



Investment Perspective

FROM BRETHREN FOUNDATION FUNDS

MAY 2015

MARKETS AND THE ECONOMY

Though the S&P 500 Index had reached a new all-time high earlier in April, weak economic growth reported at the end of the month fueled a reversal in gains that resulted in a 1 percent increase for the month. Tepid March employment data left the unemployment rate unchanged at 5.5 percent. Harsh winter weather, a stronger dollar, disruptions at West Coast ports, and cheaper oil contributed to the U.S. economy growing at a mere 0.2 percent annual rate during the first quarter. Driven in part by rising energy prices, the consumer price index rose a seasonally adjusted 0.7 percent in March from a month earlier. U.S. average hourly earnings ticked up 0.3 percent in March from February; when factoring in inflation, real earnings rose only 0.1 percent. The Fed removed all calendar references of any move to raise its key interest rate. The bond market, as measured by the Barclays Capital Government/Credit Index, declined 0.5 percent.

China's economy expanded 7 percent year-to-year in the first quarter, a slowdown from 7.3 percent in the fourth quarter. In its latest effort to boost the Chinese economy, China's central bank cut banks' reserve requirement by one percentage point, its second reduction in less than three months. Excluding the consumption sales tax hike implemented in April 2014, Japan's consumer price index rose 0.2 percent in March from a year earlier, while its jobless rate fell to 3.4 percent. Hurt by a slowdown in business, financial services and manufacturing, and a decline in mining and construction, United Kingdom GDP expanded 0.3 percent in the first quarter over the previous quarter. In March, eurozone unemployment remained at 11.3 percent, and a weaker euro spurred exports and an increase in manufacturing activity; eurozone consumer prices were unchanged in April from a year earlier. International equities, as measured by the MSCI EAFE Index, increased 4.2 percent in April.

ANNUAL LISTS OF PUBLICLY TRADED DEPARTMENT OF DEFENSE CONTRACTORS RELEASED

Each year, as part of its socially responsible investing initiatives, Brethren Foundation Funds Inc. 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. The other list includes all publicly traded companies (63 additional companies) that generated more than 10 percent of their revenue from Department of Defense contracts. The lists produced for 2015 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 2015, 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. In addition to screening these companies out of its investments, BFFI will not use any of their services — or the services of any other company that appears on these lists — in 2015.

Several household names appear on the Department of Defense lists, such as General Electric, Hewlett-Packard, and Royal Dutch Shell, which is also a new company on the top 25 list this year. Other companies new to the top 25 list are UnitedHealth Group, AECOM, McKesson, and Honeywell International.

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

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

Top 25 Publicly Traded Defense Contractors for 2015

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





All periods longer than one year are annualized.

Fund Performance Report

for the period ending April 30, 2015

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	0.0%	0.1%	0.2%	0.5%	0.7%	2.1%
Merrill Lynch 6-Month Treasury Bill Index ¹	0.0%	0.1%	0.1%	0.2%	0.2%	1.4%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund²	0.1%	0.4%	0.6%	2.0%	2.2%	2.6%
No Benchmark	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	(0.6)%	(1.3)%	1.3%	3.3%	4.8%	5.2%
Barclays Capital U.S. Government/Credit Bond Index	(0.5)%	(1.3)%	1.3%	2.7%	4.4%	4.7%
Bond Fund	(0.6)%	(1.5)%	1.1%	3.3%	4.8%	5.3%
Barclays Capital U.S. Government/Credit Bond Index	(0.5)%	(1.3)%	1.3%	2.7%	4.4%	4.7%
Treasury Inflation-Protected Securities Fund³	0.8%	(0.5)%	2.2%	(0.6)%	—	—
Barclays Capital U.S. TIPS Index	0.7%	(0.9)%	2.2%	0.2%	—	—
Bank Loans Fund^{3,4}	—	—	—	—	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	—	—	—	—	—	—
High Yield Bond Fund³	1.3%	3.6%	4.4%	7.8%	—	—
Barclays Capital U.S. Corporate High Yield Bond Index	1.2%	3.1%	3.8%	7.5%	—	—
Global Aggregate Fixed Income Fund^{3,4}	—	—	—	—	—	—
Barclays Capital Global Aggregate Bond Index	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Core Fund	2.0%	3.8%	(4.0)%	12.4%	10.2%	7.1%
S&P 500 Index	1.0%	5.1%	1.9%	16.7%	14.3%	8.3%
Domestic Stock Mid Cap Fund	0.7%	7.8%	3.2%	21.3%	—	—
Russell Midcap Index	(0.5)%	4.6%	3.0%	17.9%	—	—
Domestic Stock Growth Fund	0.9%	8.8%	5.8%	14.3%	—	—
Russell 1000 Growth Index	0.5%	6.0%	4.4%	16.6%	—	—
Domestic Stock Fund	1.2%	6.9%	1.7%	16.0%	14.3%	9.2%
S&P 500 Index	1.0%	5.1%	1.9%	16.7%	14.3%	8.3%
Small Cap Fund	(1.6)%	5.5%	1.9%	12.4%	14.3%	11.1%
Russell 2000 Index	(2.6)%	5.0%	1.7%	15.9%	12.7%	9.2%
INTERNATIONAL EQUITY						
International Stock Core Fund	4.3%	9.3%	9.5%	8.9%	7.0%	5.4%
MSCI EAFE Index	4.2%	8.8%	9.4%	11.7%	7.9%	6.1%
Emerging Markets Stock Fund³	10.3%	9.5%	10.5%	2.5%	—	—
MSCI Emerging Markets Index	7.7%	9.5%	10.2%	3.6%	—	—
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund³	4.4%	4.1%	(1.6)%	(11.1)%	—	—
Bloomberg Commodity Total Return Index	5.7%	2.9%	(0.5)%	(9.7)%	—	—
Public Real Estate Fund³	(2.2)%	(3.5)%	1.8%	8.7%	—	—
S&P Developed Property Index	(0.9)%	(0.7)%	3.8%	12.3%	—	—
Multi-Strategy Hedge Fund^{3,4}	—	—	—	—	—	—
60% S&P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index	—	—	—	—	—	—
Global Inflation Protection Fund	2.9%	2.2%	5.7%	—	—	—
CPI + 5% ⁵	1.1%	1.9%	1.6%	—	—	—
EQUITY AND FIXED INCOME						
Balanced Fund	0.5%	3.4%	1.5%	11.0%	10.7%	8.0%
Blended Balanced Index ⁶	0.4%	2.5%	1.8%	11.1%	10.5%	7.2%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund^{3,4}	—	—	—	—	—	—
Blended Conservative Index	—	—	—	—	—	—
Income Fund³	0.7%	1.3%	1.9%	—	—	—
Blended Income Index	0.5%	1.5%	2.6%	—	—	—
SRI Income Fund⁴	—	—	—	—	—	—
Blended SRI Income Index	—	—	—	—	—	—
Income & Growth Fund³	1.8%	3.7%	2.7%	—	—	—
Blended Income & Growth Index	0.9%	3.3%	3.4%	—	—	—
SRI Income & Growth Fund⁴	—	—	—	—	—	—
Blended SRI Income & Growth Index	—	—	—	—	—	—
Growth Fund³	2.3%	4.8%	3.2%	—	—	—
Blended Growth Index	1.0%	4.0%	3.7%	—	—	—
SRI Growth Fund	1.3%	4.7%	2.6%	—	—	—
Blended SRI Growth Index	0.5%	3.9%	3.5%	—	—	—
Aggressive Growth Fund³	3.1%	5.8%	3.7%	—	—	—
Blended Aggressive Growth Index	1.7%	4.8%	4.0%	—	—	—
SRI Aggressive Growth Fund⁴	—	—	—	—	—	—
Blended SRI Aggressive Growth Index	—	—	—	—	—	—
U.S. INFLATION						
Consumer Price Index (March 2015)⁵	0.7%	0.7%	(0.1)%	0.7%	1.5%	1.8%

¹ Changed May 1, 2009. 10-year blended with 90-day Treasury Bill. ² CDIF interest accrues on a daily basis. ³ These 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. ⁴ No assets invested in this fund. ⁵ Most recent data available. CPI data are from the All U.S. Urban Consumers Chained CPI Index and are not seasonally adjusted. ⁶ Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).