



The number of BFFI fund choices will have increased from five in 2008 to 30 once the new Value fund is created.

From Brethren Foundation Funds

Investment Perspective

April 2022

Markets and the Economy

The S&P 500 Index increased 3.7 percent during March; however, rising inflation, Russia's invasion of Ukraine, and the Federal Reserve's rate increase trajectory contributed to the Index declining 4.6 percent during the first quarter. The Fed raised short-term rates by 0.25 percent to a target range of 0.25 percent to 0.5 percent, and signaled six more rate hikes this year. A surge in prices for energy, groceries, and services drove inflation to an annual rate of 7.9 percent in February. The job participation rate increased, and the unemployment rate fell from 3.8 percent in February to 3.6 percent in March. The bond market, as measured by the Bloomberg U.S. Government/Credit Bond Index, declined 2.9 percent in March, down 6.3 percent during the first quarter.

Inflation in the eurozone leapt to an annualized rate of 7.5 percent in March, up from an annualized rate of 5.9 percent in February. Citing high inflation, the European Central Bank sped up the timeline for phasing out its bond purchasing program. Increasing inflationary pressures contributed to the Bank of England raising its key interest rate to 0.75 percent from 0.5 percent. China's manufacturing and service sectors slipped into contractionary territory during March. In an effort to combat stubbornly low inflation, the Bank of Japan kept its key short-term interest rate at a minus 0.1 percent. Canada's central bank raised its benchmark interest rate from 0.25 percent to 0.5 percent. International equities, as measured by the MSCI EAFE Index, rose 0.6 percent in March, down 5.9 percent during the first quarter. ■

How Does an Idea Become a Fund?

There are over a dozen filters that we ask our managers to perform!

In the near future, Brethren Foundation Funds clients are expected to have access to a Domestic Large Cap Value Fund. As we welcome this newest bundle of joy to the family of funds we offer, we'd like to pull back the curtain and share the process that occurs behind the scenes for each of our investment offerings.

It all starts with an idea. Perhaps that idea comes from a client, or internally from Brethren Benefit Trust, or from our consultants. Someone sees a gap, or maybe an opportunity for improvement. This most recent instance? Staff identified that the Domestic Large Cap space would be served more completely by offering a combination of Growth, Core, and Value options, and we were missing one of those three choices.

This idea then went before the Brethren Benefit Trust Investment Committee, which decided that adding a Large Cap Value fund makes sense. Upon the Committee's approval, it was returned to Brethren Benefit Trust's Staff Investment Team. This group of seven, led by Chief Financial Officer John McGough

and including a group of vested parties from differing perspectives such as parts of BBT's organization and our credentialed counsel at Marquette and Associates, embarked on a search for an investment manager that meets our stringent criteria.

We take the Brethren Values Investing Guidelines, as approved by Annual Conference, and find an investment manager who is both an expert in the space we are targeting (Large Cap Value, in this case) as well as capable of performing the BVI screening we require. There are over a dozen filters that we ask our managers to perform! After reviewing multiple candidates and then interviewing two finalist firms, the Staff Investment Team is now providing its recommendation back to the Investment Committee for final approval.

Each party provides insight from its perspective, resulting in a robust and diligent process when onboarding new Funds or replacing underperforming managers. It is expected that the BBT Investment Committee will approve this Large Cap Value Fund recommendation at its next meeting later this month. ■

Fund Performance Report

for the period ending March 31, 2022

Funds (Net of Investment Fees) Benchmarks (Gross)	Current Month	Three Months	One Year	Three Years	Five Years	Ten Years
SHORT-TERM						
Short-Term Fund	(0.2)%	(0.4)%	(0.6)%	0.6%	0.9%	0.7%
ICE BofA 6-Month Treasury Bill Index	0.0%	(0.1)%	(0.1)%	1.0%	1.3%	0.8%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ¹	(1.1)%	(2.6)%	(2.1)%	0.6%	1.1%	1.5%
No Benchmark	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	(2.6)%	(6.1)%	(3.8)%	2.2%	2.5%	2.7%
Bloomberg U.S. Government/Credit Bond Index	(2.9)%	(6.3)%	(3.9)%	2.1%	2.4%	2.5%
Bond Fund	(2.6)%	(6.5)%	(4.1)%	2.2%	2.6%	2.8%
Bloomberg U.S. Government/Credit Bond Index	(2.9)%	(6.3)%	(3.9)%	2.1%	2.4%	2.5%
Treasury Inflation-Protected Securities Fund ²	0.3%	(2.7)%	4.5%	6.3%	4.4%	2.6%
Bloomberg U.S. Treasury Inflation-Linked Bond Index	(1.9)%	(3.0)%	4.3%	6.2%	4.4%	2.7%
Bank Loans Fund ³	0.0%	(0.7)%	2.1%	3.5%	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	0.2%	(0.2)%	2.3%	3.8%	—	—
High Yield Bond Fund ³	(0.4)%	(3.3)%	1.1%	5.5%	4.8%	5.8%
Bloomberg U.S. Corporate High Yield Bond Index	(1.1)%	(4.8)%	(0.7)%	4.6%	4.7%	5.7%
Global Aggregate Fixed Income Fund ^{3,4}	—	—	—	—	—	—
Bloomberg Global Aggregate Index	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Index Fund ⁵	3.9%	(4.5)%	15.6%	18.9%	15.9%	—
S&P 500 Index	3.7%	(4.6)%	15.6%	18.9%	16.0%	—
Domestic Stock Mid Cap Fund	2.7%	(4.5)%	12.0%	13.8%	8.8%	11.0%
Russell Midcap Index	2.6%	(5.7)%	6.9%	14.9%	12.6%	12.9%
Domestic Stock Growth Fund	3.9%	(7.1)%	13.5%	19.1%	16.7%	13.7%
Russell 1000 Growth Index	3.9%	(9.0)%	15.0%	23.6%	20.9%	17.0%
Domestic Stock Fund	3.5%	(5.4)%	13.8%	17.2%	13.5%	12.0%
S&P 500 Index	3.7%	(4.6)%	15.6%	18.9%	16.0%	14.6%
Small Cap Fund	0.9%	(8.6)%	1.3%	14.9%	18.3%	15.0%
Russell 2000 Index	1.2%	(7.5)%	(5.8)%	11.7%	9.7%	11.0%
INTERNATIONAL EQUITY						
International Stock Core Fund	(1.3)%	(12.5)%	(9.1)%	6.8%	6.4%	5.4%
MSCI EAFE Index	0.6%	(5.9)%	1.2%	7.8%	6.7%	6.3%
Emerging Markets Stock Fund ⁶	(3.3)%	(7.0)%	(11.3)%	0.5%	2.1%	1.7%
MSCI Emerging Markets Index	(2.3)%	(7.0)%	(11.4)%	4.9%	6.0%	3.4%
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ⁷	12.8%	26.1%	56.2%	22.2%	11.9%	0.4%
Bloomberg Commodity Total Return Index	7.8%	25.5%	49.3%	16.1%	9.0%	(0.7)%
Public Real Estate Fund ³	3.8%	(3.8)%	12.4%	6.0%	7.0%	6.0%
S&P Developed Property Index	4.4%	(3.9)%	15.4%	7.0%	7.7%	8.3%
Multi-Strategy Hedge Fund ^{3,4}	—	—	—	—	—	—
60% S&P 500 Index/40% Bloomberg U.S. Aggregate Bond Index	—	—	—	—	—	—
Global Inflation Protection Fund ³	1.4%	(1.5)%	6.8%	9.5%	7.1%	—
Bloomberg U.S. TIPS 1-10 Year Index + 2%	(1.3)%	(1.3)%	5.9%	7.6%	6.0%	—
EQUITY AND FIXED INCOME						
Balanced Fund	1.0%	(5.8)%	6.5%	11.7%	9.6%	8.6%
Blended Balanced Index ⁸	1.1%	(5.2)%	7.6%	12.3%	10.7%	9.9%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{3,4}	—	—	—	—	—	—
Blended Conservative Index ⁸	—	—	—	—	—	—
Income Fund ³	(1.0)%	(6.5)%	(0.1)%	6.2%	5.7%	—
Blended Income Index ⁸	(0.8)%	(5.9)%	0.8%	7.0%	6.2%	—
BVI Income Fund	(1.0)%	(6.8)%	(0.4)%	6.8%	—	—
Blended SRI Income Index ⁸	(0.8)%	(5.9)%	0.8%	7.2%	—	—
Income & Growth Fund ³	(0.3)%	(6.5)%	1.3%	8.3%	7.4%	—
Blended Income & Growth Index ⁸	0.0%	(5.7)%	2.6%	9.1%	8.0%	—
BVI Income & Growth Fund	(0.3)%	(7.0)%	1.1%	8.6%	7.7%	—
Blended SRI Income & Growth Index ⁸	0.0%	(5.7)%	2.6%	9.1%	7.9%	—
Growth Fund ³	0.4%	(6.8)%	2.8%	9.5%	8.3%	—
Blended Growth Index ⁸	0.8%	(5.6)%	4.3%	10.6%	9.1%	—
BVI Growth Fund	0.4%	(7.1)%	2.8%	10.6%	9.3%	—
Blended SRI Growth Index ⁸	0.8%	(5.6)%	4.3%	10.8%	9.3%	—
Aggressive Growth Fund ³	1.1%	(6.9)%	4.4%	10.7%	9.3%	—
Blended Aggressive Growth Index ⁸	1.6%	(5.4)%	6.1%	12.1%	10.1%	—
BVI Aggressive Growth Fund	1.2%	(7.1)%	4.6%	12.4%	—	—
Blended SRI Aggressive Growth Index ⁸	1.6%	(5.4)%	6.1%	12.6%	—	—
U.S. INFLATION						
Consumer Price Index (February 2022) ⁷	0.9%	2.1%	7.9%	3.9%	3.1%	2.2%

¹CDIF interest accrues on a daily basis. ²These investment funds may not meet Brethren Values Investing guidelines because they are invested in mutual funds. All other investment funds must meet Brethren Values Investing guidelines.

³No assets invested in this fund. ⁴Expected to match benchmark gross of fees. Typically, will not match benchmark net of fees and due to required cash position. ⁵Weighted average of the S&P 500 Index (60 percent) and the Bloomberg Barclays U.S. Capital Government/Credit Bond Index (40 percent). ⁶Changed January 1, 2021. 3-year, 5-year, and 10-year blended new with old benchmarks. ⁷Most recent data available. CPI data are from the Consumer Price Index for All Urban Consumers. All items are not seasonally weighted.