



Investment Perspective

FROM BRETHERN FOUNDATION

JUNE 2011

MARKETS AND THE ECONOMY

Economic uncertainties pulled the equity markets into negative territory in May, with the domestic equity market, as measured by the S&P 500 Index, showing its first monthly decline since November 2010. Many concerns strained the markets in May. Internationally, fears about Europe's sovereign debt problems and continued unrest in the Middle East (especially Libya and Yemen) placed a drag on market performance.

Domestically, disappointing housing and employment numbers, a continued decline in consumer confidence, concern about the approaching August deadline to address the U.S. debt ceiling, the approaching end of quantitative easing by the Federal Reserve, and slowing economic growth also caused concern for investors. Positive indicators such as favorable consumer spending, equipment investment, exports, and inventories were not sufficient to support continued growth in the equity markets in May.

Despite a 1.1 percent decline in May, the S&P 500 Index has still gained 7.8 percent in 2011. The MSCI EAFE Index has gained 6.6 percent in 2011, despite a 2.8 percent decline in May.

The economic concerns motivated some investors to move assets into bonds. Accordingly, the bond market, as measured by the Barclays Capital Government Credit Index, had its strongest performance of the year in May by gaining 1.5 percent, taking the 2011 performance to 3.1 percent.

BFI RELEASES ITS 2011 *INFORMATION STATEMENT*

Brethren Foundation is pleased to announce the release of its 2011 *Information Statement*. This disclosure resource provides important information about BFI, its processes, its fees, and its performance. Audited financial statements for the 2010 calendar year are also included.

This year's edition is updated to be consistent with changes made to BFI's *Investment Guidelines*, excludes text that is no longer relevant because assets under BFI management are now valued on a daily basis, explains the timing of transactions within a daily valuation environment, and includes an expanded definitions section as well as copies of revised forms. Important information about BFI is provided to current and prospective clients in the 2011 *Information Statement* and should be reviewed carefully.

The 2011 *Information Statement* is being sent with this issue of *Investment Perspective* and the May statement to the primary contact for each of BFI's organizational clients. Additional copies are available from BFI, upon request, in either printed or electronic format.

BFI SECURES ITS OWN FAX NUMBER

Brethren Foundation's new fax number is 847-960-5712. Faxes sent to this number go directly to the BFI email box, which is monitored regularly by BFI staff. The old number was a general number that received transmissions on a fax machine that is located in a public area and is available to all Brethren Benefit Trust staff. Accordingly, a fax sent to the new BFI number will be more secure. Faxes sent to the old number will still be delivered to BFI, but the new number provides an enhanced level of security for information that is faxed to Brethren Foundation.

Please contact Steve Mason, director of Brethren Foundation, if you have questions or comments.

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Fund Performance Report

for the period ending May 31, 2011



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
SHORT-TERM					
Short-Term Fund	0.1%	0.3%	0.5%	2.1%	3.0%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.0%	0.1%	0.1%	0.5%	1.9%
COMMUNITY DEVELOPMENT					
Community Development Investment Fund ²	0.2%	0.6%	1.0%	2.9%	3.0%
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A
FIXED INCOME					
Bond Core Fund	1.3%	2.8%	3.3%	7.7%	7.2%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.5%	2.8%	3.1%	6.4%	6.5%
Bond Fund	1.3%	2.8%	3.4%	7.9%	7.3%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.5%	2.8%	3.1%	6.4%	6.5%
Treasury Inflation-Protected Securities Fund ³	0.4%	3.1%	4.6%	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	0.3%	3.9%	5.0%	N/A	N/A
High Yield Bond Fund ³	0.5%	1.9%	5.6%	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	0.5%	2.4%	6.0%	N/A	N/A
DOMESTIC EQUITY					
Domestic Stock Core Fund	(1.8)%	1.3%	6.1%	(0.4)%	4.1%
<i>S&P 500 Index</i>	(1.1)%	1.8%	7.8%	0.9%	3.3%
Domestic Stock Value Fund	0.3%	8.7%	15.3%	N/A	N/A
<i>Russell 1000 Value Index</i>	(1.1)%	2.0%	8.1%	N/A	N/A
Domestic Stock Growth Fund	(1.1)%	4.6%	9.9%	N/A	N/A
<i>Russell 1000 Growth Index</i>	(1.1)%	2.4%	8.4%	N/A	N/A
Domestic Stock Fund	(0.9)%	4.9%	10.3%	2.9%	6.5%
<i>S&P 500 Index</i>	(1.1)%	1.8%	7.8%	0.9%	3.3%
Small Cap Fund	0.7%	9.2%	16.8%	12.4%	9.8%
<i>Russell 2000 Index</i>	(1.9)%	3.3%	8.7%	5.8%	4.7%
Public Real Estate Fund ³	(0.9)%	4.0%	N/A	N/A	N/A
<i>S&P Developed Property Index</i>	0.3%	3.7%	N/A	N/A	N/A
INTERNATIONAL EQUITY					
International Stock Core Fund	(2.8)%	2.8%	5.9%	(2.3)%	2.2%
<i>MSCI EAFE Index</i>	(2.8)%	0.8%	6.7%	(3.7)%	2.2%
Emerging Markets Stock Fund ³	(5.4)%	2.3%	(2.8)%	N/A	N/A
<i>MSCI Emerging Markets Index</i>	(2.6)%	6.4%	2.6%	N/A	N/A
ALTERNATIVES					
Commodities-Based Fund ³	(2.9)%	3.3%	6.7%	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	(5.1)%	0.3%	2.6%	N/A	N/A
EQUITY AND FIXED INCOME					
Balanced Fund	0.0%	4.1%	7.7%	5.5%	7.3%
<i>Blended Balanced Index</i> ⁴	(0.1)%	2.2%	5.9%	3.6%	5.0%
U.S. INFLATION					
Consumer Price Index (April 2011) ⁵	0.6%	2.1%	2.6%	1.5%	2.4%

¹ Changed May 1, 2009. 3-year and 5-year blended with 90-day Treasury Bill. ² CDIF interest accrues on a daily basis. ³ 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. ⁴ Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). ⁵ Most recent data available.