

Investment Perspective

FROM BROTHERS FOUNDATION FUNDS

July 2020



The newly released 2020 Information Statement contains everything you need to know about BFFI and its processes, fees, investment options, and performance.

MARKETS AND THE ECONOMY

The S&P 500 Index rose 20.5 percent during the second quarter, the largest quarterly gain in over 20 years, making up for some of the decline experienced in the first quarter. The Index increased 2 percent in June, but is down 3.1 percent since Jan. 1. The unemployment rate dropped to 11.1 percent in June from 13.3 percent in May; leisure and hospitality business led the way. Personal income declined 4.2 percent in May, taking a hit after the inflated April number that reflected government stimulus checks. Income was up 7 percent in the past year. Personal consumption rose 8.2 percent in May, down 9.3 percent in the past year. Existing home sales fell 9.7 percent in May, dropping for a third consecutive month as social distancing and government-mandated lockdowns continued to weigh on sales activity. Home sales are down 26.6 percent versus a year ago. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, increased 0.9 percent in June, rose 3.7 percent during the second quarter, and is up 7.2 percent since Jan. 1.

China's unemployment rate ticked down to 5.9 percent in May from 6 percent in April. During May, China's consumer price index rose 2.4 percent from a year earlier, slowing from April's 3.4 percent year-over-year increase. Bank of England launched another round of stimulus, and the European Central Bank said lenders across the region tapped its loan program for a record 1.3 trillion euros. The unemployment rate in the eurozone ticked up to 7.4 percent in May from 7.3 percent in April. Concerned about a persistent decline in inflation, Bank of Canada signaled it would leave its benchmark interest rate unchanged at 0.25 percent for the foreseeable future. Citing risks to the economy stemming from the coronavirus pandemic, Mexico's central bank cut its key interest rate from 5.5 percent to 5 percent. International equities, as measured by the MSCI EAFE Index, rose 3.4 percent in June, advanced 14.9 percent during the second quarter, but are down 11.3 percent since Jan. 1.

BFFI RELEASES ITS 2020 INFORMATION STATEMENT

Everything you need to know about Brethren Foundation Funds and its processes, fees, investment options, and performance is now available in the newly released *2020 Information Statement*. This disclosure resource provides important information about BFFI. Audited financial statements for BFFI's 2019 calendar year are also included in the document.

The *2020 Information Statement* should be reviewed carefully. This year's edition includes —

- a new section inside the front cover that highlights changes made since the previous edition;
- updates that are consistent with changes made to BFFI's *Investment Guidelines*;
- brief introduction of new BFFI Board Investment Committee members;
- an updated discussion of investment risks, including expanded reference to market disruptions, such as the COVID-19 pandemic;
- explanation of BFFI's 29 investment options (20 strategic and nine tactical options);
- an updated definitions section; and
- examples of revised forms that are to be used when initiating transactions outside of the BFFI client portal. The importance of submitting these forms using secure email is emphasized.

A printed copy of the *2020 Information Statement* is being sent with this issue of *Investment Perspective* to the primary contact for all organizational clients who have not registered to use BFFI's online services. All organizational client representatives who have access to BFFI's client portal also have access to an electronic copy of the *2020 Information Statement* and will not receive a printed copy, unless one is specifically requested.



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 June 30, 2020

All periods longer than one year are annualized.



Funds (Net of Investment Fees)	Current Month	Three Months	Year to Date	Three Years	Five Years	Ten Years
Benchmarks (Gross)						
SHORT-TERM						
Short-Term Fund	0.0%	0.3%	0.8%	1.7%	1.2%	0.9%
<i>ICE BofAML 6-Month Treasury Bill Index</i>	0.0%	0.0%	0.9%	2.0%	1.4%	0.8%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund	0.2%	0.5%	1.1%	1.9%	1.8%	2.0%
<i>No Benchmark</i>	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	1.3%	5.4%	8.1%	6.2%	5.0%	4.5%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	0.9%	3.7%	7.2%	5.9%	4.7%	4.1%
Bond Fund	1.7%	5.8%	7.2%	6.0%	5.1%	4.5%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	0.9%	3.7%	7.2%	5.9%	4.7%	4.1%
Treasury Inflation-Protected Securities Fund ¹	1.2%	3.8%	6.2%	4.8%	4.1%	—
<i>Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index</i>	1.1%	4.2%	6.0%	5.0%	3.7%	—
Bank Loans Fund ²	1.7%	10.1%	(4.2)%	—	—	—
<i>S&P/LSTA U.S. Leveraged Loan 100 Index</i>	(0.2)%	6.6%	(3.9)%	—	—	—
High Yield Bond Fund ²	0.5%	10.0%	(2.9)%	3.0%	4.4%	—
<i>Bloomberg Barclays U.S. Corporate High Yield Bond Index</i>	1.0%	10.2%	(3.8)%	3.3%	4.8%	—
Global Aggregate Fixed Income Fund ^{3,4}	—	—	—	—	—	—
<i>Bloomberg Barclays Global Aggregate Index</i>	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Index Fund ¹	2.0%	20.4%	(2.6)%	10.8%	—	—
<i>S&P 500 Index</i>	2.0%	20.5%	(3.1)%	10.7%	—	—
Domestic Stock Mid Cap Fund	0.1%	16.2%	(11.3)%	(0.1)%	1.2%	—
<i>Russell Midcap Index</i>	1.8%	24.6%	(9.1)%	5.8%	6.8%	—
Domestic Stock Growth Fund	2.9%	23.7%	3.7%	12.6%	10.2%	—
<i>Russell 1000 Growth Index</i>	4.4%	27.8%	9.8%	19.0%	15.9%	—
Domestic Stock Fund	1.7%	20.4%	(3.7)%	7.3%	6.3%	11.5%
<i>S&P 500 Index</i>	2.0%	20.5%	(3.1)%	10.7%	10.7%	14.0%
Small Cap Fund	0.7%	20.0%	(1.8)%	16.9%	16.0%	16.4%
<i>Russell 2000 Index</i>	3.5%	25.4%	(13.0)%	2.0%	4.3%	10.5%
INTERNATIONAL EQUITY						
International Stock Core Fund	3.5%	17.3%	(5.0)%	3.8%	4.0%	6.4%
<i>MSCI EAFE Index</i>	3.4%	14.9%	(11.3)%	0.8%	2.1%	5.7%
Emerging Markets Stock Fund ¹	6.0%	19.0%	(19.2)%	(3.8)%	0.3%	—
<i>MSCI Emerging Markets Index</i>	7.4%	18.1%	(9.8)%	1.9%	2.9%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ²	3.9%	10.2%	(18.3)%	(5.1)%	(7.1)%	—
<i>Bloomberg Commodity Total Return Index</i>	2.5%	5.3%	(19.2)%	(6.1)%	(7.6)%	—
Public Real Estate Fund ²	1.4%	8.6%	(15.5)%	(0.1)%	1.3%	—
<i>S&P Developed Property Index</i>	2.2%	10.5%	(19.5)%	(0.4)%	2.6%	—
Multi-Strategy Hedge Fund ^{3,4}	—	—	—	—	—	—
<i>60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
Global Inflation Protection Fund ¹	3.0%	12.3%	(4.6)%	2.0%	3.9%	—
<i>Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%</i>	1.2%	4.3%	5.1%	6.0%	5.0%	—
EQUITY AND FIXED INCOME						
Balanced Fund	1.7%	14.9%	1.7%	7.5%	6.3%	9.1%
<i>Blended Balanced Index</i> ⁵	1.5%	13.7%	1.4%	9.1%	8.6%	10.2%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{3,4}	—	—	—	—	—	—
<i>Blended Conservative Index</i>	—	—	—	—	—	—
Income Fund ¹	1.7%	10.2%	2.2%	5.9%	5.2%	—
<i>Blended Income Index</i>	1.7%	9.0%	2.7%	6.3%	5.6%	—
BVI Income Fund	2.0%	10.8%	2.5%	—	—	—
<i>Blended SRI Income Index</i>	1.8%	9.8%	2.1%	—	—	—
Income & Growth Fund ¹	2.1%	13.3%	(1.0)%	5.6%	5.5%	—
<i>Blended Income & Growth Index</i>	2.2%	12.1%	0.0%	6.4%	6.1%	—
BVI Income & Growth Fund	1.9%	12.8%	0.7%	6.6%	5.9%	—
<i>Blended SRI Income & Growth Index</i>	2.2%	12.1%	0.1%	6.4%	6.0%	—
Growth Fund ¹	2.2%	14.9%	(3.0)%	5.3%	5.4%	—
<i>Blended Growth Index</i>	2.4%	13.7%	(1.4)%	6.4%	6.2%	—
BVI Growth Fund	2.0%	14.9%	(0.8)%	6.9%	6.3%	—
<i>Blended SRI Growth Index</i>	2.5%	14.4%	(2.0)%	6.4%	6.2%	—
Aggressive Growth Fund ¹	2.4%	16.1%	(4.2)%	5.2%	5.3%	—
<i>Blended Aggressive Growth Index</i>	2.6%	14.7%	(2.4)%	6.4%	6.4%	—
BVI Aggressive Growth Fund	2.1%	17.1%	(2.7)%	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	2.8%	16.8%	(4.1)%	—	—	—
U.S. INFLATION						
Consumer Price Index (May 2020) ⁶	0.0%	(0.9)%	(0.3)%	1.6%	1.5%	1.6%

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.