



The Brethren Foundation Funds Board of Directors has charged its Investment Committee with oversight and direction of the organization's investment program, which manages nearly \$162 million in assets.



Investment Perspective

FROM BRETHREN FOUNDATION FUNDS

MARCH 2017

MARKETS AND THE ECONOMY

The S&P 500 Index logged record highs in February, rising 4 percent. Year-to-date performance of 5.9 percent is a stark reversal of last year's performance of negative 5.1 percent during the same period. The Federal Reserve signaled a potential rate increase in March as the economy continues to strengthen. Despite strong job growth, the unemployment rate ticked up to 4.8 percent in January from a post-financial-crisis low of 4.6 percent in December, as more Americans looked for work. Personal income increased 0.4 percent in January, up 4 percent in the past year. Personal consumption rose 0.2 percent in January, up 4.7 percent in the past year. The bond market, as measured by the Bloomberg Barclays Government/Credit Index, rose 0.8 percent in February.

Inflation in the European Union was 2 percent higher in February than a year earlier, driven by the rise in energy prices. The Bank of England held its benchmark interest rate steady at 0.25 percent and agreed to halt purchases of government bonds as part of its monetary stimulus. Japan's fourth quarter GDP grew at an annualized rate of 1 percent, as weak consumer spending offset a pickup in exports and business investment. China's manufacturing sector expanded in February over the prior month. During the fourth quarter, India's economy grew at an annualized rate of 7 percent from a year ago; consumption was constrained by the removal of cash from circulation in an effort to crack down on corruption. International equities, as measured by the MSCI EAFE Index, rose 1.4 percent in February.

MEET THE INVESTMENT COMMITTEE

The Brethren Foundation Funds Board of Directors has charged its Investment Committee with oversight and direction of the organization's investment program, which manages nearly \$162 million in assets. The Investment Committee consists of the following four individuals —

Eric Kabler is a financial adviser and managing partner for Kabler/Thomas Financial Group in Johnstown, Pa., which he established in 2001. Eric has been in the investment industry since 1989 and maintains his Series 7, Series 24, and Series 63 securities licenses. He is a graduate of Slippery Rock University of Pennsylvania. Eric is an ordained minister and member of Moxham Church of the Brethren in Johnstown, Pa.

Tom McCracken is a first vice president-financial adviser with RBC Wealth Management in York, Pa. Tom has been in the securities industry since 1998, is a Professional Plan Consultant™, and maintains his Series 7 and Series 66 securities licenses as well as health and life insurance licenses. He is a graduate of York College of Pennsylvania. Tom is a member of York (Pa.) First Church of the Brethren.

Jerry Patterson is a financial adviser and owner of Patterson & Associates in Burke, Va. Jerry has been in the investment industry since 1994. He is a Chartered Retirement Planning CounselorSM and 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 Manassas (Va.) Church of the Brethren.

Harry Rhodes is an owner of Rhodes, Butler & Dellinger PC, a law firm in Roanoke, Va. Harry has been practicing law since 1976, with an emphasis on estate planning and employee benefits. He is a graduate of University of North Carolina and University of Virginia School of Law and a member of the Virginia Bar Association and the American Bar Association. Harry is a member of Central Church of the Brethren in Roanoke, Va.

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

Fund Performance Report

for the period ending Feb 28, 2017



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	0.1%	0.2%	0.1%	0.3%	0.5%	1.4%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.1%	0.2%	0.1%	0.4%	0.3%	0.7%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.3%	0.5%	0.4%	1.7%	1.9%	2.3%
<i>No Benchmark</i>	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	0.7%	1.2%	1.0%	2.8%	2.7%	4.8%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	0.8%	1.3%	1.0%	2.7%	2.3%	4.3%
Bond Fund	0.8%	1.2%	1.3%	3.1%	2.8%	4.9%
<i>Bloomberg Barclays U.S. Government/Credit Bond Index</i>	0.8%	1.3%	1.0%	2.7%	2.3%	4.3%
Treasury Inflation-Protected Securities Fund ³	0.6%	0.9%	1.4%	1.4%	0.0%	—
<i>Bloomberg Barclays U.S. TIPS Index</i>	0.5%	1.2%	1.3%	1.9%	0.8%	—
Bank Loans Fund ^{3,4}	—	—	—	—	—	—
<i>S&P/LSTA U.S. Leveraged Loan 100 Index</i>	—	—	—	—	—	—
High Yield Bond Fund ³	1.4%	5.4%	3.0%	4.9%	6.9%	—
<i>Bloomberg Barclays U.S. Corporate High Yield Bond Index</i>	1.5%	4.8%	2.9%	4.7%	6.8%	—
Global Aggregate Fixed Income Fund ³	2.0%	—	2.8%	—	—	—
<i>Bloomberg Barclays Global Aggregate Bond Index</i>	0.5%	—	1.6%	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Fund	4.7%	8.1%	6.2%	2.2%	7.7%	4.9%
<i>S&P 500 Index</i>	4.0%	8.0%	5.9%	10.6%	14.0%	7.6%
Domestic Stock Large Cap Core Index Fund ⁵	3.8%	7.9%	5.8%	—	—	—
<i>S&P 500 Index</i>	4.0%	8.0%	5.9%	—	—	—
Domestic Stock Mid Cap Fund	2.4%	8.2%	7.2%	3.9%	13.2%	—
<i>Russell Midcap Index</i>	2.8%	6.5%	5.3%	8.4%	13.6%	—
Domestic Stock Growth Fund	2.4%	5.1%	4.9%	7.3%	11.3%	—
<i>Russell 1000 Growth Index</i>	4.2%	9.0%	7.7%	10.5%	13.8%	—
Domestic Stock Fund	3.0%	7.1%	6.1%	4.8%	10.9%	7.4%
<i>S&P 500 Index</i>	4.0%	8.0%	5.9%	10.6%	14.0%	7.6%
Small Cap Fund	2.1%	7.4%	6.1%	11.9%	12.4%	9.8%
<i>Russell 2000 Index</i>	1.9%	5.2%	2.3%	6.9%	12.9%	7.2%
INTERNATIONAL EQUITY						
International Stock Core Fund	0.6%	7.1%	4.8%	(1.0)%	3.9%	0.9%
<i>MSCI EAFE Index</i>	1.4%	7.9%	4.4%	(0.6)%	5.2%	1.0%
Emerging Markets Stock Fund ³	4.6%	12.2%	11.5%	2.7%	(0.3)%	—
<i>MSCI Emerging Markets Index</i>	3.1%	8.9%	8.7%	1.4%	(0.4)%	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ³	0.3%	4.7%	0.3%	(13.6)%	(10.5)%	—
<i>Bloomberg Commodity Total Return Index</i>	0.2%	2.2%	0.3%	(13.0)%	(9.8)%	—
Public Real Estate Fund ³	4.1%	5.4%	4.2%	4.1%	5.6%	—
<i>S&P Developed Property Index</i>	3.3%	6.9%	4.1%	7.2%	9.4%	—
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 ³	2.0%	6.3%	6.7%	—	—	—
<i>CPI + 5%</i> ⁶	1.0%	1.7%	1.4%	—	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	2.1%	4.7%	4.1%	4.2%	7.8%	6.8%
<i>Blended Balanced Index</i> ⁷	2.7%	5.3%	4.0%	7.5%	9.3%	6.6%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ³	0.1%	0.4%	0.3%	—	—	—
<i>Blended Conservative Index</i>	0.1%	0.3%	0.2%	—	—	—
Income Fund ³	1.2%	4.0%	2.8%	—	—	—
<i>Blended Income Index</i>	1.5%	3.6%	2.6%	—	—	—
BVI Income Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
Income & Growth Fund ³	1.9%	5.8%	4.4%	3.2%	—	—
<i>Blended Income & Growth Index</i>	1.9%	4.9%	3.6%	4.2%	—	—
BVI Income & Growth Fund	1.8%	4.9%	3.9%	—	—	—
<i>Blended SRI Income & Growth Index</i>	1.9%	4.9%	3.5%	—	—	—
Growth Fund ³	2.1%	6.5%	5.0%	3.2%	—	—
<i>Blended Growth Index</i>	2.1%	5.6%	4.0%	4.4%	—	—
BVI Growth Fund	1.9%	5.8%	4.4%	—	—	—
<i>Blended SRI Growth Index</i>	2.2%	5.9%	4.2%	—	—	—
Aggressive Growth Fund ³	2.4%	7.2%	5.6%	2.8%	—	—
<i>Blended Aggressive Growth Index</i>	2.2%	6.0%	4.3%	4.7%	—	—
BVI Aggressive Growth Fund ⁴	—	—	—	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	—	—	—	—	—	—
U.S. INFLATION						
Consumer Price Index (January 2017) ⁶	0.6%	0.5%	0.6%	1.3%	1.4%	1.8%

¹Changed May 1, 2009. 10-year blended with 90-day Treasury Bill. ²CDIF interest accrues on a daily basis. ³These investment funds may not meet socially responsible investing guidelines because they are invested in mutual funds. All other investment funds must meet socially responsible investing guidelines. ⁴No assets invested in this fund. ⁵Expected to match benchmark gross of fees. Typically, will not match benchmark net of fees and due to required cash position. ⁶Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted. ⁷Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).