

Investment Perspective

FROM BRETHREN FOUNDATION FUNDS

May 2019



MARKETS AND THE ECONOMY

Continued optimism surrounding the U.S. and China trade negotiations and solid earnings reports buoyed confident investors as the S&P 500 Index rose 4 percent in April. The initial estimate for real GDP during the first quarter revealed the economy grew at an annualized rate of 3.2 percent, up 3.2 percent from a year ago. Net exports, consumer spending, and inventories made the largest positive contributions, while the largest drag on GDP growth was home building. Personal income rose 0.1 percent in March, and is up 3.8 percent in the past year due to a healthy increase in private sector wages and salaries. Personal consumption rose 0.9 percent in March; motor vehicles and parts as well as health care led the way. Spending has increased 4.4 percent in the past year. Retail sales rose 1.6 percent in March, up 3.6 percent versus a year ago. The increase in sales in March was led by auto dealers, gas stations, and non-store retailers. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, ticked up 0.1 percent in April.

The eurozone's GDP increased by an annualized rate of 1.5 percent in the first quarter; this was an increase from the prior quarter's annualized rate of 0.9 percent, and also up from the prior year annualized rate of 1.2 percent. The European Central Bank left its key interest rate unchanged at -0.4 percent. China's economy expanded at an annual rate of 6.4 percent during the first quarter, due to a bounce back in factory production, new real estate construction, and increase in retail sales of household appliances. China enacted policy to loosen credit in order to stimulate lending. Citing risks from economic growth abroad and persistently low inflation, the Bank of Japan stated it would maintain its low interest rate stance until at least the spring of 2020. Similar to other central banks, the Bank of Canada held its benchmark interest rate steady at 1.75 percent, citing lower economic growth projections. Argentina's inflation accelerated to a 12-month pace of 54.7 percent in March. International equities, as measured by the MSCI EAFE Index, rose 2.8 percent in April.

ANNUAL DoD LISTS RELEASED

Each year, as part of its Brethren Values Investing initiatives, Brethren Foundation Funds commissions two lists of companies that earned significant revenue from U.S. military operations in the government's most recently completed fiscal year. One list identifies the top 25 publicly traded defense contractors, based on the size of contracts awarded by the Department of Defense. Centene and KBR are new to the 2019 top 25 list, and Honeywell International and Leonardo SPA dropped off the list. The other list includes all publicly traded companies with market capitalization of more than \$200 million that generated more than 10 percent of their revenue from Department of Defense contracts (39 additional companies).

The lists produced for 2019 were adopted by the BFFI Board during its April meeting. The firms on the lists will be screened from BFFI's self-managed investment portfolios in 2019, as directed by BFFI's Investment Guidelines, as will firms that receive more than 10 percent of their revenue from abortion, alcohol, firearms and other weapons, gambling, pornography, or tobacco. Companies that are egregious violators of environmental regulations or human rights are also screened from BFFI's portfolios. In addition to screening these companies out of its investments, BFFI will not knowingly use the services of any company on the DoD lists or other company in violation of BVI guidelines as listed in BFFI's Investment Guidelines in 2018.

Copies of these two lists are available upon request or at cobbt.org/screening.

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

2019 Top 25 Publicly Traded Defense Contractors

1. Lockheed Martin
2. Boeing
3. Raytheon
4. General Dynamics
5. Northrop Grumman
6. Huntington Ingalls Industries
7. BAE Systems
8. L-3 Technologies
9. Humana
10. UnitedHealth Group
11. McKesson
12. United Technologies
13. Science Applications International
14. General Electric
15. AmerisourceBergen
16. Harris
17. Booz Allen Hamilton Holding
18. Leidos Holdings
19. Centene
20. CACI International
21. Oshkosh
22. Textron
23. AECOM
24. Health Net
25. KBR



Fund Performance Report

for the period ending April 30, 2019



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%	0.6%	0.8%	1.1%	0.8%	0.9%
ICE BofAML 6-Month Treasury Bill Index	0.2%	0.6%	0.9%	1.4%	0.9%	0.6%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ¹	0.2%	0.5%	0.6%	1.7%	1.7%	2.0%
No Benchmark	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	0.0%	2.2%	3.5%	2.2%	2.8%	4.7%
Bloomberg Barclays U.S. Government/Credit Bond Index	0.1%	2.1%	3.3%	2.0%	2.6%	3.9%
Bond Fund	0.1%	2.7%	4.2%	2.4%	3.0%	4.9%
Bloomberg Barclays U.S. Government/Credit Bond Index	0.1%	2.1%	3.3%	2.0%	2.6%	3.9%
Treasury Inflation-Protected Securities Fund ²	0.3%	2.5%	3.5%	2.5%	2.0%	—
Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index	0.3%	2.2%	3.5%	1.7%	1.7%	—
Bank Loans Fund ²	1.9%	3.0%	5.2%	—	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	2.1%	3.6%	7.3%	—	—	—
High Yield Bond Fund ²	2.3%	5.1%	9.3%	7.1%	4.5%	—
Bloomberg Barclays U.S. Corporate High Yield Bond Index	1.4%	4.1%	8.8%	7.7%	4.8%	—
Global Aggregate Fixed Income Fund ^{2,3}	—	—	—	—	—	—
Bloomberg Barclays Global Aggregate Index	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Fund	4.2%	7.9%	16.9%	12.5%	4.4%	10.2%
S&P 500 Index	4.0%	9.5%	18.2%	14.9%	11.6%	15.3%
Domestic Stock Large Cap Core Index Fund ⁴	4.1%	9.4%	17.7%	14.6%	—	—
S&P 500 Index	4.0%	9.5%	18.2%	14.9%	—	—
Domestic Stock Mid Cap Fund	4.3%	11.8%	25.4%	6.4%	4.3%	—
Russell Midcap Index	3.8%	9.2%	21.0%	12.8%	9.7%	—
Domestic Stock Growth Fund	3.8%	10.2%	18.5%	14.0%	10.8%	—
Russell 1000 Growth Index	4.5%	11.3%	21.3%	18.6%	14.5%	—
Domestic Stock Fund	4.0%	10.2%	20.4%	11.4%	7.0%	13.0%
S&P 500 Index	4.0%	9.5%	18.2%	14.9%	11.6%	15.3%
Small Cap Fund	6.9%	20.3%	29.3%	24.5%	18.1%	19.5%
Russell 2000 Index	3.4%	6.5%	18.5%	13.6%	8.6%	14.1%
INTERNATIONAL EQUITY						
International Stock Core Fund	3.1%	8.1%	14.2%	7.5%	2.9%	8.0%
MSCI EAFE Index	2.8%	6.1%	13.1%	7.2%	2.6%	8.0%
Emerging Markets Stock Fund ²	2.0%	1.6%	8.9%	11.0%	3.5%	—
MSCI Emerging Markets Index	2.1%	3.2%	12.2%	11.3%	4.0%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ²	0.3%	2.7%	8.7%	(0.4)%	(10.1)%	—
Bloomberg Commodity Total Return Index	(0.4)%	0.4%	5.9%	(0.7)%	(9.4)%	—
Public Real Estate Fund ²	(1.3)%	2.9%	13.5%	4.1%	4.3%	—
S&P Developed Property Index	(1.4)%	1.9%	12.8%	6.2%	6.6%	—
Multi-Strategy Hedge Fund ^{2,3}	—	—	—	—	—	—
60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index	—	—	—	—	—	—
Global Inflation Protection Fund ²	0.8%	2.0%	6.3%	6.0%	—	—
Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%	0.6%	2.4%	3.7%	3.6%	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	2.5%	7.3%	13.8%	8.0%	5.6%	10.0%
Blended Balanced Index ⁵	2.5%	6.5%	12.1%	9.7%	8.1%	10.9%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{2,3}	—	—	—	—	—	—
Blended Conservative Index	—	—	—	—	—	—
Income Fund ²	1.6%	4.8%	8.5%	5.7%	—	—
Blended Income Index	1.2%	4.0%	7.7%	5.3%	—	—
BVI Income Fund	1.4%	4.9%	8.6%	—	—	—
Blended SRI Income Index	1.4%	4.2%	8.3%	—	—	—
Income & Growth Fund ²	2.2%	5.7%	10.6%	8.1%	4.7%	—
Blended Income & Growth Index	1.9%	5.1%	10.2%	7.4%	5.3%	—
BVI Income & Growth Fund	2.2%	6.6%	11.4%	7.4%	—	—
Blended SRI Income & Growth Index	1.9%	5.1%	10.2%	7.2%	—	—
Growth Fund ²	2.6%	6.2%	11.9%	9.1%	5.0%	—
Blended Growth Index	2.2%	5.6%	11.5%	8.3%	5.7%	—
BVI Growth Fund	2.8%	7.9%	13.6%	8.9%	—	—
Blended SRI Growth Index	2.4%	5.9%	12.1%	8.6%	—	—
Aggressive Growth Fund ²	2.9%	6.7%	12.8%	9.9%	5.0%	—
Blended Aggressive Growth Index	2.5%	5.9%	12.3%	9.1%	6.1%	—
BVI Aggressive Growth Fund	3.4%	8.8%	15.8%	—	—	—
Blended SRI Aggressive Growth Index	2.9%	6.7%	14.0%	—	—	—
U.S. INFLATION						
Consumer Price Index (March 2019) ⁶	0.6%	1.2%	0.9%	2.2%	1.5%	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.