



# Investment Perspective

FROM BRETHERN FOUNDATION

OCTOBER 2012

## MARKETS AND THE ECONOMY

During September, the S&P 500 rose 2.6 percent, up 16.4 percent for September year-to-date.

In an attempt to boost the economic recovery and improve the U.S. job market, the Federal Reserve announced a new round of quantitative easing, extended Operation Twist through the end of the year, and expressed its commitment to keeping interest rates low through 2015. Gross domestic product increased at an annual rate of 1.3 percent in the second quarter — down from the previous estimate of 1.7 percent and slower than the first quarter rate of 2 percent. Orders for durable goods declined 13 percent in August from July, the unemployment rate edged down to 8.1 from 8.3 percent, and home prices rose for the sixth straight month. The bond market, as measured by the Barclays Capital Government/Credit Index, was up 0.1 percent in September and 4.4 percent since the beginning of 2012.

Central Banks in Europe, Japan, Brazil, and Turkey took steps to bolster their economies by easing monetary policy. Europe's recession, weak U.S. growth, and a slowing Chinese economy are curbing exports worldwide. International equities, as measured by the MSCI EAFE, increased 3 percent in September and are up 10.6 percent September year-to-date.

## BRETHERN FOUNDATION SELECTS NEW SHORT-TERM MANAGER AND AFFIRMS IMPORTANCE OF SRI SCREENS

Ponder Investment Co. has been selected to serve as Brethren Foundation's short-term investment manager. Ponder, a Chicago-based registered investment adviser with more than \$1.2 billion under management, is an independent, employee-owned firm specializing in fixed income management for health care organizations, universities, and other not-for-profit institutions. All of Ponder's clients are not-for-profit organizations.

Ponder will replace Sterling Capital Management, which has served as BFI's short-term investment manager since March 2009. Despite producing strong investment performance, Sterling will be replaced because of its inability to comply with BFI's socially responsible investing screens. During its August meetings, the BFI Board affirmed the Investment Committee's position that compliance with the SRI screens and investment performance are both important. Accordingly, the Board also affirmed the Investment Committee's recommendation to hire Ponder, which has demonstrated a commitment to SRI practices and a strong investment track record. Not only does Ponder currently apply its own social screens to assets under its management, but the company has also committed to securing additional screening resources to ensure that it is in compliance with BFI's specific SRI guidelines.



*Managing Director Britt A. Cesarone will serve as BFI's primary contact with Ponder Investment Co.*

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

# Fund Performance Report

for the period ending Sept. 30, 2012



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
<b>SHORT-TERM</b>						
<b>Short-Term Fund</b>	0.0%	0.5%	1.4%	1.0%	1.8%	2.4%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> <sup>1</sup>	0.0%	0.1%	0.1%	0.3%	0.7%	1.8%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund</b> <sup>2</sup>	0.2%	0.5%	1.6%	2.5%	2.7%	N/A
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A	N/A
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	0.4%	2.9%	6.1%	7.5%	7.4%	6.1%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.1%	1.7%	4.4%	6.5%	6.6%	5.4%
<b>Bond Fund</b>	0.5%	3.1%	6.2%	7.6%	7.5%	6.2%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.1%	1.7%	4.4%	6.5%	6.6%	5.4%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>3</sup>	0.7%	1.7%	5.7%	N/A	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	0.5%	2.1%	6.3%	N/A	N/A	N/A
<b>High Yield Bond Fund</b> <sup>3</sup>	1.6%	4.8%	11.8%	N/A	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	1.4%	4.5%	12.1%	N/A	N/A	N/A
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Core Fund</b>	2.5%	7.9%	16.2%	10.4%	0.4%	7.8%
<i>S&amp;P 500 Index</i>	2.6%	6.4%	16.4%	13.2%	1.1%	8.0%
<b>Domestic Stock Value Fund</b>	2.5%	10.2%	22.1%	N/A	N/A	N/A
<i>Russell 1000 Value Index</i>	3.2%	6.5%	15.8%	N/A	N/A	N/A
<b>Domestic Stock Growth Fund</b>	2.4%	6.0%	14.6%	N/A	N/A	N/A
<i>Russell 1000 Growth Index</i>	2.0%	6.1%	16.8%	N/A	N/A	N/A
<b>Domestic Stock Fund</b>	2.4%	8.0%	17.6%	13.1%	2.7%	9.2%
<i>S&amp;P 500 Index</i>	2.6%	6.4%	16.4%	13.2%	1.1%	8.0%
<b>Small Cap Fund</b>	2.9%	1.7%	10.6%	17.3%	7.3%	N/A
<i>Russell 2000 Index</i>	3.3%	5.3%	14.2%	13.0%	2.2%	N/A
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	3.1%	6.8%	10.6%	4.2%	(3.6)%	8.3%
<i>MSCI EAFE Index</i>	3.0%	7.0%	10.6%	2.6%	(4.8)%	8.7%
<b>Emerging Markets Stock Fund</b> <sup>3</sup>	7.4%	11.8%	11.5%	N/A	N/A	N/A
<i>MSCI Emerging Markets Index</i>	6.1%	7.9%	12.3%	N/A	N/A	N/A
<b>REAL ASSETS</b>						
<b>Commodities-Based Fund</b> <sup>3</sup>	2.2%	14.8%	11.6%	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	1.7%	9.7%	5.6%	N/A	N/A	N/A
<b>Public Real Estate Fund</b> <sup>3</sup>	2.4%	6.4%	17.1%	N/A	N/A	N/A
<i>S&amp;P Developed Property Index</i>	1.8%	5.7%	21.6%	N/A	N/A	N/A
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	1.7%	6.1%	13.3%	11.4%	5.1%	8.4%
<i>Blended Balanced Index</i> <sup>4</sup>	1.6%	4.5%	11.7%	10.9%	3.7%	7.3%
<b>U.S. INFLATION</b>						
<b>Consumer Price Index</b> (August 2012) <sup>5</sup>	0.6%	0.3%	2.1%	2.3%	2.1%	2.5%

<sup>1</sup> Changed May 1, 2009. 5-year and 10-year blended with 90-day Treasury Bill. <sup>2</sup> CDIF interest accrues on a daily basis. <sup>3</sup> 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. <sup>4</sup> Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). <sup>5</sup> Most recent data available. CPI data are not seasonally adjusted.