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# Investment Perspective

FROM BRETHERN FOUNDATION

JUNE 2010

## MARKETS AND THE ECONOMY

A miniature version of the bear market of 2007 through 2009 was replayed in May. A flight to quality during the month and investor aversion to risk increased due to news headlines about sovereign debt risk and financial reform legislation. A broad-based fear of deflation from defaulting debt originating in Greece, Spain, Portugal, and other countries caused international and domestic equity markets to dramatically decline. Stronger economic statistics continue to bolster progress in the U.S., despite the absence of job creation or a significant decrease in housing inventories. The bond markets were not exempt from the news as U.S. Treasury bonds benefitted from risk aversion and the flight to quality, while corporate- and asset-backed securities were hurt as greater risk required much higher yields to attract investors.

BFI fund choices outperformed their respective benchmarks during this declining market — the emphasis on quality in our actively managed portfolios was rewarded by not going down as steeply as the index. The S&P 500 Index dropped 7.99 percent, while the Domestic Stock Fund went down 7.04 percent — an advantage of 0.95 percent for active versus passive management. The difference in the Small Cap Fund was more dramatic, with an advantage of 1.07 percent over its benchmark. The Bond Fund underperformed because it invested in fewer U.S. Treasuries than its benchmark, the Barclays Capital Govt/Credit Index.

When daily valuations are implemented, clients will be able to know the updated value of their assets under BFI management on a daily basis.

## BOARD AUTHORIZES DAILY VALUATIONS

During its April meeting, the Brethren Foundation Board of Directors authorized the transition to the daily valuations of assets under management. For most of BFI's 20-year history, assets were valued on a monthly basis; recently, valuation has been occurring twice a month. When daily valuations are implemented, clients will be able to know the updated value of their assets under BFI management on a daily basis, if so desired, and clients will have quicker access to their assets. Clients will also have more flexibility in the timing of transactions, because the constraints related to less frequent valuations will be eliminated.

Even with the implementation of daily valuations, certain timing issues remain. Money deposited into clients' accounts will not be instantly available, and withdrawals will be subject to a processing schedule. Transactions initiated late in any month may appear on the next month's statement.

Preparation for the implementation of daily valuations have begun. New procedures and timetables are being developed, and the investment database is being reconfigured to accommodate daily valuations. When everything is ready, the new processes and timetables will be shared with the primary contact for all clients. Daily valuations should begin within the next few months.



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

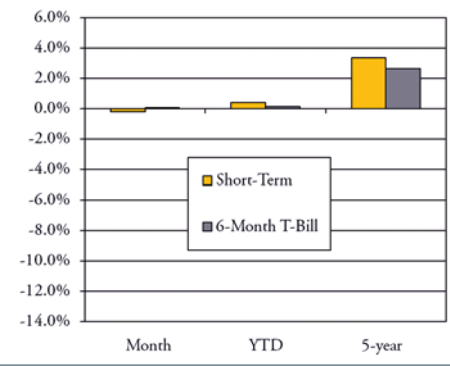
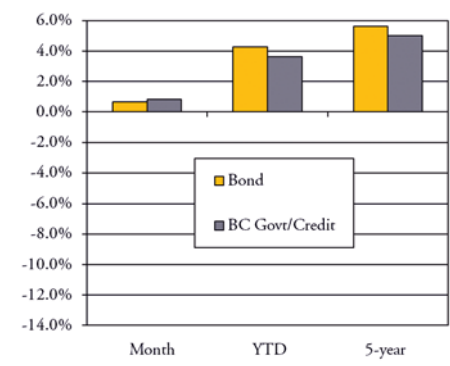
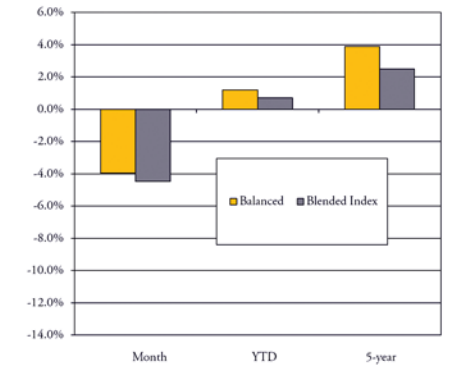
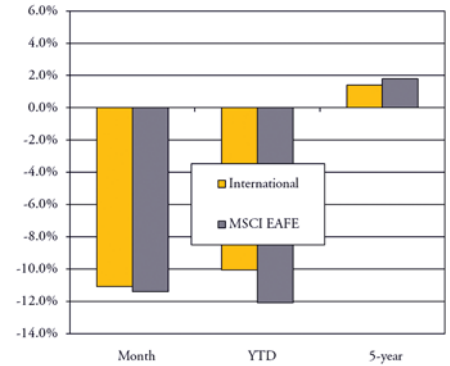
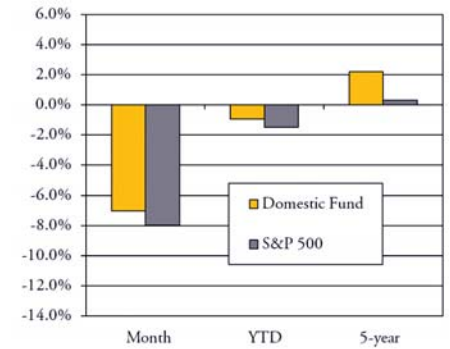
# Monthly Fund Performance Report

for the period ending May 31, 2010

# Performance Report

All Foundation investment funds must meet socially responsible investment guidelines.

FUNDS (Net of Investment Fees)	BENCHMARKS (Gross)
<b>Domestic Stock Fund:</b> <b>Rate of Return</b> Current month ..... (7.0)% Year to date ..... (0.9)% Five years ..... 2.2%	<b>S&amp;P 500:</b> <b>Rate of Return</b> Current month ..... (8.0)% Year to date ..... (1.5)% Five years ..... 0.3%
<b>Domestic Stock Core Fund:</b> <b>Rate of Return</b> Current month ..... (7.6)% Year to date ..... (1.4)% Five years ..... 1.9%	<b>S&amp;P 500:</b> <b>Rate of Return</b> Current month ..... (8.0)% Year to date ..... (1.5)% Five years ..... 0.3%
<b>Small Cap Fund:</b> <b>Rate of Return</b> Current month ..... (6.5)% Year to date ..... 3.8% Five years ..... 5.5%	<b>Russell 2000:</b> <b>Rate of Return</b> Current month ..... (7.6)% Year to date ..... .6.3% Five years ..... 2.8%
<b>International Stock Core Fund:</b> <b>Rate of Return</b> Current month ..... (11.1)% Year to date ..... (10.1)% Five years ..... 1.4%	<b>MSCI EAFE:</b> <b>Rate of Return</b> Current month ..... (11.4)% Year to date ..... (12.1)% Five years ..... 1.8%
<b>Balanced Fund:</b> <b>Rate of Return</b> Current month ..... (4.0)% Year to date ..... 1.2% Five years ..... 3.9%	<b>Blended Balanced Index:</b> <b>Rate of Return</b> Current month ..... (4.5)% Year to date ..... .0.7% Five years ..... 2.5%
<b>Bond Fund:</b> <b>Rate of Return</b> Current month ..... 0.7% Year to date ..... 4.3% Five years ..... 5.6%	<b>Barclays Capital Gov/Credit:</b> <b>Rate of Return</b> Current month ..... 0.8% Year to date ..... 3.6% Five years ..... 5.0%
<b>Bond Core Fund:</b> <b>Rate of Return</b> Current month ..... 0.8% Year to date ..... 4.5% Five years ..... 5.6%	<b>Barclays Capital Gov/Credit:</b> <b>Rate of Return</b> Current month ..... 0.8% Year to date ..... 3.6% Five years ..... 5.0%
<b>Short-Term Fund:</b> <b>Rate of Return</b> Current month ..... (0.2)% Year to date ..... .0.4% Five years ..... 3.4%	<b>Merrill Lynch 6-Month T-Bill*:</b> <b>Rate of Return</b> Current month ..... .0.1% Year to date ..... .0.2% Five years ..... 2.6% * Changed 5/1/09. YTD and 5 yr blended w/90-day T-Bill.
<b>Comm. Dev. Investment Fund:</b> <b>Rate of Return</b> Current month ..... 0.5%* Year to date ..... 1.2%* Five years ..... 2.9%* *Interest accrues on a quarterly basis.	<b>Consumer Price Index:</b> (most recent data available) April 2010 ..... 0.2% Year to date (thru April 2010) ..... 0.9% Five years ..... 2.3% The CPI is an indicator of inflation.



Five-year returns are annualized.