

Investment Perspective

FROM BRETHERN FOUNDATION FUNDS

November 2019

MARKETS AND THE ECONOMY

The S&P 500 Index achieved record highs during October and was up 2.2 percent for the month. The unemployment rate ticked up to 3.6 percent in October from 3.5 percent in September, but job growth remained strong. Personal income rose 0.3 percent in September, up 4.9 percent in the last year. On the spending side, personal consumption increased 0.2 percent in September, up 3.9 percent in the past year. The Federal Reserve cut short-term interest rates by 25 basis points moving the range for the federal funds rate down to between 1.5 percent and 1.75 percent; it will maintain the current stance unless the economic outlook worsens. The U.S. economy grew at an annual rate of 1.9 percent during the third quarter, up 2 percent from a year ago. Consumer spending was the largest contributor while commercial construction was the largest drag. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, rose 0.3 percent in October.

China's economy grew at an annualized rate of 6 percent in the third quarter from a year earlier, down from the prior quarter's 6.2 percent annualized rate of growth. Surging pork prices contributed to China's inflation rate rising 3 percent in September from a year earlier. The United Kingdom's unemployment rate rose to 3.9 percent in the three months up to August 2019 from 3.8 percent in the previous period. Central Bank of India cut its key lending rate to 5.15 percent from 5.4 percent, citing concerns about continued slowdown in the economy. Canada's unemployment rate fell to 5.5 percent in September from 5.7 percent in the previous month. A stagnating economy contributed to Mexico's inflation easing to an annualized rate of 3 percent in September, down from an annualized rate of 3.2 percent in the previous month. Brazil's central bank cut its benchmark interest rate to 5 percent from 5.5 percent. International equities, as measured by the MSCI EAFE Index, rose 3.6 percent in October.

BRETHERN FOUNDATION FUNDS OFFERS ACCESS TO IMPACT INVESTING

The Community Development Investment Fund, one of the investment options offered by Brethren Foundation Funds, provides investors with the opportunity to participate in impact investing. Impact investing is investing that seeks to generate specific beneficial social or environmental outcomes in addition to financial gain.

CDIF assets are invested in Calvert Foundation's Community Investment Notes, which Calvert Foundation in turn lends to borrowers in support of sustainable social and/or environmental goals. Supported initiatives include:

- Banco Pichincha, which provided a loan to fund trainings on sustainable crop management for cocoa producers in Ecuador;
- Central City Concern, which serves single adults and families in the Portland, Oregon, metro area who are impacted by homelessness, poverty, and addiction; and
- One Acre Fund, which finances and trains smallholders in East Africa to grow their way out of hunger and build lasting pathways to prosperity.

In 2018 (most recent data available), \$372,397 in assets under BFFI management helped build or rehabilitate four affordable housing units, establish 31 new enterprises through small and microcredit loans, finance one community facility, support one Fair Trade farmer, and support 86 jobs.

Calvert Foundation has never defaulted on Community Investment Notes payments, but because these notes are unsecured general obligations of Calvert Foundation, and payment of principal and interest depends solely upon the financial condition of Calvert Foundation, the risk level may be higher than for other investment options. Accordingly, we recommend clients allocate only 1 percent of their invested assets to this 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 October 31, 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%	0.5%	1.9%	1.4%	1.0%	0.9%
ICE BofAML 6-Month Treasury Bill Index	0.3%	0.7%	2.3%	1.7%	1.2%	0.7%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ¹	0.2%	0.5%	1.7%	1.8%	1.7%	2.0%
No Benchmark	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	0.2%	2.6%	10.2%	3.7%	3.6%	4.3%
Bloomberg Barclays U.S. Government/Credit Bond Index	0.3%	2.8%	10.0%	3.6%	3.5%	3.9%
Bond Fund	0.2%	2.8%	11.0%	3.9%	3.8%	4.5%
Bloomberg Barclays U.S. Government/Credit Bond Index	0.3%	2.8%	10.0%	3.6%	3.5%	3.9%
Treasury Inflation-Protected Securities Fund ²	(0.2)%	0.9%	7.3%	3.1%	2.5%	—
Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index	0.3%	1.2%	7.9%	2.4%	2.3%	—
Bank Loans Fund ²	(0.4)%	(0.1)%	5.4%	—	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	(0.2)%	0.1%	8.0%	—	—	—
High Yield Bond Fund ²	0.2%	0.7%	12.0%	5.6%	4.9%	—
Bloomberg Barclays U.S. Corporate High Yield Bond Index	0.3%	1.0%	11.7%	6.0%	5.2%	—
Global Aggregate Fixed Income Fund ^{2,3}	—	—	—	—	—	—
Bloomberg Barclays Global Aggregate Index	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Fund	2.0%	2.5%	21.2%	12.3%	4.2%	8.7%
S&P 500 Index	2.2%	2.4%	23.2%	14.9%	10.8%	13.7%
Domestic Stock Large Cap Core Index Fund ⁴	2.0%	2.4%	22.4%	14.7%	—	—
S&P 500 Index	2.2%	2.4%	23.2%	14.9%	—	—
Domestic Stock Mid Cap Fund	0.7%	1.1%	29.0%	7.6%	4.1%	—
Russell Midcap Index	1.1%	0.1%	23.2%	12.3%	8.7%	—
Domestic Stock Growth Fund	1.8%	0.5%	20.4%	13.6%	10.2%	—
Russell 1000 Growth Index	2.8%	2.0%	26.8%	18.9%	13.4%	—
Domestic Stock Fund	1.5%	1.3%	23.7%	11.6%	6.7%	11.5%
S&P 500 Index	2.2%	2.4%	23.2%	14.9%	10.8%	13.7%
Small Cap Fund	1.8%	2.0%	33.7%	25.1%	17.4%	17.5%
Russell 2000 Index	2.6%	(0.4)%	17.2%	11.0%	7.4%	12.3%
INTERNATIONAL EQUITY						
International Stock Core Fund	4.6%	5.3%	17.9%	8.2%	4.8%	5.9%
MSCI EAFE Index	3.6%	3.8%	16.9%	8.5%	4.3%	5.4%
Emerging Markets Stock Fund ²	5.6%	0.1%	4.3%	6.0%	2.3%	—
MSCI Emerging Markets Index	4.2%	1.0%	10.4%	7.4%	2.9%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ²	2.1%	0.4%	7.8%	(1.5)%	(7.2)%	—
Bloomberg Commodity Total Return Index	2.0%	0.8%	5.2%	(0.7)%	(6.7)%	—
Public Real Estate Fund ²	3.3%	5.9%	20.7%	7.9%	4.8%	—
S&P Developed Property Index	2.5%	7.1%	23.4%	9.6%	7.1%	—
Multi-Strategy Hedge Fund ^{2,3}	—	—	—	—	—	—
60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index	—	—	—	—	—	—
Global Inflation Protection Fund ²	1.6%	1.3%	9.6%	5.3%	3.8%	—
Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%	0.4%	1.2%	7.8%	4.1%	4.0%	—
EQUITY AND FIXED INCOME						
Balanced Fund	1.0%	1.9%	18.7%	8.7%	5.7%	8.9%
Blended Balanced Index ⁵	1.4%	2.6%	18.0%	10.5%	8.0%	9.9%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{2,3}	—	—	—	—	—	—
Blended Conservative Index	—	—	—	—	—	—
Income Fund ²	1.2%	2.8%	13.7%	6.5%	4.3%	—
Blended Income Index	1.1%	2.7%	13.5%	6.4%	4.9%	—
BVI Income Fund	1.3%	3.1%	14.3%	—	—	—
Blended SRI Income Index	1.3%	2.7%	13.9%	—	—	—
Income & Growth Fund ²	1.8%	2.4%	14.5%	8.1%	5.1%	—
Blended Income & Growth Index	1.6%	2.5%	15.2%	8.1%	5.8%	—
BVI Income & Growth Fund	1.5%	3.0%	16.8%	8.4%	—	—
Blended SRI Income & Growth Index	1.6%	2.6%	15.4%	8.0%	—	—
Growth Fund ²	2.1%	2.3%	15.1%	8.8%	5.3%	—
Blended Growth Index	1.9%	2.5%	16.2%	8.9%	6.1%	—
BVI Growth Fund	2.0%	3.1%	18.6%	9.7%	—	—
Blended SRI Growth Index	2.0%	2.6%	16.7%	9.1%	—	—
Aggressive Growth Fund ²	2.4%	2.2%	15.5%	9.4%	5.3%	—
Blended Aggressive Growth Index	2.0%	2.4%	16.6%	9.4%	6.4%	—
BVI Aggressive Growth Fund	2.4%	3.2%	20.4%	—	—	—
Blended SRI Aggressive Growth Index	2.4%	2.5%	18.1%	—	—	—
U.S INFLATION						
Consumer Price Index (September 2019) ⁶	0.1%	0.2%	1.9%	2.1%	1.5%	1.7%

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.