

14

Average intra-year
decline of S&P 500
each year 1980 – 2021



9.4%
GROWTH

Average annual return
over same time period

From Brethren Foundation Funds

Investment Perspective

March 2022

Markets and the Economy

Investor unease over the military conflict in Ukraine, and stubbornly high inflation contributed to the S&P 500 Index falling 3 percent in February. Personal incomes were unchanged in January, and down 2.1 percent in the past year. Consumer spending rose 2.1 percent in January, up 11.8 percent in the past year. Led by online retailers and autos, retail sales rose 3.8 percent in January; sales are up 13 percent versus a year ago. New single-family home sales declined 4.5 percent in January; sales are down 19.3 percent from a year ago. Existing home sales increased 6.7 percent in January; sales are down 2.3 percent versus a year ago. With shelter, electricity, and food leading the way, the consumer price index rose 0.6 percent in January and pushed the 12-month increase to 7.5 percent, the largest increase in inflation in 40 years. The bond market, as measured by the Bloomberg U.S. Government/Credit Bond Index, declined 1.2 percent in February.

The United Kingdom's economy expanded 7.5 percent during 2021. Inflation in the U.K. rose 5.5 percent in January from a year earlier. To combat accelerating inflation, the Bank of England raised its key interest rate from 0.25 percent to 0.5 percent, and said it would begin reducing its quantitative easing. An increase in energy prices contributed to the eurozone inflation rate rising to an annualized rate of 5.1 percent in January. Led by a recovery in consumer spending after the removal of Covid-19 restrictions, Japan's economy expanded at an annualized rate of 5.4 percent during the fourth quarter of 2021. Brazil's central bank increased its benchmark interest rate from 9.25 percent to 10.75 percent. Inflation in Russia rose 8.7 percent in January from a year earlier. Citing persistently high inflation, Russia's central bank raised its key interest rate from 8.5 percent to 9.5 percent. International equities, as measured by the MSCI EAFE Index, fell 1.8 percent in February. ■

Viewing market fluctuations with a seasoned eye

It is a natural reaction to view an investment portfolio through the lens of the short-term news cycle — COVID! Elections! Inflation! Rising interest rates! Market volatility! What action should be taken to protect principal and/or to capitalize on any of these opportunities or threats?

Perhaps before taking any action a reframing of the situation might be in order.

When viewing your organization's investment portfolio, one might consider these questions — How have these events changed our tolerance for risk? How have these events changed our time horizon for these funds?

These questions are important because with an eye toward the medium and long term, many of the disruptions that we are currently experiencing will be mitigated or resolved.

Market fluctuation is important to the health of an economy. Imagine a wind that blows swiftly through a forest; dead limbs and branches get swept away, leaving behind a leaner, greener ecosystem in its wake. In the securities industry, the winds of market forces provide prospects for both businesses and active fund managers to shake off "dead wood" and grow in a new direction.

Identify your need for your invested assets. Decide on your time horizon. Determine your risk/reward appetite. Set an asset allocation model that makes sense, and then don't watch the markets daily. Review your asset allocation and rebalance your account annually. This process should serve you well. ■

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Funds (Net of Investment Fees) Benchmarks (Gross)	Current Month	Three Months	One Year	Three Years	Five Years	Ten Years
SHORT-TERM						
Short-Term Fund	0.0%	(0.2)%	(0.3)%	0.7%	0.9%	0.7%
ICE BofA 6-Month Treasury Bill Index	0.0%	0.0%	0.0%	1.1%	1.3%	0.8%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ¹	(0.7)%	(1.4)%	(0.9)%	1.1%	1.3%	1.6%
No Benchmark	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	(1.4)%	(4.0)%	(2.8)%	3.8%	3.1%	2.9%
Bloomberg U.S. Government/Credit Bond Index	(1.2)%	(3.9)%	(2.6)%	3.8%	3.0%	2.7%
Bond Fund	(1.6)%	(4.1)%	(2.9)%	3.9%	3.1%	3.0%
Bloomberg U.S. Government/Credit Bond Index	(1.2)%	(3.9)%	(2.6)%	3.8%	3.0%	2.7%
Treasury Inflation-Protected Securities Fund ¹	(0.6)%	(2.4)%	5.3%	6.7%	5.0%	2.5%
Bloomberg U.S. Treasury Inflation-Linked Bond Index	0.9%	(0.9)%	6.1%	7.5%	4.8%	2.8%
Bank Loans Fund ¹	(0.7)%	(0.1)%	2.0%	3.4%	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	(0.5)%	0.4%	1.8%	3.6%	—	—
High Yield Bond Fund ¹	(0.9)%	(1.5)%	1.5%	5.9%	4.8%	5.8%
Bloomberg U.S. Corporate High Yield Bond Index	(1.0)%	(1.9)%	0.6%	5.3%	4.9%	5.9%
Global Aggregate Fixed Income Fund ^{1,3}	—	—	—	—	—	—
Bloomberg Global Aggregate Index	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Index Fund ⁴	(3.2)%	(4.1)%	15.9%	18.2%	15.1%	—
S&P 500 Index	(3.0)%	(3.9)%	16.4%	18.2%	15.2%	—
Domestic Stock Mid Cap Fund	(1.0)%	0.1%	15.0%	13.1%	8.6%	10.9%
Russell Midcap Index	(0.7)%	(4.3)%	7.1%	14.3%	12.0%	12.8%
Domestic Stock Growth Fund	(3.3)%	(7.5)%	12.5%	18.3%	15.9%	13.6%
Russell 1000 Growth Index	(4.2)%	(10.6)%	12.5%	23.2%	20.2%	17.0%
Domestic Stock Fund	(2.5)%	(3.9)%	14.6%	16.4%	12.9%	11.9%
S&P 500 Index	(3.0)%	(3.9)%	16.4%	18.2%	15.2%	14.6%
Small Cap Fund	(1.2)%	(5.5)%	2.5%	15.3%	18.0%	15.2%
Russell 2000 Index	1.1%	(6.6)%	(6.0)%	10.5%	9.5%	11.2%
INTERNATIONAL EQUITY						
International Stock Core Fund	(3.9)%	(9.2)%	(7.0)%	7.7%	7.5%	5.7%
MSCI EAFE Index	(1.8)%	(1.7)%	2.8%	7.8%	7.2%	6.2%
Emerging Markets Stock Fund ¹	(1.8)%	(3.6)%	(7.7)%	1.3%	3.4%	1.5%
MSCI Emerging Markets Index	(3.0)%	(3.0)%	(10.7)%	6.0%	7.0%	3.2%
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ¹	5.1%	13.4%	32.7%	17.4%	8.7%	(1.4)%
Bloomberg Commodity Total Return Index	7.1%	20.6%	35.5%	13.2%	6.8%	(1.9)%
Public Real Estate Fund ¹	(0.6)%	(3.8)%	10.9%	5.9%	5.7%	5.7%
S&P Developed Property Index	(2.3)%	(2.0)%	13.9%	6.8%	6.6%	8.0%
Multi-Strategy Hedge Fund ^{1,3}	—	—	—	—	—	—
60% S&P 500 Index/40% Bloomberg U.S. Aggregate Bond Index	—	—	—	—	—	—
Global Inflation Protection Fund ¹	(0.9)%	(0.3)%	6.7%	9.0%	7.0%	—
Bloomberg U.S. TIPS 1-10 Year Index + 2%	1.1%	0.7%	7.6%	8.5%	6.3%	—
EQUITY AND FIXED INCOME						
Balanced Fund	(2.1)%	(3.8)%	7.6%	12.0%	9.5%	8.6%
Blended Balanced Index ⁵	(2.3)%	(3.9)%	8.6%	12.7%	10.5%	9.9%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{1,3}	—	—	—	—	—	—
Blended Conservative Index ⁵	—	—	—	—	—	—
Income Fund ¹	(2.0)%	(4.4)%	1.1%	7.2%	6.0%	—
Blended Income Index ⁵	(1.6)%	(3.8)%	1.8%	7.9%	6.4%	—
BVI Income Fund	(2.1)%	(4.6)%	1.0%	7.9%	—	—
Blended SRI Income Index ⁵	(1.6)%	(3.8)%	1.8%	8.1%	—	—
Income & Growth Fund ¹	(2.1)%	(4.5)%	2.6%	8.9%	7.7%	—
Blended Income & Growth Index ⁵	(1.8)%	(3.8)%	3.5%	9.7%	8.1%	—
BVI Income & Growth Fund	(2.3)%	(4.8)%	2.5%	9.4%	7.9%	—
Blended SRI Income & Growth Index ⁵	(1.8)%	(3.8)%	3.5%	9.7%	8.0%	—
Growth Fund ¹	(2.3)%	(4.7)%	4.1%	9.7%	8.5%	—
Blended Growth Index ⁵	(2.0)%	(3.8)%	5.1%	10.9%	9.1%	—
BVI Growth Fund	(2.5)%	(5.0)%	4.2%	11.1%	9.5%	—
Blended SRI Growth Index ⁵	(2.0)%	(3.8)%	5.1%	11.1%	9.3%	—
Aggressive Growth Fund ¹	(2.5)%	(5.0)%	5.7%	10.6%	9.3%	—
Blended Aggressive Growth Index ⁵	(2.2)%	(3.8)%	6.8%	12.0%	10.0%	—
BVI Aggressive Growth Fund	(2.8)%	(5.1)%	5.9%	12.6%	—	—
Blended SRI Aggressive Growth Index ⁵	(2.2)%	(3.8)%	6.8%	12.5%	—	—
U.S. INFLATION						
Consumer Price Index (January 2022) ⁷	0.8%	1.6%	7.5%	3.8%	3.0%	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.