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# Investment Perspective

FROM BRETHREN FOUNDATION

NOVEMBER 2014

## MARKETS AND THE ECONOMY

After declining 7.0 percent in the first half of the month, the S&P 500 Index surged from its mid-month low and posted a gain of 2.4 percent in October. Strong consumer confidence in October was buoyed by multiple factors, including third quarter real gross domestic product growth of 3.5 percent annualized topping expectations, the unemployment rate surpassing expectations by dropping to 5.9 percent in September, personal income remaining moderately positive, and favorable earnings and sales reports in the third quarter. Factors placing pressure on the markets included a growing trade deficit in September, disappointing retail sales in September falling below low expectations, manufacturing and services indicators pulling back in October, and uncertainty about future plans of the US Federal Reserve regarding the timing and pace of interest rate increases. The bond market, as measured by the Barclays Capital Government/Credit Index, rose 1.0 percent in October.

The European Central Bank launched another round of bond purchases to help stimulate the economy and counter low inflation, which was 0.4 percent in October. Eurozone manufacturing and services activity expanded modestly in October with growth in Germany offset by contraction in France. United Kingdom third quarter real GDP grew at a 3.0 percent annual rate, slightly slower than the previous quarter. The Bank of Japan significantly expanded its purchases of government bonds to boost growth and inflation expectations. Chinese real GDP growth of 7.3 percent in the third quarter over the same quarter last year represents a deceleration from prior quarters. International equities, as measured by the MSCI EAFE Index, declined 1.5 percent in October.

## BRETHREN FOUNDATION FUNDS INC. IS LAUNCHED

On Nov. 3, Brethren Foundation Funds Inc. began operation as manager of all organizational (including congregational) client assets. All services and program features are provided by the same staff, but under the Brethren Foundation Funds Inc. name. New forms are available at the BFFI website at [www.brethrenfoundationfunds.org](http://www.brethrenfoundationfunds.org), upon request by email at [bffi@cobbt.org](mailto:bffi@cobbt.org), or by telephone at 888-311-6530. Questions may be directed to Steve Lipinski at [slipinski@cobbt.org](mailto:slipinski@cobbt.org) or 847-622-3377 or Steve Mason at [smason@cobbt.org](mailto:smason@cobbt.org) or 847-622-3369.

## SECURITY OF CLIENT INFORMATION IS A TOP PRIORITY

In the ongoing effort to keep your information secure, BFI and BFFI have switched email encryption vendors from Cisco to Netmail.

**What this means for you:** IF in the past you have received email via the Cisco Registered Envelope Service, beginning Nov. 7 you will instead receive it via Netmail SecureSend.

When you receive a secure email message from Brethren Foundation, you may be asked to register a passphrase with the new Netmail SecureSend system.

**NOTE:** Should you wish to keep any secure email previously received via the Cisco Registered Envelope Service for future reference, it needs to be unlocked and then copied to a new location. After Dec. 31, 2014, you will no longer be able to unlock any secure emails previously received via Cisco.

Steve Lipinski is available to answer any questions you may have about the new email service.

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



On Nov. 3,  
Brethren  
Foundation  
Funds Inc.  
began operation  
as manager of  
all organizational  
(including  
congregational)  
client assets.





All periods longer than one year are annualized.

# Fund Performance Report

for the period ending Oct. 31, 2014

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%	0.0%	0.2%	0.7%	0.8%	2.1%
<i>Merrill Lynch 6-Month Treasury Bill Index<sup>1</sup></i>	0.0%	0.0%	0.1%	0.2%	0.2%	1.6%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund<sup>2</sup></b>	0.1%	0.4%	1.5%	2.1%	2.3%	2.7%
<i>No Benchmark</i>	—	—	—	—	—	—
<b>FIXED INCOME</b>						
<b>Bond Core Fund</b>	0.9%	1.2%	5.5%	3.5%	5.0%	5.1%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.0%	1.3%	5.2%	2.8%	4.4%	4.6%
<b>Bond Core</b>	1.2%	1.1%	5.7%	3.5%	5.1%	5.2%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.0%	1.3%	5.2%	2.8%	4.4%	4.6%
<b>Treasury Inflation-Protected Securities Fund<sup>3</sup></b>	0.5%	(1.4)%	4.0%	0.5%	—	—
<i>Barclays Capital U.S. TIPS Index</i>	0.9%	(1.2)%	4.6%	1.0%	—	—
<b>Bank Loans Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>S&amp;P/LSTA U.S. Leveraged Loan 100 Index</i>	—	—	—	—	—	—
<b>High Yield Bond Fund<sup>3</sup></b>	1.3%	(0.3)%	4.6%	9.2%	—	—
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	1.2%	0.6%	4.7%	9.4%	—	—
<b>Global Aggregate Fixed Income Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>Barclays Capital Global Aggregate Bond Index</i>	—	—	—	—	—	—
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Core Fund</b>	1.7%	2.5%	5.5%	17.3%	13.4%	7.5%
<i>S&amp;P 500 Index</i>	2.4%	5.1%	11.0%	19.8%	16.7%	8.2%
<b>Domestic Stock Mid Cap Fund</b>	(0.4)%	1.8%	8.3%	25.7%	—	—
<i>Russell Midcap Index</i>	3.1%	4.5%	10.2%	20.1%	—	—
<b>Domestic Stock Growth Fund</b>	1.5%	1.4%	4.2%	15.9%	—	—
<i>Russell 1000 Growth Index</i>	2.6%	5.8%	10.7%	19.3%	—	—
<b>Domestic Stock Fund</b>	0.9%	1.9%	6.0%	19.6%	16.6%	9.1%
<i>S&amp;P 500 Index</i>	2.4%	5.1%	11.0%	19.8%	16.7%	8.2%
<b>Small Cap Fund</b>	4.5%	4.0%	2.4%	14.0%	17.7%	10.4%
<i>Russell 2000 Index</i>	6.6%	5.1%	1.9%	18.2%	17.4%	8.7%
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	(2.3)%	(5.8)%	(6.0)%	7.8%	6.9%	5.4%
<i>MSCI EAFE Index</i>	(1.5)%	(5.3)%	(2.4)%	10.2%	7.0%	6.3%
<b>Emerging Markets Stock Fund<sup>3</sup></b>	(0.8)%	(7.9)%	1.5%	1.0%	—	—
<i>MSCI Emerging Markets Index</i>	1.2%	(4.1)%	4.0%	3.6%	—	—
<b>ALTERNATIVE INVESTMENTS</b>						
<b>Commodities-Based Fund<sup>3</sup></b>	(2.1)%	(9.6)%	(6.9)%	(7.3)%	—	—
<i>Bloomberg Commodity Total Return Index</i>	(1.2)%	(8.0)%	(6.4)%	(7.6)%	—	—
<b>Public Real Estate Fund<sup>3</sup></b>	4.3%	(2.2)%	10.5%	9.2%	—	—
<i>S&amp;P Developed Property Index</i>	6.2%	1.1%	13.9%	14.1%	—	—
<b>Multi-Strategy Hedge Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>60% S&amp;P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index</i>	—	—	—	—	—	—
<b>Global Inflation Protection Fund</b>	0.2%	—	—	—	—	—
<i>CPI + 5%<sup>5</sup></i>	0.5%	—	—	—	—	—
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	1.0%	1.6%	5.9%	13.1%	12.2%	7.9%
<i>Blended Balanced Index<sup>6</sup></i>	1.9%	3.5%	8.7%	12.8%	11.9%	7.1%
<b>TACTICAL FUNDS (additional fees apply)</b>						
<b>Conservative Fund<sup>3,4</sup></b>	—	—	—	—	—	—
<i>Blended Conservative Index</i>	—	—	—	—	—	—
<b>Income Fund<sup>3</sup></b>	0.8%	(0.4)%	—	—	—	—
<i>Blended Income Index</i>	1.3%	1.0%	—	—	—	—
<b>SRI Income Fund<sup>4</sup></b>	—	—	—	—	—	—
<i>Blended SRI Income Index</i>	—	—	—	—	—	—
<b>Income &amp; Growth Fund<sup>3</sup></b>	0.6%	(0.6)%	3.6%	—	—	—
<i>Blended Income &amp; Growth Index</i>	1.7%	1.3%	5.9%	—	—	—
<b>SRI Income &amp; Growth Fund<sup>4</sup></b>	—	—	—	—	—	—
<i>Blended SRI Income &amp; Growth Index</i>	—	—	—	—	—	—
<b>Growth Fund<sup>3</sup></b>	0.5%	(1.0)%	2.9%	—	—	—
<i>Blended Growth Index</i>	1.9%	1.4%	5.8%	—	—	—
<b>SRI Growth Fund<sup>4</sup></b>	—	—	—	—	—	—
<i>Blended SRI Growth Index</i>	—	—	—	—	—	—
<b>Aggressive Growth Fund<sup>3</sup></b>	0.2%	(1.9)%	2.5%	—	—	—
<i>Blended Aggressive Growth Index</i>	1.7%	0.7%	5.0%	—	—	—
<b>SRI Aggressive Growth Fund<sup>4</sup></b>	—	—	—	—	—	—
<i>Blended SRI Aggressive Growth Index</i>	—	—	—	—	—	—
<b>U.S. INFLATION</b>						
<b>Consumer Price Index (September 2014)<sup>5</sup></b>	0.1%	(0.2)%	2.0%	1.4%	1.8%	2.1%

Performance Report

<sup>1</sup> Changed May 1, 2009. 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> No assets invested in this fund. <sup>5</sup> Most recent data available. CPI data are from the All U.S. Urban Consumers Chained CPI Index and are not seasonally adjusted. <sup>6</sup> Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent).