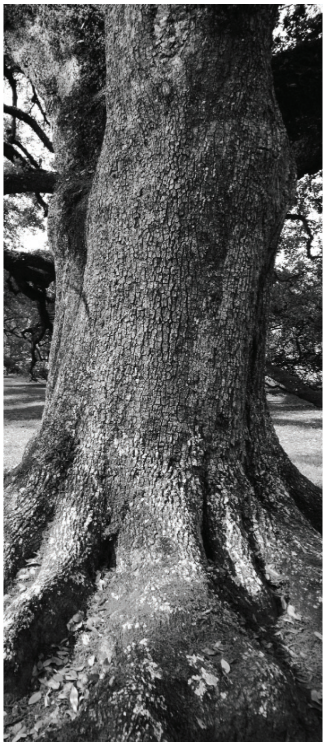

Investment Perspective

FROM BRETHREN FOUNDATION **SEPTEMBER 2011**

Markets and the Economy

The month began with the financial markets roiling after Washington came to a last-minute agreement over raising the federal debt ceiling. President Obama signed the plan, but broader concerns about confidence in policymakers and politicians and their commitment to fiscal discipline led Standard & Poor's to downgrade its long-term sovereign credit rating for the United States from AAA to AA+. This was but one macroeconomic factor contributing to the volatility the markets experienced in August.

Ailing investors were increasingly seeking decisive action from political institutions, but instead they witnessed ineffectiveness, instability, and a lack of predictability. While some hoped for additional easing in monetary policy (QE3) from the Federal Reserve, Chairman Ben Bernanke committed only to leaving open the possibility for considering additional stimulus as the Fed continues to monitor the economy and inflation. Weak economic data continued to highlight concerns about the strength of the U.S. economy as consumer confidence plunged, personal income growth continued to lag, overall job growth remains restrained, and manufacturing barely expanded. Internationally, European sovereign risk fears persist; manufacturing in Europe and Asia pulled back, while China's factory sector grew faintly.

The S&P 500 fell 5.4 percent in August — its fourth straight monthly decline — and yielded all of its gains from the first seven months of the year, leaving it down 1.8 percent year-to-date. International equities, as measured by the MSCI EAFE, declined 9 percent in August and are down 5.7 percent for the year. The bond market, as measured by the Barclays Capital Government/Credit Index, was up 1.7 percent for August and 6.4 percent year-to-date as a flight to quality pushed up Treasury prices.

Resisting Temptation

Market activity during August was the most dramatic and volatile since the financial crisis of 2008. Speculation about the possibility of a second recession appeared in the media. The markets' short-term performance seems to depend on whether the news of the day is good or bad, driven more by emotion than economic fundamentals. Some investors are wondering what they should do with their invested assets.

Investors are often tempted to seek a safe haven for their invested assets when the markets are in turmoil. Although this can be a good thing to do, the safe haven may not be where it is expected to be. The truly safe haven is an investment plan that correctly addresses comfort with risk, accurately assesses how soon the money will be needed, and clearly states the purpose of the invested assets — as long as the investors have the discipline to stay there. Every plan should be reviewed periodically, and the lack of a plan is always a sufficient reason for establishing one. A well-conceived and managed investment plan tolerates and is not influenced by market activity.

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Ten-Year Performance Data Now Available

Beginning with this issue of *Investment Perspective*, 10-year performance data is provided for Brethren Foundation investment options that have a 10-year history.

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

Fund Performance Report

for the period ending Aug. 31, 2011

All periods longer than one year are annualized.

Funds (Net of Investment Fees) / ***Benchmarks*** *(Gross)*	Current Month	Three Months	Year-to-Date	Three Years	Five Years	Ten Years
SHORT-TERM						
Short-Term Fund	0.2%	0.2%	0.7%	1.9%	2.8%	2.7%
Merrill Lynch 6-Month Treasury Bill Index [1]	*0.1%*	*0.1%*	*0.2%*	*0.4%*	*1.7%*	*2.0%*
COMMUNITY DEVELOPMENT						
Community Development Investment Fund [2]	0.2%	0.5%	1.6%	2.8%	2.9%	N/A
No Benchmark	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
FIXED INCOME						
Bond Core Fund	0.5%	2.0%	5.5%	8.5%	7.0%	N/A
Barclays Capital U.S. Government/Credit Bond Index	*1.7%*	*3.2%*	*6.4%*	*7.1%*	*6.5%*	*N/A*
Bond Fund	0.5%	2.0%	5.5%	8.6%	7.1%	6.0%
Barclays Capital U.S. Government/Credit Bond Index	*1.7%*	*3.2%*	*6.4%*	*7.1%*	*6.5%*	*5.7%*
Treasury Inflation-Protected Securities Fund [3]	2.4%	5.9%	10.7%	N/A	N/A	N/A
Barclays Capital U.S. TIPS Index	*0.8%*	*5.6%*	*10.8%*	*N/A*	*N/A*	*N/A*
High Yield Bond Fund [3]	(5.2)%	(5.1)%	0.2%	N/A	N/A	N/A
Barclays Capital U.S. Corporate High Yield Bond Index	*(4.0)%*	*(3.8)%*	*1.9%*	*N/A*	*N/A*	*N/A*
DOMESTIC EQUITY						
Domestic Stock Core Fund	(5.7)%	(9.7)%	(4.2)%	(2.0)%	1.8%	2.8%
S&P 500 Index	*(5.4)%*	*(8.9)%*	*(1.8)%*	*0.5%*	*0.8%*	*2.7%*
Domestic Stock Value Fund	(9.1)%	(14.4)%	(1.3)%	N/A	N/A	N/A
Russell 1000 Value Index	*(6.2)%*	*(11.2)%*	*(4.0)%*	*N/A*	*N/A*	*N/A*
Domestic Stock Growth Fund	(4.9)%	(9.2)%	(0.2)%	N/A	N/A	N/A
Russell 1000 Growth Index	*(5.3)%*	*(7.6)%*	*0.2%*	*N/A*	*N/A*	*N/A*
Domestic Stock Fund	(6.6)%	(11.1)%	(1.9)%	1.1%	3.6%	4.0%
S&P 500 Index	*(5.4)%*	*(8.9)%*	*(1.8)%*	*0.5%*	*0.8%*	*2.7%*
Small Cap Fund	(3.3)%	(8.6)%	6.7%	9.1%	7.5%	N/A
Russell 2000 Index	*(8.7)%*	*(14.0)%*	*(6.5)%*	*0.8%*	*1.5%*	*N/A*
Public Real Estate Fund [3]	(7.3)%	(7.5)%	N/A	N/A	N/A	N/A
S&P Developed Property Index	*(6.1)%*	*(7.6)%*	*N/A*	*N/A*	*N/A*	*N/A*
INTERNATIONAL EQUITY						
International Stock Core Fund	(7.9)%	(10.2)%	(4.9)%	(1.8)%	(0.6)%	5.0%
MSCI EAFE Index	*(9.0)%*	*(11.5)%*	*(5.7)%*	*(2.5)%*	*(1.0)%*	*5.4%*
Emerging Markets Stock Fund [3]	(16.1)%	(14.4)%	(16.8)%	N/A	N/A	N/A
MSCI Emerging Markets Index	*(8.9)%*	*(10.6)%*	*(8.3)%*	*N/A*	*N/A*	*N/A*
ALTERNATIVES						
Commodities-Based Fund [3]	(0.9)%	(3.8)%	2.7%	N/A	N/A	N/A
Dow Jones UBS Commodity Index	*1.0%*	*(1.3)%*	*1.3%*	*N/A*	*N/A*	*N/A*
EQUITY AND FIXED INCOME						
Balanced Fund	(3.7)%	(5.9)%	1.3%	4.7%	5.5%	5.2%
Blended Balanced Index [4]	*(2.6)%*	*(4.2)%*	*1.5%*	*3.7%*	*3.5%*	*4.3%*
U.S. INFLATION						
Consumer Price Index (July 2011) [5]	0.1%	0.5%	3.1%	0.9%	2.1%	2.4%

Performance Report

[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.