

Investment Perspective

FROM BRETHREN FOUNDATION FUNDS

December 2018



Organizations are encouraged to sign up for online account management. Authorized users can access monthly statements, generate custom reports, initiate transactions, and more.

MARKETS AND THE ECONOMY

Trade tensions, worries about global growth, high stock market valuations, and tightening monetary conditions were part of a volatile month in the markets, with the S&P 500 Index ending 2 percent up after being down as much as 6 percent during the month. Personal income rose 0.5 percent in October, and is up a healthy 4.3 percent in the past year. Personal consumption increased 0.6 percent (led by increased spending on housing, healthcare, and recreation), up 5 percent over last year. Existing home sales rose 1.4 percent in October, down 5.1 percent versus a year ago. Led by sales from gas stations and autos, retail sales rose 0.8 percent in October, up 4.6 percent over the prior year. Higher prices for gasoline, fuel oils, and electricity contributed to the Consumer Price Index rising 0.2 percent in October, up 2.5 percent from a year ago. Private sector payrolls remained strong, and the unemployment rate remained at 3.7 percent. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, increased 0.2 percent in November.

Led by consumer spending and trade, the United Kingdom's economy expanded at a 2.5 percent annualized rate during the third quarter. Germany's gross domestic product contracted at a 0.8 percent annualized rate in the third quarter. Japan's economy contracted at an annualized rate of 1.2 percent in the third quarter after expanding at a 3 percent annualized rate during the second quarter. Higher oil prices and weaker lending contributed to India's economy slowing to an annualized rate of 7.1 percent in the third quarter, down from 8.2 percent annualized rate during the second quarter. Manufacturing exports and services contributed to Mexico's gross domestic product growing at a 3.2 percent annualized rate in the third quarter, up over the prior year's annualized rate of 2.5 percent. Canada's unemployment rate fell to 5.8 percent in October from 5.9 percent in the previous month, the cause being slower job growth and fewer people looking for work. International equities, as measured by the MSCI EAFE Index, inched down 0.1 percent in November.

YEAR-END CONSIDERATIONS

Initiating transactions — In order to ensure that routine transactions are recorded in 2018, the Brethren Foundation Funds office must receive the properly completed documentation, including checks or EFT instructions in the case of deposits, no later than 2:00 p.m. CST on Dec. 19. Liquidations and other unusual transactions, due to size or complexity, will take longer to complete and should be initiated as soon as possible. Paperwork may be submitted by fax to 847-960-5712, sent as an attachment to an email message to bffi@cobbt.org, or mailed through the postal service to 1505 Dundee Ave., Elgin, IL 60120. Please allow ample time for delivery.

Keeping the list of authorized individuals current — BFFI will only honor transaction or information requests about a client's account from individuals properly authorized to conduct business with BFFI on behalf of a client. Accordingly, it is very important that all clients keep their list of authorized individuals current. Doing so minimizes transaction delays caused by paperwork updating, and reduces the possibility of unauthorized access to accounts.

Confirming the email address of the primary contact — Please make sure that the email address for the primary contact is correct. BFFI uses email to distribute important information to all clients quickly.

Registering for BFFI's client portal — Organizations are encouraged to sign up for online account management. Authorized users can access monthly statements, generate custom reports, initiate transactions, and more.



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

Fund Performance Report

for the period ending November 30, 2018



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	0.2%	0.5%	1.4%	0.9%	0.6%	1.0%
ICE BofAML 6-Month Treasury Bill Index ¹	0.2%	0.5%	1.7%	1.1%	0.7%	0.5%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.1%	0.4%	1.5%	1.6%	1.7%	2.1%
No Benchmark	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	0.4%	(1.0)%	(2.2)%	1.6%	2.2%	4.9%
Bloomberg Barclays U.S. Government/Credit Bond Index	0.2%	(1.1)%	(2.2)%	1.4%	2.0%	3.7%
Bond Fund	0.3%	(1.2)%	(2.3)%	1.8%	2.4%	5.1%
Bloomberg Barclays U.S. Government/Credit Bond Index	0.2%	(1.1)%	(2.2)%	1.4%	2.0%	3.7%
Treasury Inflation-Protected Securities Fund ³	0.2%	(2.1)%	(1.8)%	2.4%	1.3%	—
Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index	0.2%	(2.0)%	(1.8)%	1.7%	1.3%	—
Bank Loans Fund ³	(0.8)%	(0.3)%	3.2%	—	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	(1.1)%	(0.6)%	2.6%	—	—	—
High Yield Bond Fund ³	(1.0)%	(2.9)%	(1.9)%	6.0%	4.1%	—
Bloomberg Barclays U.S. Corporate High Yield Bond Index	(0.7)%	(1.9)%	0.1%	7.1%	4.4%	—
Global Aggregate Fixed Income Fund ^{3,4}	—	—	—	—	—	—
Bloomberg Barclays Global Aggregate Index	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Fund	2.0%	(5.2)%	0.7%	8.2%	3.9%	9.5%
S&P 500 Index	2.0%	(4.4)%	5.1%	12.2%	11.1%	14.3%
Domestic Stock Large Cap Core Index Fund ⁵	2.3%	(4.2)%	5.4%	—	—	—
S&P 500 Index	2.0%	(4.4)%	5.1%	—	—	—
Domestic Stock Mid Cap Fund	(0.2)%	(13.8)%	(15.1)%	0.8%	3.7%	—
Russell Midcap Index	2.5%	(6.7)%	1.0%	9.8%	9.1%	—
Domestic Stock Growth Fund	1.0%	(7.9)%	7.9%	9.9%	9.6%	—
Russell 1000 Growth Index	1.1%	(7.5)%	7.8%	14.0%	13.0%	—
Domestic Stock Fund	1.0%	(8.8)%	(1.7)%	6.9%	6.2%	12.5%
S&P 500 Index	2.0%	(4.4)%	5.1%	12.2%	11.1%	14.3%
Small Cap Fund	5.0%	(7.9)%	10.5%	18.9%	14.3%	18.2%
Russell 2000 Index	1.6%	(11.6)%	1.0%	10.1%	7.5%	14.0%
INTERNATIONAL EQUITY						
International Stock Core Fund	1.1%	(7.6)%	(8.1)%	4.8%	1.7%	7.4%
MSCI EAFE Index	(0.1)%	(7.3)%	(9.4)%	4.1%	1.8%	7.5%
Emerging Markets Stock Fund ³	4.4%	(5.0)%	(9.6)%	11.6%	2.3%	—
MSCI Emerging Markets Index	4.1%	(5.5)%	(12.2)%	9.4%	1.9%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ³	(2.7)%	(3.8)%	(8.0)%	0.9%	(8.5)%	—
Bloomberg Commodity Total Return Index	(0.6)%	(0.8)%	(4.7)%	1.6%	(7.3)%	—
Public Real Estate Fund ³	2.8%	(1.7)%	(1.2)%	3.1%	4.1%	—
S&P Developed Property Index	3.6%	(2.6)%	(1.0)%	6.1%	6.6%	—
Multi-Strategy Hedge Fund ^{3,4}	—	—	—	—	—	—
60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index	—	—	—	—	—	—
Global Inflation Protection Fund ³	1.0%	(1.4)%	(3.6)%	7.7%	—	—
Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%	0.5%	(0.7)%	1.2%	3.6%	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	0.7%	(5.8)%	(1.8)%	4.9%	4.8%	9.7%
Blended Balanced Index ⁶	1.3%	(3.0)%	2.3%	7.9%	7.5%	10.2%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{3,4}	—	—	—	—	—	—
Blended Conservative Index	—	—	—	—	—	—
Income Fund ³	0.7%	(3.2)%	(2.2)%	4.2%	—	—
Blended Income Index	0.7%	(2.7)%	(2.2)%	4.0%	—	—
BVI Income Fund	0.7%	(3.5)%	(3.2)%	—	—	—
Blended SRI Income Index	0.7%	(2.9)%	(2.2)%	—	—	—
Income & Growth Fund ³	1.2%	(4.1)%	(2.4)%	6.3%	3.9%	—
Blended Income & Growth Index	0.9%	(3.6)%	(2.1)%	5.6%	4.6%	—
BVI Income & Growth Fund	1.1%	(4.6)%	(2.7)%	5.1%	—	—
Blended SRI Income & Growth Index	0.9%	(3.6)%	(2.3)%	5.4%	—	—
Growth Fund ³	1.4%	(4.7)%	(2.6)%	7.0%	4.2%	—
Blended Growth Index	1.0%	(4.0)%	(2.1)%	6.3%	5.0%	—
BVI Growth Fund	1.4%	(5.4)%	(2.5)%	6.1%	—	—
Blended SRI Growth Index	1.1%	(4.3)%	(2.3)%	6.5%	—	—
Aggressive Growth Fund ³	1.6%	(5.0)%	(2.6)%	7.7%	4.2%	—
Blended Aggressive Growth Index	1.1%	(4.3)%	(2.0)%	6.9%	5.4%	—
BVI Aggressive Growth Fund	1.6%	(6.3)%	(2.8)%	—	—	—
Blended SRI Aggressive Growth Index	1.3%	(5.0)%	(2.4)%	—	—	—
U.S INFLATION						
Consumer Price Index (October 2018) ⁷	0.2%	0.3%	2.5%	2.1%	1.6%	1.6%

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 Brethren Values Investing guidelines because they are invested in mutual funds. All other investment funds must meet Brethren Values 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. ⁶Weighted average of the S&P 500 Index (60 percent) and the Bloomberg Barclays U.S. Capital Government/Credit Bond Index (40 percent). ⁷Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted.