



Investment Perspective

FROM BRETHERN FOUNDATION

MAY 2013

MARKETS AND THE ECONOMY

The S&P 500 Index closed on April 30 at 1597.57, a record high, gaining 1.9 percent during the month and 12.7 percent since the beginning of the year. Gross domestic product grew at a 2.5 percent annualized rate in the first quarter, up from 0.4 percent in the fourth quarter of 2012. Consumer spending rose 3.2 percent in the first quarter; however, the nation's savings rate declined to 2.6 percent in March — the lowest level since the fourth quarter of 2007. The unemployment rate dropped to 7.5 percent in April, and job gains in February and March were revised upward. New home sales increased 1.5 percent in March and 18.5 percent over March 2012 figures. The Consumer Price Index rose 1.5 percent in March from a year earlier, marking the fourth time in five months it was below the Federal Reserve's target of 2 percent inflation. U.S. manufacturing activity expanded for the fourth month in a row in March. The bond market, as measured by the Barclays Capital Government/Credit Index, increased 1.2 percent in April and is up 1.1 percent since Jan. 1.

Eurozone unemployment rose to 12.1 percent in March, up from 12 percent in February, the highest since records began in 1995. Inflation in the eurozone fell to 1.2 percent in April from 1.7 percent in March — the lowest level in more than three years. China's GDP slowed to a 7.7 percent annualized rate in the first quarter, down from 7.9 percent in the fourth quarter of 2012. Japan's central bank launched its own quantitative easing program to stimulate that country's economy. International equities, as measured by the MSCI EAFE, increased 5.3 percent during April and are up 10.8 percent April year-to-date.

ANNUAL LISTS OF PUBLICLY TRADED DEPARTMENT OF DEFENSE CONTRACTORS RELEASED

Each year as part of its socially responsible investing initiatives, Brethren Foundation 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, and the other list includes all publicly traded companies that generated more than 10 percent of their revenue from Department of Defense contracts. The lists produced for 2013 were adopted by the BFI Board during its April meeting. The firms on the lists will be screened from BFI's self-managed investment portfolios in 2013, as directed by BFI'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.

New to this year's top 25 list are the following companies — BP, Honeywell International, Royal Dutch Shell, and Valero Energy. Absent from this year's list are Alliant Techsystems, FedEx, KBR, and Oshkosh. BFI screens 55 additional companies from its investments because those firms receive more than 10 percent of their revenue from defense contracts. Copies of these two lists are available upon request or at brethrenbenefittrust.org/screening.

Several household names appear on the Department of Defense lists this year, including the three oil and gas companies listed above. In addition to screening these companies out of its investments, BFI will not use any of their services — or the services of any other company that appears on these lists — in 2013.

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

Top 25 Publicly Traded Defense Contractors in 2012

1. Lockheed Martin
2. Boeing
3. Raytheon
4. General Dynamics
5. Northrop Grumman
6. United Technologies
7. L-3 Communications
8. BAE Systems
9. Huntington Ingalls Industries
10. SAIC
11. Textron
12. Humana
13. Health Net
14. Royal Dutch Shell
15. General Electric
16. Booz Allen Hamilton Holding
17. BP
18. ITT Exelis
19. URS
20. Computer Sciences
21. CACI International
22. Fluor
23. ManTech International
24. Honeywell International
25. Valero Energy



Fund Performance Report

for the period ending April 30, 2013



All periods longer than one year are annualized.

Performance Report

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%	(0.2)%	(0.4)%	0.8%	1.5%	2.2%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.0%	0.1%	0.1%	0.3%	0.4%	1.7%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.2%	0.5%	0.7%	2.3%	2.6%	2.8%
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A	N/A
FIXED INCOME						
Bond Core Fund	1.2%	2.1%	0.2%	6.3%	6.7%	5.5%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.2%	1.9%	1.1%	6.1%	5.9%	5.1%
Bond Fund	1.1%	2.0%	0.2%	6.5%	6.7%	5.6%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.2%	1.9%	1.1%	6.1%	5.9%	5.1%
Treasury Inflation-Protected Securities Fund ³	0.9%	1.2%	(0.2)%	N/A	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	0.8%	1.1%	0.4%	N/A	N/A	N/A
High Yield Bond Fund ³	1.7%	3.1%	4.9%	N/A	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	1.8%	3.4%	4.8%	N/A	N/A	N/A
DOMESTIC EQUITY						
Domestic Stock Core Fund	1.2%	4.7%	9.8%	8.8%	3.1%	7.3%
<i>S&P 500 Index</i>	1.9%	7.2%	12.7%	12.8%	5.2%	7.9%
Domestic Stock Value Fund	(0.6)%	5.6%	11.0%	N/A	N/A	N/A
<i>Russell 1000 Value Index</i>	1.5%	7.1%	14.0%	N/A	N/A	N/A
Domestic Stock Growth Fund	(1.5)%	3.5%	8.7%	N/A	N/A	N/A
<i>Russell 1000 Growth Index</i>	2.1%	7.3%	11.9%	N/A	N/A	N/A
Domestic Stock Fund	(0.3)%	4.6%	9.8%	12.6%	5.8%	9.2%
<i>S&P 500 Index</i>	1.9%	7.2%	12.7%	12.8%	5.2%	7.9%
Small Cap Fund	(2.3)%	1.5%	7.3%	14.0%	10.7%	N/A
<i>Russell 2000 Index</i>	(0.4)%	5.4%	12.0%	11.3%	7.3%	N/A
INTERNATIONAL EQUITY						
International Stock Core Fund	3.1%	5.0%	9.4%	7.1%	0.2%	9.0%
<i>MSCI EAFE Index</i>	5.3%	5.3%	10.8%	8.0%	(0.4)%	9.7%
Emerging Markets Stock Fund ³	0.0%	(2.7)%	0.5%	N/A	N/A	N/A
<i>MSCI Emerging Markets Index</i>	0.8%	(2.2)%	(0.8)%	N/A	N/A	N/A
REAL ASSETS						
Commodities-Based Fund ³	(3.4)%	(5.6)%	(3.1)%	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	(2.8)%	(6.1)%	(3.9)%	N/A	N/A	N/A
Public Real Estate Fund ³	6.3%	8.6%	12.0%	N/A	N/A	N/A
<i>S&P Developed Property Index</i>	7.3%	11.3%	14.8%	N/A	N/A	N/A
EQUITY AND FIXED INCOME						
Balanced Fund	0.3%	3.6%	6.0%	10.6%	6.7%	8.1%
<i>Blended Balanced Index</i> ⁴	1.7%	5.1%	8.0%	10.4%	5.9%	7.1%
U.S. INFLATION						
Consumer Price Index (March 2013) ⁵	0.3%	1.4%	1.4%	2.3%	1.8%	2.4%

¹ Changed May 1, 2009. 5-year and 10-year blended with 90-day Treasury Bill. ² CDIF interest accrues on a daily basis. ³ 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. ⁴ Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). ⁵ Most recent data available. CPI data are not seasonally adjusted.