Markets and the Economy

With the Federal Reserve Bank signaling a pause in the pace of interest rate increases, and corporate earnings extending their gains, the S&P 500 Index rose 8 percent in January. Employment figures revealed another report of robust hiring, but due in part to furloughed government employees the unemployment rate rose to 4 percent in January from 3.9 percent in December. New single-family home sales increased 16.9 percent in November; sales are down 7.7 percent from a year ago. With a slowdown in sales in each of the four major geographic regions for both single-family and condos/coops, existing home sales decreased 6.4 percent in December, down 10.3 percent from a year ago. Due largely to a 3.5 percent decline in energy prices, the consumer price index declined 0.3 percent in December; the CPI is up 1.9 percent from a year ago. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, increased 1.2 percent in January.

China grew at an annualized rate of 6.4 percent during the fourth quarter, down from the prior quarter’s annualized rate of 6.5 percent because of weakening in manufacturing, investment, and consumer spending. China grew 6.6 percent during all of 2018, down from 6.8 percent in 2017. Concerns about weak economic data and political uncertainty contributed to the European Central Bank re-evaluating plans to tighten monetary policy this year. This was an about-face from last month’s stance. Unemployment in the eurozone ticked down to 7.9 percent in November from 8 percent in October. With weak inflation and economic pressures emanating from the trade war between its largest partners, China and the U.S., the Bank of Japan kept its monetary policy on hold. Citing weak global oil prices and their potential impact on economic growth in 2019, the Bank of Canada held its benchmark interest rate steady at 1.75 percent. International equities, as measured by the MSCI EAFE Index, rose 6.6 percent in January.

Walden oversees a custom portfolio for BFFI that complies with BFFI’s Investment Guidelines, including the Brethren Values Investing screens that are based on positions established by the Church of the Brethren Annual Conference.

Brethren Foundation Funds Selects New Domestic Stock Mid Cap Manager

Walden Asset Management has been selected to serve as Brethren Foundation Funds’ domestic mid cap investment manager. Walden Asset Management is the sustainable, responsible, and impact practice of Boston Trust & Investment Management Company, which provides environmental, social, and governance (ESG) investing. The Boston-based registered investment adviser was established in 1974, has been employee-owned since 2004, and has $9 billion in assets under management. Walden will begin managing the assets of BFFI’s Domestic Stock Mid Cap Fund on March 1.

Like the managers for BFFI’s other separately managed investment options, Walden oversees a custom portfolio for BFFI that complies with BFFI’s Investment Guidelines, including the Brethren Values Investing screens that are based on positions established by the Church of the Brethren Annual Conference. Walden’s history of ESG investing provides a strong platform for the management of BFFI’s assets. Because Walden’s screening criteria aligns with BVI guidelines, no companies will be screened from the Walden Mid Cap portfolio.

Walden’s asset management will affect the Domestic Stock Mid Cap Fund and two other strategic investment options that hold a position in the Domestic Stock Mid Cap Fund — the Domestic Stock Fund (33 percent) and the Balanced Fund (20 percent). All tactical funds, except the Conservative Fund, can hold a position in the Domestic Stock Mid Cap Fund. Walden replaces Iridian Asset Management, which was unable to meet BFFI’s performance expectations.

Please contact Steve Mason, director of Brethren Foundation, with questions or comments.
## Fund Performance Report

for the period ending January 31, 2019

### Funds (Net of Investment Fees)

<table>
<thead>
<tr>
<th>Benchmarks (Gross)</th>
<th>Current Month</th>
<th>Three Months</th>
<th>Year-to-Date</th>
<th>Three Years</th>
<th>Five Years</th>
<th>Ten Years</th>
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<td><strong>SHORT-TERM</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Short-Term Fund</td>
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<td>0.2%</td>
<td>1.0%</td>
<td>0.7%</td>
<td>0.9%</td>
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<td>ICE BofAML 6-Month Treasury Bill Index</td>
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<td>0.7%</td>
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<td>0.5%</td>
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<td><strong>COMMUNITY DEVELOPMENT</strong></td>
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<tr>
<td>Community Development Investment Fund</td>
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<td>0.4%</td>
<td>0.1%</td>
<td>1.6%</td>
<td>1.7%</td>
<td>2.0%</td>
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<tr>
<td>No Benchmark</td>
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<tr>
<td><strong>FIXED INCOME</strong></td>
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<tr>
<td>Bond Core Fund</td>
<td>1.3%</td>
<td>3.5%</td>
<td>1.3%</td>
<td>2.4%</td>
<td>2.6%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Bloomberg Barclays U.S. Government/Credit Bond Index</td>
<td>1.2%</td>
<td>3.3%</td>
<td>1.2%</td>
<td>2.1%</td>
<td>2.5%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Bond Fund</td>
<td>1.5%</td>
<td>3.3%</td>
<td>1.5%</td>
<td>2.6%</td>
<td>2.7%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Bloomberg Barclays U.S. Government/Credit Bond Index</td>
<td>1.2%</td>
<td>3.3%</td>
<td>1.2%</td>
<td>2.1%</td>
<td>2.5%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Treasury Inflation-Protected Securities Fund</td>
<td>1.0%</td>
<td>1.7%</td>
<td>1.0%</td>
<td>2.8%</td>
<td>1.8%</td>
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</tr>
<tr>
<td>Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index</td>
<td>1.3%</td>
<td>2.1%</td>
<td>1.3%</td>
<td>2.1%</td>
<td>1.6%</td>
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</tr>
<tr>
<td>Bank Loans Fund</td>
<td>2.1%</td>
<td>(1.1)%</td>
<td>2.1%</td>
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</tr>
<tr>
<td>S&amp;P/LPLST U.S. Leveraged Loan 100 Index</td>
<td>3.6%</td>
<td>(0.6)%</td>
<td>3.6%</td>
<td>16.6%</td>
<td>13.0%</td>
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</tr>
<tr>
<td>High Yield Bond Fund</td>
<td>4.0%</td>
<td>0.2%</td>
<td>4.0%</td>
<td>7.8%</td>
<td>4.1%</td>
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<tr>
<td>Bloomberg Barclays U.S. Corporate High Yield Bond Index</td>
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<td>4.5%</td>
<td>9.4%</td>
<td>4.6%</td>
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<tr>
<td>Global Aggregate Fixed Income Fund</td>
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<tr>
<td>Bloomberg Barclays Global Aggregate Index</td>
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<tr>
<td><strong>DOMESTIC EQUITY</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Domestic Stock Large Cap Core Fund</td>
<td>8.4%</td>
<td>0.1%</td>
<td>8.4%</td>
<td>11.5%</td>
<td>4.4%</td>
<td>9.8%</td>
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<tr>
<td>S&amp;P 500 Index</td>
<td>8.0%</td>
<td>0.3%</td>
<td>8.0%</td>
<td>14.0%</td>
<td>11.0%</td>
<td>15.0%</td>
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<tr>
<td>Domestic Stock Large Cap Core Index Fund</td>
<td>7.6%</td>
<td>0.6%</td>
<td>7.6%</td>
<td>13.6%</td>
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<tr>
<td>S&amp;P 500 Index</td>
<td>8.0%</td>
<td>0.3%</td>
<td>8.0%</td>
<td>14.0%</td>
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</tr>
<tr>
<td>Domestic Stock Mid Cap Fund</td>
<td>12.2%</td>
<td>0.5%</td>
<td>12.2%</td>
<td>5.5%</td>
<td>3.1%</td>
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<tr>
<td>Russell Midcap Index</td>
<td>10.8%</td>
<td>2.3%</td>
<td>10.8%</td>
<td>13.3%</td>
<td>8.9%</td>
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<tr>
<td>Domestic Stock Growth Fund</td>
<td>7.5%</td>
<td>(0.6)%</td>
<td>7.5%</td>
<td>12.6%</td>
<td>9.4%</td>
<td>---</td>
</tr>
<tr>
<td>Russell 1000 Growth Index</td>
<td>9.6%</td>
<td>0.7%</td>
<td>9.6%</td>
<td>16.6%</td>
<td>13.0%</td>
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<tr>
<td>Domestic Stock Fund</td>
<td>9.2%</td>
<td>0.2%</td>
<td>9.2%</td>
<td>10.3%</td>
<td>6.1%</td>
<td>12.8%</td>
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<tr>
<td>S&amp;P 500 Index</td>
<td>8.0%</td>
<td>0.3%</td>
<td>8.0%</td>
<td>14.0%</td>
<td>11.0%</td>
<td>15.0%</td>
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<tr>
<td>Small Cap Fund</td>
<td>7.5%</td>
<td>1.3%</td>
<td>7.5%</td>
<td>21.5%</td>
<td>14.1%</td>
<td>18.3%</td>
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<tr>
<td>Russell 2000 Index</td>
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<td>(0.4)%</td>
<td>11.2%</td>
<td>14.7%</td>
<td>7.3%</td>
<td>14.5%</td>
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<tr>
<td><strong>INTERNATIONAL EQUITY</strong></td>
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<tr>
<td>International Stock Core Fund</td>
<td>5.6%</td>
<td>0.6%</td>
<td>5.6%</td>
<td>7.2%</td>
<td>2.3%</td>
<td>7.8%</td>
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<tr>
<td>MSCI EAFE Index</td>
<td>6.6%</td>
<td>1.3%</td>
<td>6.6%</td>
<td>7.7%</td>
<td>2.7%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Emerging Markets Stock Fund</td>
<td>7.1%</td>
<td>9.0%</td>
<td>7.1%</td>
<td>18.1%</td>
<td>4.6%</td>
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</tr>
<tr>
<td>MSCI Emerging Markets Index</td>
<td>8.8%</td>
<td>10.2%</td>
<td>8.6%</td>
<td>14.9%</td>
<td>4.8%</td>
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<td><strong>ALTERNATIVE INVESTMENTS</strong></td>
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<td></td>
</tr>
<tr>
<td>Commodities-Based Fund</td>
<td>5.9%</td>
<td>(3.4)%</td>
<td>5.9%</td>
<td>2.9%</td>
<td>(8.8)%</td>
<td>---</td>
</tr>
<tr>
<td>Bloomberg Commodity Total Return Index</td>
<td>5.4%</td>
<td>(12.4)%</td>
<td>5.4%</td>
<td>2.7%</td>
<td>(7.9)%</td>
<td>---</td>
</tr>
<tr>
<td>Public Real Estate Fund</td>
<td>10.5%</td>
<td>7.4%</td>
<td>10.5%</td>
<td>7.1%</td>
<td>5.1%</td>
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</tr>
<tr>
<td>S&amp;P Developed Property Index</td>
<td>10.7%</td>
<td>8.9%</td>
<td>10.7%</td>
<td>9.1%</td>
<td>7.5%</td>
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</tr>
<tr>
<td>Multi-Strategy Hedge Fund</td>
<td>---</td>
<td>---</td>
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</tr>
<tr>
<td>60% S&amp;P 500 Index/40% Bloomberg Barclays U.S. Aggregate Bond Index</td>
<td>---</td>
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</tr>
<tr>
<td>Global Inflation Protection Fund</td>
<td>4.2%</td>
<td>3.6%</td>
<td>4.2%</td>
<td>8.6%</td>
<td>---</td>
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</tr>
<tr>
<td>Bloomberg Barclays U.S. TIPS 1-10 Year Index +2%</td>
<td>1.3%</td>
<td>2.4%</td>
<td>1.3%</td>
<td>3.8%</td>
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<tr>
<td><strong>EQUITY AND FIXED INCOME</strong></td>
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<tr>
<td>Balanced Fund</td>
<td>6.1%</td>
<td>1.8%</td>
<td>6.1%</td>
<td>7.3%</td>
<td>4.9%</td>
<td>9.6%</td>
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<tr>
<td>Blended Balanced Index</td>
<td>5.3%</td>
<td>1.7%</td>
<td>5.3%</td>
<td>9.3%</td>
<td>7.7%</td>
<td>10.6%</td>
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<tr>
<td><strong>TACTICAL FUNDS (additional fees apply)</strong></td>
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<td>Conservative Fund</td>
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<td>Blended Conservative Index</td>
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</tr>
<tr>
<td>Income Fund</td>
<td>3.5%</td>
<td>2.0%</td>
<td>3.5%</td>
<td>5.8%</td>
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</tr>
<tr>
<td>Blended Income Index</td>
<td>3.5%</td>
<td>2.9%</td>
<td>3.5%</td>
<td>5.5%</td>
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</tr>
<tr>
<td>BVI Income Fund</td>
<td>3.5%</td>
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<td>3.5%</td>
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<tr>
<td>Blended SRI Income Index</td>
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<td>3.9%</td>
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<tr>
<td>Income &amp; Growth Fund</td>
<td>4.6%</td>
<td>2.2%</td>
<td>4.6%</td>
<td>8.7%</td>
<td>4.4%</td>
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<tr>
<td>Blended Income &amp; Growth Index</td>
<td>4.9%</td>
<td>2.6%</td>
<td>4.9%</td>
<td>7.6%</td>
<td>5.1%</td>
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<td>BVI Income &amp; Growth Fund</td>
<td>4.6%</td>
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<td>4.6%</td>
<td>7.1%</td>
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<tr>
<td>Blended SRI Income &amp; Growth Index</td>
<td>4.9%</td>
<td>2.6%</td>
<td>4.9%</td>
<td>7.4%</td>
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<tr>
<td>Growth Fund</td>
<td>5.3%</td>
<td>2.2%</td>
<td>5.3%</td>
<td>9.8%</td>
<td>4.7%</td>
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<td>Blended Growth Index</td>
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<td>5.6%</td>
<td>8.5%</td>
<td>5.5%</td>
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<tr>
<td>BVI Growth Fund</td>
<td>5.3%</td>
<td>1.5%</td>
<td>5.3%</td>
<td>8.3%</td>
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<tr>
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<td>5.9%</td>
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<td>5.9%</td>
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<tr>
<td>Aggressive Growth Fund</td>
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<td>10.7%</td>
<td>4.2%</td>
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<tr>
<td>Blended Aggressive Growth Index</td>
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<td>2.2%</td>
<td>6.0%</td>
<td>9.5%</td>
<td>5.9%</td>
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<tr>
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<td>6.4%</td>
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<tr>
<td>Blended SRI Aggressive Growth Index</td>
<td>6.5%</td>
<td>2.1%</td>
<td>6.5%</td>
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<tr>
<td><strong>US INFLATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Consumer Price Index (December 2018)</td>
<td>(0.3)%</td>
<td>(0.5)%</td>
<td>(0.3)%</td>
<td>2.0%</td>
<td>1.5%</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

*Changed May 1, 2009. 10-year blended with 90-day Treasury Bill. **CDIF interest accrues on a daily basis. *These 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. *No assets invested in this fund. Expect to match benchmark gross of fees. Typically, will not match benchmark net of fees and due to required cash position. **Weighted average of the S&P 500 Index (60 percent) and the Bloomberg Barclays U.S. Capital Government/Credit Bond Index (40 percent). *Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are seasonally weighted.