

Investment Perspective

FROM BRETHREN FOUNDATION FUNDS

February 2020



BFFI ensures that all clients know which of its investment options are in compliance with BVI investing guidelines, so that the clients can make informed investment choices.

MARKETS AND THE ECONOMY

Impeachment proceedings and the potential impact of the new coronavirus served as background to the S&P 500 Index generating a flat performance for January. Real GDP grew 2.3 percent in 2019 over the prior year. New single-family home sales declined 0.4 percent in December; sales are up 23 percent from a year ago. Existing home sales increased 3.6 percent in December; sales are up 10.8 percent versus a year ago. Led by gas stations and building materials, retail sales rose 0.3 percent in December; retail sales are up 5.8 percent versus a year ago. Inflation remained tame in December; the Consumer Price Index ticked down 0.1 percent. The CPI is up 2.3 percent from a year ago. The unemployment rate in December remained unchanged at 3.5 percent. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, rose 2.4 percent in January.

Behind sluggish factory output due to weak overseas demand, contractions in France and Italy, and a slumping German economy (Europe's largest), the eurozone economy grew 1.2 percent in 2019, slowed from 1.9 percent in 2018. Leaving its key interest rate at a minus 0.5 percent, the European Central Bank maintained a negative interest rate policy. The Bank of England left interest rates unchanged at 0.75 percent. The United Kingdom officially left the European Union on Jan. 31, seeking to negotiate a trade deal by the end of 2020. Weakness in construction, oil output, business investment services, and employment contributed to Mexico's economy contracting 0.1 percent in 2019, a sharp decline from growth of 2.1 percent in 2018. Canada's economy grew at an annualized rate of 1.5 percent in November. Tepid inflation expectations and a sagging economy spurred South Africa Reserve Bank to cut interest rates from 6.5 percent to 6.25 percent. International equities, as measured by the MSCI EAFE Index, dropped 2.1 percent in January.

INVESTMENT OPTIONS AND COMPLIANCE WITH BRETHREN VALUES

Brethren Foundation Funds offers 30 investment options and as many as possible are in compliance with Brethren Values Investing guidelines. Some of BFFI's investment options may not comply with BVI guidelines, because not enough money is invested in the underlying funds to hire investment managers who will comply with BVI guidelines. In order to be available, those investment options must use mutual funds to manage the assets invested in them; BFFI cannot control the investment choices of mutual fund managers, and thus cannot guarantee that these investment options comply with BVI guidelines. Accordingly, BFFI ensures that all clients know which of its investment options are in compliance with BVI investing guidelines, so that the clients can make informed investment choices.

BVI-compliant investment options that are available through BFFI

BVI-compliant investment options that are available through BFFI	
Short-Term Fund	Small Cap Fund
Bond Fund	International Stock Core Fund
Domestic Stock Large Cap Core Fund	Balanced Fund
Domestic Stock Large Cap Core Index Fund	BVI Income Fund
Domestic Stock Mid Cap Fund	BVI Income & Growth Fund
Domestic Stock Growth Fund	BVI Growth Fund
Domestic Stock Fund	BVI Aggressive Growth Fund



Please contact Steve Mason, director of Brethren Foundation, if you have questions or comments.

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Fund Performance Report

for the period ending January 31, 2020



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%	1.5%	1.1%	0.9%
ICE BofAML 6-Month Treasury Bill Index	0.2%	0.4%	0.2%	1.8%	1.3%	0.8%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ¹	0.2%	0.5%	0.2%	1.8%	1.7%	2.0%
No Benchmark	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	2.6%	2.1%	2.6%	5.2%	3.3%	4.3%
Bloomberg Barclays U.S. Government/Credit Bond Index	2.4%	2.1%	2.4%	5.1%	3.2%	4.1%
Bond Fund	2.5%	2.0%	2.5%	5.3%	3.5%	4.5%
Bloomberg Barclays U.S. Government/Credit Bond Index	2.4%	2.1%	2.4%	5.1%	3.2%	4.1%
Treasury Inflation-Protected Securities Fund ²	1.6%	2.5%	1.6%	4.5%	2.7%	—
Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index	2.1%	2.6%	2.1%	3.7%	2.4%	—
Bank Loans Fund ³	1.0%	2.5%	1.0%	—	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	0.2%	2.7%	0.2%	—	—	—
High Yield Bond Fund ³	0.0%	1.9%	0.0%	5.1%	5.5%	—
Bloomberg Barclays U.S. Corporate High Yield Bond Index	0.0%	2.4%	0.0%	5.9%	6.0%	—
Global Aggregate Fixed Income Fund ^{2,3}	—	—	—	—	—	—
Bloomberg Barclays Global Aggregate Index	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Fund	(0.9)%	5.4%	(0.9)%	11.2%	6.4%	9.0%
S&P 500 Index	0.0%	6.7%	0.0%	14.5%	12.4%	14.0%
Domestic Stock Large Cap Core Index Fund ⁴	(0.1)%	6.5%	(0.1)%	14.3%	—	—
S&P 500 Index	0.0%	6.7%	0.0%	14.5%	—	—
Domestic Stock Mid Cap Fund	(1.4)%	4.0%	(1.4)%	6.3%	5.0%	—
Russell Midcap Index	(0.8)%	5.1%	(0.8)%	10.9%	9.5%	—
Domestic Stock Growth Fund	1.3%	7.7%	1.3%	14.4%	12.1%	—
Russell 1000 Growth Index	2.2%	10.0%	2.2%	20.0%	15.5%	—
Domestic Stock Fund	(0.2)%	5.9%	(0.2)%	11.2%	8.4%	11.7%
S&P 500 Index	0.0%	6.7%	0.0%	14.5%	12.4%	14.0%
Small Cap Fund	(1.3)%	1.6%	(1.3)%	20.4%	17.5%	16.9%
Russell 2000 Index	(3.2)%	3.7%	(3.2)%	7.3%	8.2%	11.9%
INTERNATIONAL EQUITY						
International Stock Core Fund	(1.5)%	4.7%	(1.5)%	9.2%	5.8%	5.9%
MSCI EAFE Index	(2.1)%	2.2%	(2.1)%	7.8%	5.1%	5.8%
Emerging Markets Stock Fund ³	(5.9)%	(0.9)%	(5.9)%	4.4%	3.3%	—
MSCI Emerging Markets Index	(4.7)%	2.3%	(4.7)%	7.9%	4.5%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ³	(7.7)%	(4.2)%	(7.7)%	(3.5)%	(4.5)%	—
Bloomberg Commodity Total Return Index	(7.4)%	(5.2)%	(7.4)%	(3.5)%	(4.7)%	—
Public Real Estate Fund ³	2.7%	1.5%	2.7%	8.4%	3.2%	—
S&P Developed Property Index	0.8%	0.4%	0.8%	9.3%	6.0%	—
Multi-Strategy Hedge Fund ^{2,3}	—	—	—	—	—	—
60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index	—	—	—	—	—	—
Global Inflation Protection Fund ³	0.2%	1.6%	0.2%	5.3%	4.7%	—
Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%	1.5%	2.5%	1.5%	5.0%	4.2%	—
EQUITY AND FIXED INCOME						
Balanced Fund	0.9%	4.4%	0.9%	9.1%	6.6%	9.1%
Blended Balanced Index ⁴	0.9%	4.9%	0.9%	10.9%	8.8%	10.1%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{2,3}	—	—	—	—	—	—
Blended Conservative Index	—	—	—	—	—	—
Income Fund ³	1.1%	3.4%	1.1%	7.2%	4.8%	—
Blended Income Index	1.2%	3.1%	1.2%	7.3%	5.2%	—
BVI Income Fund	1.1%	3.4%	1.1%	—	—	—
Blended SRI Income Index	1.0%	3.2%	1.0%	—	—	—
Income & Growth Fund ³	0.0%	3.3%	0.0%	8.2%	5.9%	—
Blended Income & Growth Index	0.4%	3.7%	0.4%	8.6%	6.5%	—
BVI Income & Growth Fund	0.5%	3.6%	0.5%	8.7%	—	—
Blended SRI Income & Growth Index	0.5%	3.7%	0.5%	8.5%	—	—
Growth Fund ³	(0.5)%	3.4%	(0.5)%	8.7%	6.3%	—
Blended Growth Index	0.1%	4.0%	0.1%	9.2%	7.0%	—
BVI Growth Fund	0.0%	3.9%	0.0%	9.8%	7.0%	—
Blended SRI Growth Index	(0.1)%	4.1%	(0.1)%	9.4%	7.1%	—
Aggressive Growth Fund ³	(0.8)%	3.5%	(0.8)%	9.1%	6.5%	—
Blended Aggressive Growth Index	(0.2)%	4.1%	(0.2)%	9.6%	7.4%	—
BVI Aggressive Growth Fund	(0.5)%	4.5%	(0.5)%	—	—	—
Blended SRI Aggressive Growth Index	(0.6)%	4.5%	(0.6)%	—	—	—
U.S. INFLATION						
Consumer Price Index (December 2019) ⁴	(0.1)%	0.1%	(0.1)%	2.1%	1.8%	1.8%

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