



Investment Perspective

FROM BROTHERS FOUNDATION FUNDS

OCTOBER 2016

MARKETS AND THE ECONOMY

While the S&P 500 Index remained flat (0.0 percent) during September, investor appetite for shares in financial firms and a strong start in July contributed to the S&P 500 Index closing the quarter up 3.9 percent. Real GDP growth in the second quarter was revised up to a 1.4 percent annual rate versus a prior estimate of 1.1 percent; the largest upward revisions were for business investment, inventories, and net exports. The Federal Reserve Bank left short-term interest rates unchanged. Led by housing and medical care, the Consumer Price Index increased 0.1 percent in August from the prior month, up 1.1 percent from a year ago. Consumer spending in the U.S. was unchanged in August from a month earlier; the personal saving rate rose to 5.7 percent in August from 5.6 percent in July. The bond market, as measured by the Barclays Capital Government/Credit Index, decreased 0.2 percent in September, up 0.4 percent for the quarter.

The Bank of Japan is expanding monetary policy to stimulate stubbornly slow growth and too-low inflation by pursuing efforts to establish a floor under long-term interest rates and keep yields on 10-year bonds at zero, while simultaneously raising the target for inflation to exceed 2 percent. The Bank of England held its benchmark interest rate steady. Brexit had no effect on consumer spending as retail sales in the United Kingdom rose 6.2 percent in August from a year earlier. The European Central Bank left its existing stimulus policy of negative interest rates and bond purchases unchanged. Chinese manufacturing activity rose in September from August. During the second quarter, Australia's GDP grew 3.3 percent from a year earlier; this marks 25 years without a recession. International equities, as measured by the MSCI EAFE Index, rose 1.2 percent in September, up 6.4 percent for the third quarter.

HARNESS THE POWER OF THE PORTAL

As of the end of September, 68 percent of Brethren Foundation Fund's organizational clients have authorized individuals to use the BFFI client portal. Those who use the client portal have the earliest access to statements and the new issue of *Investment Perspective* each month. All online users also have access to past statements, the most recent edition of the *Information Statement*, and past issues of *Investment Perspective* (which are also available at www.cobbt.org/investment-perspective).

But there is much more to the client portal than access to current and past reports and documents. Full access users of the client portal may also initiate transactions electronically and generate a variety of custom reports. Users with full "look-only" access receive regular monthly statements and have the ability to generate custom reports; they can prepare statements and performance reports and review account activity at both the summary and detail level for custom date ranges. Reports can be exported for use as spreadsheets or PDF documents. Online users have access to the help section of the client portal and can submit specific requests via the request feature within the help section.

Like many other citizens and corporations, BFFI is sensitive to environmental sustainability and is proud to note that all users of the client portal receive monthly statements, the annual *Information Statement*, and monthly issues of *Investment Perspective* only in electronic format via the client portal, thereby enabling BFFI to reduce paper consumption.

Anyone interested in gaining access to the client portal or receiving assistance with its use can contact Steve Lipinski at slipinski@cobbt.org or 847-622-3377.

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

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Fund Performance Report

for the period ending Sept. 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
SHORT-TERM						
Short-Term Fund	0.1%	0.1%	0.4%	0.3%	0.5%	1.6%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.1%	0.1%	0.5%	0.3%	0.3%	0.9%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.1%	0.4%	1.2%	1.7%	1.9%	2.4%
<i>No Benchmark</i>	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	(0.2)%	0.5%	6.9%	4.4%	3.7%	5.3%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.2)%	0.4%	6.7%	4.2%	3.2%	4.9%
Bond Fund	(0.2)%	0.8%	7.3%	4.6%	3.8%	5.4%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.2)%	0.4%	6.7%	4.2%	3.2%	4.9%
Treasury Inflation-Protected Securities Fund ³	0.8%	1.3%	7.7%	1.7%	1.4%	—
<i>Barclays Capital U.S. TIPS Index</i>	0.5%	1.0%	7.3%	2.4%	1.9%	—
Bank Loans Fund ^{3,4}	—	—	—	—	—	—
<i>S&P/LSTA U.S. Leveraged Loan 100 Index</i>	—	—	—	—	—	—
High Yield Bond Fund ³	0.5%	4.9%	11.9%	4.8%	8.0%	—
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	0.7%	5.6%	15.1%	5.3%	8.3%	—
Global Aggregate Fixed Income Fund ^{3,4}	—	—	—	—	—	—
<i>Barclays Capital Global Aggregate Bond Index</i>	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Fund	0.4%	5.2%	5.2%	1.3%	9.5%	4.5%
<i>S&P 500 Index</i>	0.0%	3.9%	7.8%	11.2%	16.4%	7.2%
Domestic Stock Large Cap Core Index Fund ⁵	0.1%	4.1%	—	—	—	—
<i>S&P 500 Index</i>	0.0%	3.9%	—	—	—	—
Domestic Stock Mid Cap Fund	0.0%	6.3%	2.2%	8.3%	18.4%	—
<i>Russell Midcap Index</i>	0.2%	4.5%	10.3%	9.7%	16.7%	—
Domestic Stock Growth Fund	0.9%	3.2%	6.0%	9.3%	14.1%	—
<i>Russell 1000 Growth Index</i>	0.4%	4.6%	6.0%	11.8%	16.6%	—
Domestic Stock Fund	0.4%	4.7%	4.8%	6.7%	14.2%	7.6%
<i>S&P 500 Index</i>	0.0%	3.9%	7.8%	11.2%	16.4%	7.2%
Small Cap Fund	0.2%	2.9%	10.8%	8.6%	14.0%	9.6%
<i>Russell 2000 Index</i>	1.1%	9.0%	11.5%	6.7%	15.8%	7.1%
INTERNATIONAL EQUITY						
International Stock Core Fund	1.6%	6.9%	3.4%	0.3%	7.1%	1.9%
<i>MSCI EAFE Index</i>	1.2%	6.4%	1.7%	0.5%	7.4%	1.8%
Emerging Markets Stock Fund ³	0.7%	11.0%	20.7%	(2.1)%	1.7%	—
<i>MSCI Emerging Markets Index</i>	1.3%	9.0%	16.0%	(0.6)%	3.0%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ³	2.4%	(3.5)%	12.3%	(13.5)%	(9.8)%	—
<i>Bloomberg Commodity Total Return Index</i>	3.1%	(3.9)%	8.9%	(12.3)%	(9.4)%	—
Public Real Estate Fund ³	(1.0)%	1.6%	6.5%	5.5%	9.5%	—
<i>S&P Developed Property Index</i>	(0.7)%	1.3%	11.0%	8.8%	13.4%	—
Multi-Strategy Hedge Fund ^{3,4}	—	—	—	—	—	—
<i>60% S&P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
Global Inflation Protection Fund ³	0.8%	4.5%	17.5%	—	—	—
<i>CPI + 5%</i> ⁶	0.5%	1.5%	5.3%	—	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	0.1%	3.1%	5.8%	6.0%	10.1%	7.1%
<i>Blended Balanced Index</i> ⁷	(0.1)%	2.5%	7.5%	8.5%	11.1%	6.6%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ³	0.1%	0.3%	—	—	—	—
<i>Blended Conservative Index</i>	0.1%	0.2%	—	—	—	—
Income Fund ³	0.4%	3.1%	6.7%	—	—	—
<i>Blended Income Index</i>	0.1%	2.1%	6.8%	—	—	—
SRI Income Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
Income & Growth Fund ³	0.5%	4.4%	7.9%	—	—	—
<i>Blended Income & Growth Index</i>	0.3%	3.1%	6.7%	—	—	—
SRI Income & Growth Fund	0.3%	3.4%	6.2%	—	—	—
<i>Blended SRI Income & Growth Index</i>	0.3%	3.1%	6.8%	—	—	—
Growth Fund ³	0.6%	5.0%	7.9%	—	—	—
<i>Blended Growth Index</i>	0.4%	3.6%	6.7%	—	—	—
SRI Growth Fund	0.5%	4.1%	5.8%	—	—	—
<i>Blended SRI Growth Index</i>	0.4%	3.8%	6.7%	—	—	—
Aggressive Growth Fund ³	0.7%	5.6%	8.2%	—	—	—
<i>Blended Aggressive Growth Index</i>	0.4%	4.0%	6.6%	—	—	—
SRI Aggressive Growth Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	—	—	—	—	—	—
U.S. INFLATION						
Consumer Price Index (August 2016) ⁶	0.1%	0.3%	1.5%	1.0%	1.2%	1.7%

Performance Report

¹Changed May 1, 2009. 10-year blended with 90-day Treasury Bill. ²CDIF interest accrues on a daily basis. ³These 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. ⁴No assets invested in this fund. ⁵Expected to match benchmark gross of fees. Typically, will not match benchmark net of fees and due to required cash position. ⁶Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted. ⁷Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).