond Index	0.3%	1.0%	4.1%	8.1%	—	—
<b>Global Aggregate Fixed Income Fund<sup>3,4</sup></b>	—	—	—	—	—	—
Barclays Capital Global Aggregate Bond Index	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Core Fund</b>	(0.6)%	(2.2)%	(4.5)%	14.9%	11.8%	6.7%
S&P 500 Index	1.3%	0.6%	3.2%	19.7%	16.5%	8.1%
<b>Domestic Stock Mid Cap Fund</b>	2.5%	1.8%	5.7%	26.2%	—	—
Russell Midcap Index	1.5%	0.6%	4.5%	21.2%	—	—
<b>Domestic Stock Growth Fund</b>	2.6%	4.1%	8.5%	17.7%	—	—
Russell 1000 Growth Index	1.4%	0.8%	5.8%	19.8%	—	—
<b>Domestic Stock Fund</b>	1.5%	1.2%	3.1%	19.6%	16.3%	9.0%
S&P 500 Index	1.3%	0.6%	3.2%	19.7%	16.5%	8.1%
<b>Small Cap Fund</b>	(0.8)%	(0.7)%	1.1%	13.7%	15.6%	10.4%
Russell 2000 Index	2.3%	1.4%	4.0%	19.4%	15.0%	8.7%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	(0.5)%	2.8%	9.0%	13.2%	9.4%	5.3%
MSCI EAFE Index	(0.4)%	2.3%	8.9%	16.1%	10.4%	6.0%
<b>Emerging Markets Stock Fund<sup>3</sup></b>	(4.2)%	3.1%	5.8%	5.2%	—	—
MSCI Emerging Markets Index	(4.0)%	2.0%	5.8%	6.3%	—	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund<sup>3</sup></b>	(3.4)%	(2.8)%	(4.9)%	(10.2)%	—	—
Bloomberg Commodity Total Return Index	(2.7)%	(2.4)%	(3.2)%	(7.7)%	—	—
<b>Public Real Estate Fund<sup>3</sup></b>	(1.2)%	(2.2)%	0.6%	11.0%	—	—
S&P Developed Property Index	(1.2)%	(1.9)%	2.6%	14.3%	—	—
<b>Multi-Strategy Hedge Fund<sup>3,4</sup></b>	—	—	—	—	—	—
60% S&P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index	—	—	—	—	—	—
<b>Global Inflation Protection Fund</b>	(1.6)%	(0.1)%	4.1%	—	—	—
CPI + 5% <sup>5</sup>	0.5%	2.5%	2.1%	—	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	0.8%	0.6%	2.3%	12.8%	11.8%	7.8%
Blended Balanced Index <sup>6</sup>	0.6%	0.2%	2.4%	12.5%	11.7%	7.0%
<b>TACTICAL FUNDS (additional fees apply)</b>						
<b>Conservative Fund<sup>3,4</sup></b>	—	—	—	—	—	—
Blended Conservative Index	—	—	—	—	—	—
<b>Income Fund<sup>3</sup></b>	(0.3)%	(0.1)%	1.6%	—	—	—
Blended Income Index	(0.1)%	0.1%	2.5%	—	—	—
<b>SRI Income Fund<sup>4</sup></b>	—	—	—	—	—	—
Blended SRI Income Index	—	—	—	—	—	—
<b>Income &amp; Growth Fund<sup>3</sup></b>	(0.5)%	0.4%	2.2%	—	—	—
Blended Income & Growth Index	0.1%	0.5%	3.5%	—	—	—
<b>SRI Income &amp; Growth Fund<sup>4</sup></b>	—	—	—	—	—	—
Blended SRI Income & Growth Index	—	—	—	—	—	—
<b>Growth Fund<sup>3</sup></b>	(0.5)%	0.7%	2.7%	—	—	—
Blended Growth Index	0.2%	0.7%	3.9%	—	—	—
<b>SRI Growth Fund</b>	0.1%	0.6%	2.7%	—	—	—
Blended SRI Growth Index	0.6%	0.8%	4.2%	—	—	—
<b>Aggressive Growth Fund<sup>3</sup></b>	(0.7)%	0.9%	3.0%	—	—	—
Blended Aggressive Growth Index	0.0%	0.8%	4.0%	—	—	—
<b>SRI Aggressive Growth Fund<sup>4</sup></b>	—	—	—	—	—	—
Blended SRI Aggressive Growth Index	—	—	—	—	—	—
<b>U.S. INFLATION</b>						
<b>Consumer Price Index (April 2015)<sup>5</sup></b>	0.1%	1.3%	0.0%	0.7%	1.5%	1.8%

<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).