



From 2011 - 2021
price-to-earnings
stock price premiums
for value stocks were
a third lower than their
growth counterparts.

From Brethren Foundation Funds

Investment Perspective

May 2022

Markets and the Economy

Concerns about inflation, monetary tightening and geopolitical tensions contributed to the S&P 500 Index falling 8.7 percent in April. Personal income rose 0.5 percent in March. Absent last year's stimulus checks, personal income is up 8.6 percent in the past year. Personal consumption rose 1.1 percent in March, up 9.1 percent in the past year. Dragged down by net exports, a contraction in inventories, and government purchases, real GDP declined at a 1.4 percent annual rate in the first quarter. The Federal Reserve signaled a more aggressive approach in raising rates to tame inflation. It has raised interest rates twice this year, for a total hike of 0.75%, with additional rate hikes expected as the year progresses. Driven by rising energy costs, the Consumer Price Index increased 1.2 percent in March, up 8.5 percent from a year ago. The bond market, as measured by the Bloomberg U.S. Government/Credit Bond Index, declined 4 percent in April.

The eurozone economy grew at an annualized rate of 0.8 percent in the first quarter; restrictions to contain the Omicron variant dampened activity. Driven by an acceleration in fuel prices, inflation in the United Kingdom rose at an annualized rate of 7 percent in March, up from February's annualized rate of 6.2 percent. China's central bank relaxed lending constraints in an effort to stimulate an economy strained by COVID-19-related lockdowns. Upward pressure on the cost of food and fuel drove Japan's inflation to rise at an annualized rate of 1.2 percent in March. In an effort to choke off rising inflation, the Bank of Canada raised its main interest rate by a half percentage point to 1 percent. International equities, as measured by the MSCI EAFE Index, declined 6.5 percent in April. ■

Not all large-cap investments are created equal

Last month we announced the addition of a Large-Cap Value Fund. Here are the differences between growth, value, and core funds.

Growth stocks thrive in an environment of low interest rates and are often associated with high price-to-earnings ratios. Investors are expecting the price of the stock to grow as the company's revenue stream grows. These stocks have a higher risk-to-return ratio because of the uncertainty of future growth. In contrast, value stocks tend to have steady, predictable business models that generate modest gains in revenue and earnings over time. Because stocks often do not fall neatly into one category or another, core stocks are associated with companies that have a blending of both growth and value, or fall on the edge of being a "large cap" stock, based on market capitalization.

Larger cap stocks represent more stability than smaller cap stocks as they are more likely to weather

volatile economic conditions. Large, medium, or small cap are shorthand for their relative market capitalizations — large cap are market behemoths worth \$10 billion or more, and small cap are boutique or emerging businesses worth millions of dollars. "It is also important to remember that growth and value are not polar opposites, meaning positive performance from value segments of the U.S. equity market companies does not imply negative returns of the same magnitude for growth stocks," said Evan Frazier of Marquette Associates, one of Organizational Investing's investment consulting firms. "Indeed, both styles could benefit from a 'return to normal.'"

Considering these dynamics, allocators should remain diversified across the style spectrum within U.S. equities in order to prudently participate in strong performance of cyclical stocks that could be exhibited in the future. Questions? Let's talk. Give us a call. ■

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Funds (Net of Investment Fees)	Current Month	Three Months	One Year	Three Years	Five Years	Ten Years
Benchmarks (Gross)						
SHORT-TERM						
Short-Term Fund	0.0%	(0.3)%	(0.6)%	0.5%	0.9%	0.7%
ICE BofA 6-Month Treasury Bill Index	0.0%	0.0%	0.0%	0.9%	1.3%	0.8%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ¹	(1.2)%	(2.9)%	(3.4)%	0.2%	0.8%	1.3%
No Benchmark	—	—	—	—	—	—
FIXED INCOME						
Bond Core Fund	(4.0)%	(7.7)%	(8.7)%	0.8%	1.5%	2.2%
Bloomberg U.S. Government/Credit Bond Index	(4.0)%	(7.8)%	(8.5)%	0.7%	1.4%	1.9%
Bond Fund	(4.1)%	(8.1)%	(9.0)%	0.7%	1.6%	2.3%
Bloomberg U.S. Government/Credit Bond Index	(4.0)%	(7.8)%	(8.5)%	0.7%	1.4%	1.9%
Treasury Inflation-Protected Securities Fund ²	(1.7)%	(2.0)%	1.2%	5.6%	3.9%	2.3%
Bloomberg U.S. Treasury Inflation-Linked Bond Index	(2.0)%	(3.0)%	0.7%	5.4%	3.9%	2.3%
Bank Loans Fund ³	0.1%	(0.6)%	1.7%	2.9%	—	—
S&P/LSTA U.S. Leveraged Loan 100 Index	(0.1)%	(0.4)%	1.7%	3.1%	—	—
High Yield Bond Fund ³	(2.5)%	(3.7)%	(2.7)%	3.8%	4.0%	5.4%
Bloomberg U.S. Corporate High Yield Bond Index	(3.6)%	(5.6)%	(5.2)%	2.8%	3.7%	5.3%
Global Aggregate Fixed Income Fund ^{3,4}	—	—	—	—	—	—
Bloomberg Global Aggregate Index	—	—	—	—	—	—
DOMESTIC EQUITY						
Domestic Stock Large Cap Core Index Fund ⁴	(8.6)%	(8.1)%	(0.3)%	13.8%	13.6%	—
S&P 500 Index	(8.7)%	(8.2)%	0.2%	13.8%	13.7%	—
Domestic Stock Mid Cap Fund	(6.7)%	(5.1)%	0.2%	9.7%	6.8%	10.0%
Russell Midcap Index	(7.7)%	(6.0)%	(6.1)%	10.5%	10.7%	12.0%
Domestic Stock Growth Fund	(10.8)%	(10.3)%	(4.9)%	13.2%	13.8%	12.4%
Russell 1000 Growth Index	(12.1)%	(12.5)%	(5.3)%	16.7%	17.3%	15.6%
Domestic Stock Fund	(8.7)%	(7.8)%	(1.4)%	12.2%	11.2%	11.0%
S&P 500 Index	(8.7)%	(8.2)%	0.2%	13.8%	13.7%	13.7%
Small Cap Fund	(6.0)%	(6.2)%	(7.6)%	10.1%	16.4%	14.4%
Russell 2000 Index	(9.9)%	(7.8)%	(16.9)%	6.7%	7.2%	10.1%
INTERNATIONAL EQUITY						
International Stock Core Fund	(8.4)%	(13.2)%	(18.4)%	2.7%	3.9%	4.6%
MSCI EAFE Index	(6.5)%	(7.5)%	(8.1)%	4.4%	4.8%	5.8%
Emerging Markets Stock Fund ⁵	(7.8)%	(12.4)%	(22.2)%	(2.8)%	0.4%	1.1%
MSCI Emerging Markets Index	(5.6)%	(10.5)%	(18.3)%	2.2%	4.3%	2.9%
ALTERNATIVE INVESTMENTS						
Commodities-Based Fund ⁶	2.1%	21.0%	45.3%	22.9%	12.8%	0.5%
Bloomberg Commodity Total Return Index	4.1%	20.2%	43.5%	17.9%	10.2%	(0.3)%
Public Real Estate Fund ⁶	(3.1)%	0.0%	3.5%	5.4%	5.9%	5.4%
S&P Developed Property Index	(5.3)%	(3.4)%	2.9%	5.6%	6.3%	7.5%
Multi-Strategy Hedge Fund ^{3,5}	—	—	—	—	—	—
60% S&P 500 Index/40% Bloomberg U.S. Aggregate Bond Index	—	—	—	—	—	—
Global Inflation Protection Fund ⁶	(3.1)%	(2.7)%	0.5%	8.1%	6.4%	—
Bloomberg U.S. TIPS 1-10 Year Index + 2%	(0.8)%	(1.0)%	3.5%	7.1%	5.7%	—
EQUITY AND FIXED INCOME						
Balanced Fund	(6.9)%	(7.9)%	(4.3)%	8.2%	7.8%	7.8%
Blended Balanced Index ⁶	(6.8)%	(7.9)%	(3.2)%	8.8%	9.0%	9.1%
TACTICAL FUNDS (additional fees apply)						
Conservative Fund ^{3,5}	—	—	—	—	—	—
Blended Conservative Index ⁶	—	—	—	—	—	—
Income Fund ²	(5.4)%	(8.2)%	(7.7)%	3.7%	4.2%	—
Blended Income Index ⁶	(5.6)%	(7.9)%	(7.1)%	4.5%	4.7%	—
BVI Income Fund	(5.6)%	(8.6)%	(8.1)%	4.3%	—	—
Blended SRI Income Index ⁶	(5.6)%	(7.9)%	(7.1)%	4.7%	—	—
Income & Growth Fund ²	(6.0)%	(8.3)%	(7.3)%	5.3%	5.8%	—
Blended Income & Growth Index ⁶	(6.3)%	(8.0)%	(6.5)%	6.1%	6.3%	—
BVI Income & Growth Fund	(6.2)%	(8.6)%	(7.7)%	5.6%	6.0%	—
Blended SRI Income & Growth Index ⁶	(6.3)%	(8.0)%	(6.5)%	6.1%	6.2%	—
Growth Fund ²	(6.6)%	(8.4)%	(7.1)%	6.1%	6.6%	—
Blended Growth Index ⁶	(6.9)%	(8.1)%	(6.1)%	7.2%	7.3%	—
BVI Growth Fund	(6.8)%	(8.8)%	(7.1)%	7.1%	7.4%	—
Blended SRI Growth Index ⁶	(6.9)%	(8.1)%	(6.1)%	7.4%	7.4%	—
Aggressive Growth Fund ²	(7.2)%	(8.6)%	(6.7)%	6.9%	7.3%	—
Blended Aggressive Growth Index ⁶	(7.5)%	(8.2)%	(5.6)%	8.3%	8.1%	—
BVI Aggressive Growth Fund	(7.4)%	(8.9)%	(6.6)%	8.4%	—	—
Blended SRI Aggressive Growth Index ⁶	(7.5)%	(8.2)%	(5.6)%	8.7%	—	—
U.S INFLATION						
Consumer Price Index (March 2022) ⁷	1.3%	3.1%	8.5%	4.2%	3.4%	2.3%

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.