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# Investment Perspective

FROM BRETHERN FOUNDATION

AUGUST 2012

## MARKETS AND THE ECONOMY

Amidst data suggesting a weakening economy, capital markets have risen in the hopes that the Federal Reserve may be closer to taking action to spur growth. During July, the S&P 500 gained 1.4 percent; that index is up 11 percent year-to-date.

The U.S. gross domestic product figure grew 1.5 percent during the second quarter, down from the first quarter's 2 percent and from the fourth quarter's performance of 4.1 percent. While second quarter corporate earnings generally exceeded estimates, business spending slowed and employers hired fewer people. Consumers also spent less; savings rose in the second quarter. A flight to quality contributed to the bond market, as measured by the Barclays Capital Government/Credit Index, as it increased 1.6 percent in July and 4.3 percent for the year.

For the third summer in a row, the economic performance of the eurozone is drawing considerable attention and playing a role in the capital markets. The UK reported its third straight quarter of negative real GDP figures, and the European Central Bank pledged to take decisive action to preserve the euro. International equities, as measured by the MSCI EAFE, increased 1.2 percent and are up 4.6 percent year-to-date.

## BFI IS CHANGING FINANCIAL CUSTODIANS

Within the next month or so, BFI will transition to a new financial custodian. The new custodian is expected to offer improved service at a competitive price. During the transition process, BFI must cease all client transactions for five to 10 business days to ensure that assets are properly transferred from the former custodian to the new custodian. Transactions initiated by clients during that transition period will be held for processing by BFI until the transition ends. The affected dates are unknown at this time, but BFI will give client primary contacts as much notice as possible by email before the period begins; we will try to give at least one week's notice.

The new custodian is expected to offer improved service at a competitive price.

## KEEP AUTHORIZED INDIVIDUALS LIST CURRENT

Regularly check the list of individuals authorized by your organization or congregation to receive information from or conduct business with Brethren Foundation, and update it as needed. Keeping this list current will minimize delays with transactions while paperwork is updated, and it will also reduce the possibility of unauthorized transactions.

## HAVE YOU REGISTERED FOR ONLINE ACCOUNT ACCESS?

BFI recommends that clients take advantage of its client portal, which offers online access to account information. One of the benefits is that client representatives typically have access to statements by the fifth of each month. (This month, electronic statements were available on Aug. 1.) Client organizations may grant one of four levels of access to their authorized individuals. Depending on the level of access, online users can initiate transactions electronically and review statements, account activity, and performance data for their accounts.

Contact **Steve Lipinski** at [slipinski@cobbt.org](mailto:slipinski@cobbt.org) or 847-622-3377 for assistance with any of the above matters. Please contact **Steve Mason**, Director of Brethren Foundation, with comments or questions.



# Fund Performance Report

for the period ending July 31, 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>	0.3%	0.2%	1.2%	1.1%	2.0%	2.4%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> <sup>1</sup>	0.0%	0.1%	0.1%	0.3%	0.8%	1.8%
<b>COMMUNITY DEVELOPMENT</b>						
<b>Community Development Investment Fund</b> <sup>2</sup>	0.2%	0.5%	1.3%	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>	2.0%	3.0%	5.1%	8.0%	7.7%	6.3%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.6%	2.9%	4.3%	7.3%	7.0%	5.8%
<b>Bond Fund</b>	2.0%	3.0%	5.0%	8.1%	7.7%	6.4%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.6%	2.9%	4.3%	7.3%	7.0%	5.8%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>3</sup>	1.4%	2.5%	5.4%	N/A	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	1.9%	3.0%	6.0%	N/A	N/A	N/A
<b>High Yield Bond Fund</b> <sup>3</sup>	2.1%	2.3%	8.9%	N/A	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	1.9%	2.7%	9.3%	N/A	N/A	N/A
<b>DOMESTIC EQUITY</b>						
<b>Domestic Stock Core Fund</b>	2.0%	(2.0)%	9.9%	10.3%	0.9%	6.1%
<i>S&amp;P 500 Index</i>	1.4%	(0.8)%	11.0%	14.1%	1.1%	6.3%
<b>Domestic Stock Value Fund</b>	3.7%	(4.2)%	14.9%	N/A	N/A	N/A
<i>Russell 1000 Value Index</i>	1.0%	(0.2)%	9.8%	N/A	N/A	N/A
<b>Domestic Stock Growth Fund</b>	1.0%	(3.2)%	9.2%	N/A	N/A	N/A
<i>Russell 1000 Growth Index</i>	1.3%	(2.6)%	11.6%	N/A	N/A	N/A
<b>Domestic Stock Fund</b>	2.2%	(3.1)%	11.3%	13.1%	2.7%	7.6%
<i>S&amp;P 500 Index</i>	1.4%	(0.8)%	11.0%	14.1%	1.1%	6.3%
<b>Small Cap Fund</b>	(4.1)%	(6.6)%	4.2%	18.5%	7.1%	N/A
<i>Russell 2000 Index</i>	(1.4)%	(3.3)%	7.0%	13.7%	1.7%	N/A
<b>INTERNATIONAL EQUITY</b>						
<b>International Stock Core Fund</b>	0.8%	(6.1)%	4.3%	4.4%	(4.1)%	6.5%
<i>MSCI EAFE Index</i>	1.2%	(4.0)%	4.6%	3.8%	(5.1)%	6.8%
<b>Emerging Markets Stock Fund</b> <sup>3</sup>	3.8%	(7.2)%	3.6%	N/A	N/A	N/A
<i>MSCI Emerging Markets Index</i>	2.0%	(5.8)%	6.2%	N/A	N/A	N/A
<b>REAL ASSETS</b>						
<b>Commodities-Based Fund</b> <sup>3</sup>	12.2%	5.8%	9.0%	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	6.5%	2.1%	2.5%	N/A	N/A	N/A
<b>Public Real Estate Fund</b> <sup>3</sup>	4.3%	0.5%	14.8%	N/A	N/A	N/A
<i>S&amp;P Developed Property Index</i>	3.6%	3.5%	19.1%	N/A	N/A	N/A
<b>EQUITY AND FIXED INCOME</b>						
<b>Balanced Fund</b>	2.1%	(0.7)%	9.1%	11.6%	5.2%	7.5%
<i>Blended Balanced Index</i> <sup>4</sup>	1.5%	0.8%	8.5%	11.7%	3.9%	6.5%
<b>U.S. INFLATION</b>						
<b>Consumer Price Index</b> (June 2012) <sup>5</sup>	(0.1)%	0.1%	1.7%	2.1%	2.0%	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.