



# Investment Perspective

FROM BRETHREN FOUNDATION FUNDS

MAY 2016

## MARKETS AND THE ECONOMY

Increases in oil prices helped boost energy stocks, and the S&P 500 Index generated a modest gain of 0.4 percent in April. Amidst low inflation, decelerating consumer spending, continuing concerns of economic sluggishness abroad, and the potential impact of the U.K. exiting the European Union, the Federal Reserve Bank left interest rates unchanged, with no clear guidance on future moves. A contraction in business investment and weak global demand contributed to the U.S. gross domestic product repeating a familiar pattern, advancing at a 0.5 percent annualized basis in the first quarter. While prices for gasoline, medical care, and shelter increased, they were offset by declines in prices for food and clothing; the consumer price index rose 0.4 percent in March from a month earlier. The bond market, as measured by the Barclays Capital Government/Credit Index, crept up 0.5 percent in April.

The European Central Bank left interest rates unchanged but kept the door open for additional stimulus measures. The Eurozone's GDP grew 1.6 percent on an annualized basis in the first quarter over the prior year, and unemployment dropped from 10.4 percent to 10.2 percent. A deterioration in manufacturing and construction contributed to the U.K. GDP slowing to an annualized rate of 1.6 percent in the first quarter, down from 2.4 percent in the prior quarter. While March consumer price inflation declined 0.3 percent from a year earlier, the Bank of Japan chose not to launch any additional stimulus measures to combat chronically weak inflation. China's economic growth slowed to an annualized rate of 6.7 percent in the first quarter, down from 6.8 percent in fourth quarter 2015. International equities, as measured by the MSCI EAFE Index, rose 2.9 percent in April.

## ANNUAL LISTS OF PUBLICLY TRADED DEPARTMENT OF DEFENSE CONTRACTORS RELEASED

Each year, as part of its socially responsible 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. The other list includes all publicly traded companies (59 additional companies) that generated more than 10 percent of their revenue from Department of Defense contracts. The lists produced for 2016 were adopted by the BFFI Board during its April meeting. The firms on the lists will be screened from BFFI's self-managed investment portfolios in 2016, 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 DOD list company or other company in violation of SRI as listed in BFFI's Investment Guidelines in 2016.

Several household names appear on the Department of Defense lists, such as General Electric, Hewlett-Packard, and Royal Dutch Shell. URS is new to the 2016 top 25 list, and AECOM dropped off the list.

Copies of these two lists are available upon request or at [cobbt.org/screening](http://cobbt.org/screening).

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

### Top 25 Publicly Traded Defense Contractors for 2016

1. Lockheed Martin
2. Boeing
3. General Dynamics
4. Raytheon
5. Northrop Grumman
6. United Technologies
7. L-3 Communications
8. BAE Systems
9. Huntington Ingalls Industries
10. Humana
11. Harris/Exelis
12. UnitedHealth Group
13. Health Net
14. Science Applications International Group
15. General Electric
16. Booz Allen Hamilton Holding
17. Hewlett-Packard
18. McKesson
19. Royal Dutch Shell
20. Textron
21. Computer Sciences
22. AmeriSourceBergen
23. ACACI International
24. URS
25. Honeywell International



# Fund Performance Report

for the period ending April 30, 2016



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
<b>SHORT-TERM</b>						
<b>Short-Term Fund</b>	0.0%	0.1%	0.2%	0.5%	0.5%	1.8%
Merrill Lynch 6-Month Treasury Bill Index <sup>1</sup>	0.1%	0.2%	0.3%	0.2%	0.2%	1.1%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund</b> <sup>2</sup>	0.1%	0.4%	0.5%	1.8%	2.0%	2.5%
No Benchmark	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	0.7%	2.8%	4.1%	2.6%	4.1%	5.5%
Barclays Capital U.S. Government/Credit Bond Index	0.5%	2.5%	4.0%	2.2%	3.9%	5.0%
<b>Bond Fund</b>	0.8%	3.0%	4.3%	2.7%	4.1%	5.5%
Barclays Capital U.S. Government/Credit Bond Index	0.5%	2.5%	4.0%	2.2%	3.9%	5.0%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>3</sup>	0.3%	3.6%	5.0%	(1.7)%	2.0%	—
Barclays Capital U.S. TIPS Index	0.3%	3.3%	4.8%	(0.9)%	2.6%	—
<b>Bank Loans Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	—	—	—	—	—	—
<b>High Yield Bond Fund</b> <sup>3</sup>	3.5%	7.1%	5.5%	2.7%	5.3%	—
Barclays Capital U.S. Corporate High Yield Bond Index	3.9%	9.2%	7.4%	2.5%	5.4%	—
<b>Global Aggregate Fixed Income Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
Barclays Capital Global Aggregate Bond Index	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Large Cap Core Fund</b>	(1.2)%	5.3%	(1.4)%	2.1%	3.7%	3.8%
S&P 500 Index	0.4%	7.1%	1.7%	11.3%	11.0%	6.9%
<b>Domestic Stock Large Cap Core Index Fund</b>	0.3%	6.7%	—	—	—	—
S&P 500 Index	0.4%	7.1%	—	—	—	—
<b>Domestic Stock Mid Cap Fund</b>	(1.2)%	8.9%	(2.0)%	10.9%	11.2%	—
Russell Midcap Index	1.1%	10.6%	3.3%	10.4%	9.9%	—
<b>Domestic Stock Growth Fund</b>	(0.3)%	6.3%	0.3%	10.8%	8.8%	—
Russell 1000 Growth Index	(0.9)%	5.7%	(0.2)%	12.5%	11.4%	—
<b>Domestic Stock Fund</b>	(0.6)%	7.0%	(0.6)%	8.3%	8.2%	7.0%
S&P 500 Index	0.4%	7.1%	1.7%	11.3%	11.0%	6.9%
<b>Small Cap Fund</b>	2.1%	11.9%	5.4%	11.4%	9.4%	9.0%
Russell 2000 Index	1.6%	9.7%	0.0%	7.5%	7.0%	5.4%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	2.7%	7.2%	0.4%	1.1%	1.2%	1.6%
MSCI EAFE Index	2.9%	7.6%	(0.2)%	1.5%	1.7%	1.6%
<b>Emerging Markets Stock Fund</b> <sup>3</sup>	2.5%	22.4%	11.8%	(5.5)%	(6.3)%	—
MSCI Emerging Markets Index	0.5%	13.7%	6.3%	(4.6)%	(4.6)%	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund</b> <sup>3</sup>	7.8%	13.3%	10.4%	(17.0)%	(13.5)%	—
Bloomberg Commodity Total Return Index	8.5%	10.8%	9.0%	(13.8)%	(13.3)%	—
<b>Public Real Estate Fund</b> <sup>3</sup>	0.1%	11.9%	3.4%	2.2%	5.1%	—
S&P Developed Property Index	0.1%	10.5%	5.7%	4.2%	7.9%	—
<b>Multi-Strategy Hedge Fund</b> <sup>3,4</sup>	—	—	—	—	—	—
60% S&P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index	—	—	—	—	—	—
<b>Global Inflation Protection Fund</b> <sup>3</sup>	3.1%	9.7%	12.1%	—	—	—
CPI + 5% <sup>5</sup>	0.8%	1.9%	2.0%	—	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	(0.1)%	5.3%	1.3%	6.2%	6.7%	6.8%
Blended Balanced Index <sup>6</sup>	0.4%	5.3%	2.7%	7.7%	8.3%	6.5%
<b>TACTICAL FUNDS (additional fees apply)</b>						
<b>Conservative Fund</b> <sup>3,4</sup>	0.1%	—	—	—	—	—
Blended Conservative Index	0.1%	—	—	—	—	—
<b>Income Fund</b> <sup>3</sup>	1.4%	5.2%	3.0%	—	—	—
Blended Income Index	0.8%	4.5%	3.3%	—	—	—
<b>SRI Income Fund</b> <sup>4</sup>	—	—	—	—	—	—
Blended SRI Income Index	—	—	—	—	—	—
<b>Income &amp; Growth Fund</b> <sup>3</sup>	1.4%	7.4%	3.3%	—	—	—
Blended Income & Growth Index	1.0%	5.7%	2.7%	—	—	—
<b>SRI Income &amp; Growth Fund</b>	0.8%	5.5%	2.2%	—	—	—
Blended SRI Income & Growth Index	1.0%	5.7%	2.8%	—	—	—
<b>Growth Fund</b> <sup>3</sup>	1.5%	8.3%	3.1%	—	—	—
Blended Growth Index	1.1%	6.2%	2.5%	—	—	—
<b>SRI Growth Fund</b>	1.0%	6.2%	1.7%	—	—	—
Blended SRI Growth Index	1.2%	6.5%	2.5%	—	—	—
<b>Aggressive Growth Fund</b> <sup>3</sup>	1.5%	9.0%	3.2%	—	—	—
Blended Aggressive Growth Index	1.2%	6.5%	2.3%	—	—	—
<b>SRI Aggressive Growth Fund</b> <sup>4</sup>	—	—	—	—	—	—
Blended SRI Aggressive Growth Index	—	—	—	—	—	—
<b>U.S. INFLATION</b>						
<b>Consumer Price Index</b> (March 2016) <sup>5</sup>	0.4%	0.7%	0.3%	0.8%	1.3%	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 Consumer Price Index for All Urban Consumers. All items are not seasonally weighted. <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).