



Investment Perspective

FROM BRETHERN FOUNDATION

FEBRUARY 2013

MARKETS AND THE ECONOMY

The S&P 500 gained 5.2 percent in January — its strongest start to a new year since 1997. While congressional decisions on defense and discretionary spending were put off until March 1, income and payroll tax rates increased for many Americans, and Congress passed a short-term extension of federal borrowing authority through May 18. Gross domestic product declined 0.1 percent during the fourth quarter of 2012; however, for the year, the economy grew 2.2 percent, up from the 1.8 percent growth of 2011. Consumer spending increased at a 2.2 percent rate in the fourth quarter, up from 1.6 percent in the third quarter. The unemployment rate ticked up to 7.9 percent as the number of people looking for jobs increased. The Federal Reserve reaffirmed its commitment to holding down interest rates. The bond market, as measured by the Barclays Capital Government/Credit Index, decreased 0.8 percent in January.

The eurozone's unemployment rate stood at 11.8 percent in November, up from 10.6 percent in November 2011. The European Central Bank and the U.K.'s Bank of England signaled that no new stimulus measures are forthcoming. By at least one measure, the European banking system is regaining strength: Hundreds of banks are repaying cheap loans from the European Central Bank almost two years before they are due. The U.K.'s gross domestic product shrank 0.3 percent in the fourth quarter, compared with a 0.9 percent rise in the third quarter. Inflation in China rose 2.6 percent in 2012 compared with 5.4 percent in 2011. International equities, as measured by the MSCI EAFE, increased 5.3 percent during January.

INVESTING IN COMMUNITY, ONE LOAN AT A TIME

A woman in Isla Vista, Calif., was able to find an apartment for herself and her three boys after being turned down repeatedly due to insufficient resources and inadequate credit. Shop owners, artisans, and farmers in Timbio, Colombia, have been able to expand their production and revenue. Northern Lights Community School in Warba, Minn., was able to update its facility and continue its service to nontraditional youth and special needs students.

What do these stories have in common? Each story reveals the benefit of the financial support received in 2012 through a local community development financial institution that includes investments from Brethren Foundation clients. Calvert Foundation operates the fund that connects investors, like BFI clients, with financial institutions that assist borrowers like the mother, artisans, and school above.

Through BFI's Community Development Investment Fund, each investor has the opportunity to support similar initiatives around the world. By accepting a modest rate of return based on a fixed interest rate offered by Calvert Foundation, investors support development efforts in low-income communities. To put the CDIF's rate of return into context, BFI's Short-Term Fund earned 1.9 percent in 2012 after fees, and the CDIF earned 2.2 percent over the same period.

Because the Community Investment Notes are unsecured general obligations of Calvert Foundation, and payment of principal and interest depends solely upon the financial condition of Calvert Foundation, the risk level may be higher than for other similar securities. Accordingly, BFI recommends clients allocate only 1 percent of their invested assets to the CDIF. At the end of 2012, BFI clients had invested \$300,000 in the CDIF.

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

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Fund Performance Report

for the period ending Jan. 31, 2013



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	(0.2)%	0.4%	(0.2)%	1.0%	1.4%	2.3%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.0%	0.1%	0.0%	0.3%	0.5%	1.7%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.2%	0.5%	0.2%	2.4%	2.7%	N/A
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A	N/A
FIXED INCOME						
Bond Core Fund	(1.9)%	(1.7)%	(1.9)%	6.2%	6.2%	5.6%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.8)%	(0.8)%	(0.8)%	5.9%	5.5%	5.2%
Bond Fund	(1.8)%	(1.6)%	(1.8)%	6.4%	6.3%	5.7%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.8)%	(0.8)%	(0.8)%	5.9%	5.5%	5.2%
Treasury Inflation-Protected Securities Fund ³	(1.4)%	(0.5)%	(1.4)%	N/A	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	(0.7)%	(0.9)%	(0.7)%	N/A	N/A	N/A
High Yield Bond Fund ³	1.8%	4.4%	1.8%	N/A	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	1.3%	3.8%	1.3%	N/A	N/A	N/A
DOMESTIC EQUITY						
Domestic Stock Core Fund	4.8%	5.8%	4.8%	10.8%	2.8%	7.6%
<i>S&P 500 Index</i>	5.2%	6.8%	5.2%	14.1%	4.0%	7.9%
Domestic Stock Value Fund	5.1%	11.3%	5.1%	N/A	N/A	N/A
<i>Russell 1000 Value Index</i>	6.5%	8.7%	6.5%	N/A	N/A	N/A
Domestic Stock Growth Fund	5.0%	7.0%	5.0%	N/A	N/A	N/A
<i>Russell 1000 Growth Index</i>	4.3%	6.0%	4.3%	N/A	N/A	N/A
Domestic Stock Fund	5.0%	8.1%	5.0%	14.9%	5.7%	9.4%
<i>S&P 500 Index</i>	5.2%	6.8%	5.2%	14.1%	4.0%	7.9%
Small Cap Fund	5.8%	7.7%	5.8%	18.9%	10.7%	N/A
<i>Russell 2000 Index</i>	6.3%	10.6%	6.3%	16.0%	6.3%	N/A
INTERNATIONAL EQUITY						
International Stock Core Fund	4.2%	9.3%	4.2%	6.8%	(0.4)%	9.0%
<i>MSCI EAFE Index</i>	5.3%	11.3%	5.3%	7.4%	(0.3)%	9.7%
Emerging Markets Stock Fund ³	3.2%	10.0%	3.2%	N/A	N/A	N/A
<i>MSCI Emerging Markets Index</i>	1.4%	7.7%	1.4%	N/A	N/A	N/A
REAL ASSETS						
Commodities-Based Fund ³	2.6%	0.7%	2.6%	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	2.4%	(0.2)%	2.4%	N/A	N/A	N/A
Public Real Estate Fund ³	3.1%	7.6%	3.1%	N/A	N/A	N/A
<i>S&P Developed Property Index</i>	3.2%	8.2%	3.2%	N/A	N/A	N/A
EQUITY AND FIXED INCOME						
Balanced Fund	2.3%	4.2%	2.3%	11.8%	6.5%	8.3%
<i>Blended Balanced Index</i> ⁴	2.8%	3.7%	2.8%	11.1%	5.0%	7.1%
U.S. INFLATION						
Consumer Price Index (December 2012) ⁵	(0.3)%	(0.8)%	1.7%	2.1%	1.8%	2.4%

Performance Report

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.