

# Investment Perspective

FROM BROTHERS FOUNDATION FUNDS

August 2019

## MARKETS AND THE ECONOMY

The S&P 500 Index rose above 3,000 for the first time ever, and its return during July was 1.4 percent. The Fed cut short-term interest rates by 25 basis points, moving the range for the federal funds rate down to between 2 and 2.25 percent. The Fed also announced it will stop reducing its balance sheet in August, two months earlier than previously planned. Personal income rose 0.4 percent in June, while personal consumption rose 0.3 percent. Personal income is up 4.9 percent in the past year, while spending has increased 3.9 percent. The first estimate for second quarter real GDP growth is 2.1 percent at an annual rate, up 2.3 percent from a year ago. The largest positive contributors to real GDP growth during the second quarter were consumer spending and government purchases. Existing home sales declined 1.7 percent in June, down 2.2 percent versus a year ago. The largest drags were inventories and net exports. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, rose 0.2 percent in July.

Led by a decrease in the manufacturing sector, economic growth in the Eurozone slowed during the second quarter to an annualized rate of 0.8 percent, down from the annualized rate of 1.8 percent during the first quarter. Japan's unemployment rate fell to 2.3 percent in June, down from 2.4 percent in May. The ECB left interest rates unchanged but signaled it is preparing to inject fresh stimulus into the Eurozone economy. China's GDP declined from an annualized rate of 6.4 percent in the first quarter to 6.2 percent in the second quarter; exports and imports declined. In July, Mexico's inflation slowed to an annual rate of 3.8 percent from 3.9 percent, closer to central bank's target of 3 percent. Canada's central bank kept interest rates unchanged at 1.7 percent but is monitoring the effects of trade conflicts on business investment and exports. International equities, as measured by the MSCI EAFE Index, dropped 1.3 percent in July.

## NEGATIVE INTEREST AND DIVIDENDS FOR BOND FUND REPORTED IN JUNE

After release of the June statements, Brethren Foundation Funds' reconciliation agent, Nottingham Investment Administration, reported the correction of an error in the calculation of accrued interest income for the Bond Fund. Following is a statement from Nottingham:

During the month of June an error was discovered in the calculation of accrued income. Income was being over-accrued on one security, starting on the purchase date, because a manual input was keyed incorrectly. The correction in the month of June was a reversal of the over-accrual, which left some statements with a negative interest amount for the month.

We strive to make sure proper procedures are in place to ensure errors will not occur. However, there are times when the current procedures fail. When they do fail we review what caused the failure and make a determination as to how to prevent a repeat error. In this case we added additional procedures surrounding automated and manual daily reviews as well as additional training of staff on those procedures.

We apologize for any inconvenience this may have caused and can assure you we are committed to providing accurate information to the end user.

BFFI has been in close communication with Nottingham regarding this matter and believes that proper interventions have been incorporated. Furthermore, Nottingham commits to notifying BFFI as soon as corrections, if any, are completed in the future so that BFFI can proactively alert clients.

Questions or concerns regarding this matter should be directed to Steve Mason, director of Brethren Foundation ([smason@cobbt.org](mailto:smason@cobbt.org) or 847-622-3369).

Please contact Steve Mason with any other questions or comments.



**We strive to make sure proper procedures are in place to ensure errors will not occur.**



# Fund Performance Report for the period ending July 31, 2019



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>	0.2%	0.6%	1.3%	1.3%	0.9%	0.9%
<i>ICE BofAML 6-Month Treasury Bill Index</i>	0.2%	0.7%	1.6%	1.6%	1.1%	0.7%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund <sup>1</sup></b>	0.2%	0.5%	1.2%	1.7%	1.7%	2.0%
<i>No Benchmark</i>	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	0.2%	3.7%	7.4%	2.4%	3.3%	4.4%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	0.2%	3.6%	7.1%	2.2%	3.2%	3.9%
<b>Bond Fund</b>	0.1%	3.6%	7.9%	2.6%	3.4%	4.5%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	0.2%	3.6%	7.1%	2.2%	3.2%	3.9%
<b>Treasury Inflation-Protected Securities Fund <sup>2</sup></b>	0.1%	2.8%	6.4%	2.7%	2.1%	—
<i>Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index</i>	0.4%	2.9%	6.5%	1.9%	1.8%	—
<b>Bank Loans Fund <sup>2</sup></b>	0.5%	0.3%	5.5%	—	—	—
<i>S&amp;P/LSTA U.S. Leveraged Loan 100 Index</i>	1.0%	0.6%	7.9%	—	—	—
<b>High Yield Bond Fund <sup>2</sup></b>	0.7%	1.8%	11.2%	6.5%	4.7%	—
<i>Bloomberg Barclays U.S. Corporate High Yield Bond Index</i>	0.6%	1.6%	10.6%	6.8%	5.1%	—
<b>Global Aggregate Fixed Income Fund <sup>2,3</sup></b>	—	—	—	—	—	—
<i>Bloomberg Barclays Global Aggregate Index</i>	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Large Cap Core Fund</b>	0.9%	1.2%	18.3%	11.0%	4.2%	9.0%
<i>S&amp;P 500 Index</i>	1.4%	1.7%	20.2%	13.4%	11.3%	14.0%
<b>Domestic Stock Large Cap Core Index Fund <sup>4</sup></b>	1.4%	1.6%	19.6%	13.1%	—	—
<i>S&amp;P 500 Index</i>	1.4%	1.7%	20.2%	13.4%	—	—
<b>Domestic Stock Mid Cap Fund</b>	0.9%	1.7%	27.6%	5.8%	4.3%	—
<i>Russell Midcap Index</i>	1.4%	1.7%	23.1%	11.0%	9.6%	—
<b>Domestic Stock Growth Fund</b>	2.6%	1.2%	19.9%	12.6%	10.4%	—
<i>Russell 1000 Growth Index</i>	2.3%	2.4%	24.2%	17.1%	14.3%	—
<b>Domestic Stock Fund</b>	1.5%	1.4%	22.1%	10.2%	6.8%	11.8%
<i>S&amp;P 500 Index</i>	1.4%	1.7%	20.2%	13.4%	11.3%	14.0%
<b>Small Cap Fund</b>	2.7%	1.3%	31.0%	23.6%	17.8%	17.9%
<i>Russell 2000 Index</i>	0.6%	(0.7)%	17.7%	10.4%	8.5%	12.5%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	(2.3)%	(2.0)%	11.9%	6.7%	2.5%	5.6%
<i>MSCI EAFE Index</i>	(1.3)%	(0.4)%	12.6%	6.9%	2.4%	5.8%
<b>Emerging Markets Stock Fund <sup>2</sup></b>	(3.3)%	(4.3)%	4.2%	7.8%	0.6%	—
<i>MSCI Emerging Markets Index</i>	(1.2)%	(2.7)%	9.2%	8.4%	1.8%	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund <sup>2</sup></b>	(1.2)%	(1.2)%	7.4%	(0.4)%	(9.2)%	—
<i>Bloomberg Commodity Total Return Index</i>	(0.7)%	(1.4)%	4.4%	(0.7)%	(8.3)%	—
<b>Public Real Estate Fund <sup>2</sup></b>	1.3%	0.5%	14.0%	2.2%	3.1%	—
<i>S&amp;P Developed Property Index</i>	0.4%	2.1%	15.2%	4.0%	5.9%	—
<b>Multi-Strategy Hedge Fund <sup>2,3</sup></b>	—	—	—	—	—	—
<i>60% S&amp;P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
<b>Global Inflation Protection Fund <sup>2</sup></b>	(0.3)%	1.8%	8.2%	5.6%	—	—
<i>Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%</i>	0.3%	2.8%	6.5%	3.9%	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	0.9%	2.3%	16.4%	7.4%	5.7%	9.1%
<i>Blended Balanced Index <sup>5</sup></i>	0.9%	2.6%	15.0%	9.0%	8.2%	10.1%
<b>TACTICAL FUNDS (additional fees apply)</b>						
<b>Conservative Fund <sup>2,3</sup></b>	—	—	—	—	—	—
<i>Blended Conservative Index</i>	—	—	—	—	—	—
<b>Income Fund <sup>2</sup></b>	0.0%	2.0%	10.6%	5.5%	3.6%	—
<i>Blended Income Index</i>	0.2%	2.6%	10.5%	5.1%	4.5%	—
<b>BVI Income Fund</b>	(0.1)%	2.2%	10.9%	—	—	—
<i>Blended SRI Income Index</i>	0.2%	2.5%	11.0%	—	—	—
<b>Income &amp; Growth Fund <sup>2</sup></b>	(0.1)%	1.1%	11.8%	7.4%	4.4%	—
<i>Blended Income &amp; Growth Index</i>	0.2%	2.0%	12.4%	6.9%	5.3%	—
<b>BVI Income &amp; Growth Fund</b>	0.1%	1.8%	13.4%	7.0%	—	—
<i>Blended SRI Income &amp; Growth Index</i>	0.2%	2.0%	12.4%	6.7%	—	—
<b>Growth Fund <sup>2</sup></b>	(0.2)%	0.6%	12.6%	8.2%	4.6%	—
<i>Blended Growth Index</i>	0.3%	1.7%	13.3%	7.7%	5.6%	—
<b>BVI Growth Fund</b>	0.0%	1.2%	15.0%	8.3%	—	—
<i>Blended SRI Growth Index</i>	0.3%	1.5%	13.8%	7.9%	—	—
<b>Aggressive Growth Fund <sup>2</sup></b>	(0.3)%	0.1%	13.0%	8.8%	4.4%	—
<i>Blended Aggressive Growth Index</i>	0.3%	1.4%	13.8%	8.3%	5.9%	—
<b>BVI Aggressive Growth Fund</b>	(0.1)%	0.7%	16.6%	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	0.3%	1.0%	15.2%	—	—	—
<b>U.S INFLATION</b>						
<b>Consumer Price Index (June 2019) <sup>6</sup></b>	0.0%	0.8%	1.6%	2.0%	1.5%	1.7%

<sup>1</sup>CDIF interest accrues on a daily basis. <sup>2</sup>These investment funds may not meet Brethren Values Investing guidelines because they are invested in mutual funds. All other investment funds must meet Brethren Values Investing guidelines. <sup>3</sup>No assets invested in this fund. <sup>4</sup>Expected to match benchmark gross of fees. Typically, will not match benchmark net of fees and due to required cash position. <sup>5</sup>Weighted average of the S&P 500 Index (60 percent) and the Bloomberg Barclays U.S. Capital Government/Credit Bond Index (40 percent). <sup>6</sup>Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted.

Performance Report