

Investment Perspective

FROM BROTHERS FOUNDATION FUNDS

October 2020



MARKETS AND THE ECONOMY

The S&P 500 Index advanced 8.9 percent during the third quarter, building upon the second quarter, but decreased 3.8 percent in September; it is up 5.6 percent since Jan. 1. Hiring gains slowed in September but the unemployment rate dropped to 7.9 percent from 8.4 percent in August. A decline in unemployment benefits contributed to personal income decreasing 2.7 percent in August; however, personal income is up 4.7 percent in the past year. Personal consumption rose 1 percent in August; spending has declined 1.9 percent in the past year. Low interest rates and buyers' preferences toward options in the suburbs contributed to new single-family home sales increasing 4.8 percent in August; sales are up 43.2 percent from a year ago. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, was unchanged in September. It rose 0.8 percent during the third quarter, and is up 8 percent since Jan. 1.

On several fronts, China's economy exhibited signs of improvement while shaking off the effects of the coronavirus pandemic. Its unemployment rate edged down to 5.6 percent in August from 5.7 percent in July. China's retail sales rose 0.5 percent in August from a year earlier, up from July's 1.1 percent year-over-year decline. And its industrial production increased 5.6 percent in August from a year earlier, up from a 4.8 percent year-over-year increase in July. The United Kingdom's economy grew 6.6 percent in July from June, slowed from the 8.7 percent increase in June over May. Manufacturing output in the eurozone remained in an expansionary phase during August. Signaling concerns regarding future economic performance, Canada's central bank left its key interest rate unchanged at 0.25 percent. International equities, as measured by the MSCI EAFE Index, fell 2.6 percent in September, advanced 4.8 percent during the third quarter, and is down 7.1 percent since Jan. 1.

INVESTMENT COMMITTEE MEMBERSHIP CHANGES

The Brethren Foundation Funds Board of Directors has charged its Investment Committee with oversight and direction of the organization's investment program, which manages more than \$182 million in assets. The Investment Committee consists of four individuals. Two members of the committee completed their terms of service in July — Eric Kabler and Tom McCracken. During its July meeting, the Board added one new member to the Investment Committee — Jerry Patterson.

Jerry is a financial adviser and owner of Patterson & Associates in Fairfax, Virginia. He previously served for seven years on this committee, and was elected to serve as chair upon rejoining the BFFI Board this year. He has been in the investment industry since 1994 and is a Chartered Retirement Planning CounselorSM as well as an Accredited Portfolio Management AdviserSM. He maintains his Series 7, Series 63, and Series 65 securities licenses. He is a graduate of University of Maryland, College Park. Jerry is a member of the Manassas (Va.) Church of the Brethren.

The other members of the Investment Committee are Ron Gebhardtshauer, Russ Matteson, and Audrey Myer.

The Brethren Foundation Funds Board of Directors has charged its Investment Committee with oversight and direction of the organization's investment program, which manages more than \$182 million in assets.

Following are current members of the BFFI Board

- **Sara Brenneman**
Hershey, Pa.
- **Eunice Culp**
Goshen, Ind.
- **Ron Gebhardtshauer**
State College, Pa.
- **Kevin Kessler**
Canton, Ill.
- **Dennis Kingery**
San Diego, Calif.
- **Shelly Kontra**
Lancaster, Pa.
- **Russ Matteson**
Modesto, Calif.
- **Audrey Myer**
Elizabethtown, Pa.
- **Jerry Patterson**
Fairfax, Va.
- **Donna Rhodes**
Huntingdon, Pa.
- **Wayne Scott**
Harrisburg, Pa.
- **David Shissler**
Hummelstown, Pa.
- **David Steele (ex-officio)**
Martinsburg, Pa.
- **Nevin Dulabaum (ex-officio)**
Elgin, Ill.



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

1505 Dundee Ave. Elgin, IL 60120 888-311-6530 Fax 847-960-5712 www.brethrenfoundationfunds.org

Fund Performance Report

for the period ending September 30, 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	0.0%	0.0%	0.8%	1.6%	1.1%	0.9%
<i>ICE BofAML 6-Month Treasury Bill Index</i>	0.0%	0.1%	1.0%	1.9%	1.4%	0.8%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ¹	0.2%	0.5%	1.6%	1.9%	1.8%	1.9%
<i>No Benchmark</i>	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	(0.3)%	1.0%	9.1%	6.2%	5.0%	4.2%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	0.0%	0.8%	8.0%	5.9%	4.7%	3.9%
Bond Fund	(0.1)%	1.1%	8.4%	6.1%	5.1%	4.2%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	0.0%	0.8%	8.0%	5.9%	4.7%	3.9%
Treasury Inflation-Protected Securities Fund ²	0.6%	3.4%	9.8%	5.7%	5.1%	3.4%
<i>Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index</i>	(0.4)%	3.0%	9.2%	5.8%	4.6%	3.6%
Bank Loans Fund ²	0.8%	3.5%	(0.8)%	2.6%	—	—
<i>S&P/LSTA U.S. Leveraged Loan 100 Index</i>	0.0%	3.5%	(0.5)%	3.4%	—	—
High Yield Bond Fund ²	(1.1)%	4.6%	1.5%	3.8%	6.2%	6.1%
<i>Bloomberg Barclays U.S. Corporate High Yield Bond Index</i>	(1.0)%	4.6%	0.6%	4.2%	6.8%	6.5%
Global Aggregate Fixed Income Fund ^{2,3}	—	—	—	—	—	—
<i>Bloomberg Barclays Global Aggregate Index</i>	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Index Fund ⁴	(3.8)%	8.8%	6.0%	12.4%	—	—
<i>S&P 500 Index</i>	(3.8)%	8.9%	5.6%	12.3%	—	—
Domestic Stock Mid Cap Fund	(2.1)%	5.8%	(6.2)%	0.0%	4.6%	10.7%
<i>Russell Midcap Index</i>	(1.9)%	7.5%	(2.3)%	7.1%	10.1%	11.8%
Domestic Stock Growth Fund	(4.5)%	10.2%	14.2%	15.8%	13.7%	—
<i>Russell 1000 Growth Index</i>	(4.7)%	13.2%	24.3%	21.7%	20.1%	—
Domestic Stock Fund	(3.5)%	8.3%	4.3%	8.8%	10.2%	11.2%
<i>S&P 500 Index</i>	(3.8)%	8.9%	5.6%	12.3%	14.1%	13.7%
Small Cap Fund	(0.9)%	8.3%	6.4%	16.9%	20.0%	16.3%
<i>Russell 2000 Index</i>	(3.3)%	4.9%	(8.7)%	1.8%	8.0%	9.9%
INTERNATIONAL EQUITY						
International Stock Core Fund	(1.2)%	8.0%	2.6%	4.8%	8.5%	5.8%
<i>MSCI EAFE Index</i>	(2.6)%	4.8%	(7.1)%	0.6%	5.3%	4.6%
Emerging Markets Stock Fund ²	(4.9)%	4.3%	(15.7)%	(4.0)%	5.8%	(0.7)%
<i>MSCI Emerging Markets Index</i>	(1.6)%	9.6%	(1.2)%	2.4%	9.0%	2.5%
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ²	(3.9)%	12.0%	(8.5)%	(3.0)%	(1.7)%	(5.9)%
<i>Bloomberg Commodity Total Return Index</i>	(3.0)%	9.3%	(11.7)%	(4.1)%	(3.0)%	(6.0)%
Public Real Estate Fund ²	(3.5)%	4.1%	(12.0)%	1.1%	2.7%	—
<i>S&P Developed Property Index</i>	(3.0)%	3.1%	(17.0)%	(0.1)%	3.6%	—
Multi-Strategy Hedge Fund ^{2,3}	—	—	—	—	—	—
<i>60% S&P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
Global Inflation Protection Fund ²	(1.9)%	2.4%	(2.3)%	1.8%	6.5%	—
<i>Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%</i>	(0.2)%	3.0%	8.3%	6.6%	5.7%	—
EQUITY AND FIXED INCOME						
Balanced Fund	(2.2)%	5.5%	7.3%	8.5%	8.6%	8.8%
<i>Blended Balanced Index ⁵</i>	(2.3)%	5.7%	7.2%	10.1%	10.6%	10.0%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{2,3}	—	—	—	—	—	—
<i>Blended Conservative Index</i>	—	—	—	—	—	—
Income Fund ²	(1.2)%	3.6%	5.9%	6.4%	7.0%	—
<i>Blended Income Index</i>	(1.2)%	3.4%	6.2%	6.7%	6.9%	—
BVI Income Fund	(1.2)%	3.9%	6.5%	—	—	—
<i>Blended SRI Income Index</i>	(1.3)%	3.7%	5.9%	—	—	—
Income & Growth Fund ²	(1.9)%	5.2%	4.1%	6.3%	8.3%	—
<i>Blended Income & Growth Index</i>	(1.8)%	5.0%	4.9%	7.0%	8.1%	—
BVI Income & Growth Fund	(1.5)%	4.9%	5.6%	7.2%	8.3%	—
<i>Blended SRI Income & Growth Index</i>	(1.8)%	4.8%	4.9%	6.9%	8.0%	—
Growth Fund ²	(2.2)%	6.0%	2.7%	6.1%	8.7%	—
<i>Blended Growth Index</i>	(2.1)%	5.7%	4.2%	7.1%	8.7%	—
BVI Growth Fund	(1.8)%	6.1%	5.2%	7.7%	9.3%	—
<i>Blended SRI Growth Index</i>	(2.3)%	5.9%	3.8%	7.1%	8.8%	—
Aggressive Growth Fund ²	(2.3)%	6.5%	2.1%	6.0%	9.1%	—
<i>Blended Aggressive Growth Index</i>	(2.3)%	6.2%	3.7%	7.2%	9.1%	—
BVI Aggressive Growth Fund	(2.2)%	7.1%	4.3%	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	(2.7)%	7.0%	2.6%	—	—	—
U.S. INFLATION						
Consumer Price Index (August 2020) ⁶	0.3%	1.4%	1.1%	1.9%	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.