



Investment Perspective

FROM BRETHERN FOUNDATION

AUGUST 2009

MARKETS AND THE ECONOMY

July saw confirmation that the government efforts to stimulate the economy were effective in translating into positive performance by the U.S. economy and corporate earnings. These factors drove equity prices higher for one of the best performances in July in nearly two decades. The S&P 500 rose 7.5 percent for the month, bringing the index up to around 10 percent for the year. This is a sharp contrast to the performance of February and early March. One thing to keep in mind, however, is that for every 1 percent decline, it takes a 2 percent increase just to get back to the original point. For example, the 10 percent increase so far this year only offsets 5 percent of last year's decline. At least we are moving to higher ground, which feels good.

The U.S. credit market continues to reward non-Treasury debt securities. Excess returns this year have nearly offset all of the negative returns from last year. Our July bond benchmark (1.8 percent) was positive with the corporate bonds and commercial mortgage-backed and asset-backed securities leading the pack over U.S. Treasuries, and international equities mounted one of their best performing months of the year as shown by the MSCI EAFE index up 9.1 percent.

MEET THE INVESTMENT COMMITTEE

The Brethren Foundation Board has charged its Investment Committee with oversight and direction of the organization's investment program that manages more than \$113 million of assets. The Investment Committee consists of the following four individuals who are each deeply committed to the Church of the Brethren and uniquely qualified to provide financial leadership to BFI.

Janice Bratton is vice president and an investment officer for Hershey Trust Company of Hershey, Pa. She has in-depth experience in asset allocation analysis, investment research, individual portfolio management, and direct client consultations. Jan earned two Bachelor of Science degrees from Pennsylvania State University and is a graduate of the Harvard Business School Executive Education Program and the Central Atlantic School of Trusts and Investments. She is a Chartered Financial Analyst® and a Certified Financial Planner™. Jan is a member of Spring Creek Church of the Brethren, Hershey, Pa.

Jack Grim is a first vice president for Janney Montgomery Scott LLC in York, Pa. He is the manager of the 21-person office and has been a Financial Consultant for the past 25 years. Jack graduated from Pennsylvania State University and he maintains Series 7, Series 8, and Series 65 securities licenses. Jack is a member of Lake View Christian Fellowship Church of the Brethren, East Berlin, Pa.

Harry Rhodes is an owner of Rhodes, Butler & Dellinger PC, a law firm in Roanoke, Va. Harry has been practicing law since 1976, with an emphasis on estate planning and employee benefits. He is a graduate of the University of North Carolina and the University of Virginia School of Law and a member of the Virginia and American Bar Associations. He is co-pastor of Central Church of the Brethren, Roanoke, Va.

Deborah Romary is president and chief executive officer of Romary Financial Services Inc. of Fort Wayne, Ind., which she established in 1999. She entered the financial services industry in 1980. Deb earned graduate degrees at American College and Bethany Theological Seminary and is a Certified Financial Planner™, a Chartered Life Underwriter®, and a member of the International Association of Financial Advisors. Deb is a member of Beacon Heights Church of the Brethren, Fort Wayne, Ind.

Please contact Steve Mason if you have questions or comments about this newsletter.

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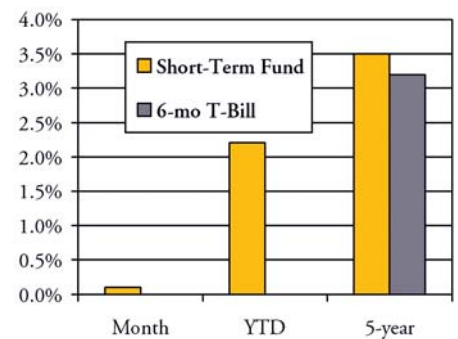
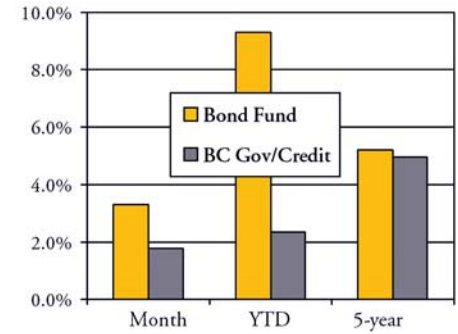
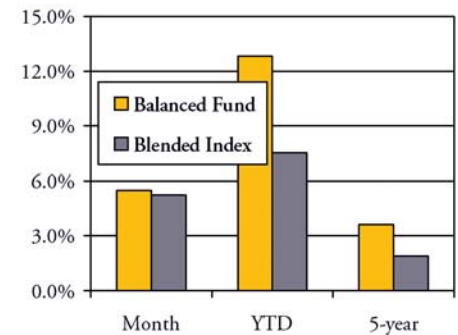
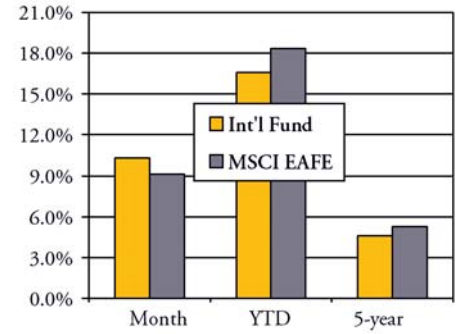
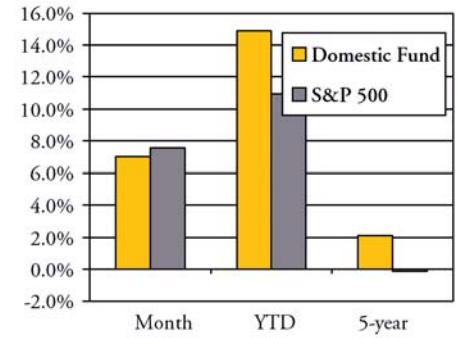
Monthly Fund Performance Report

for the period ending July 31, 2009

Performance Report

All Foundation investment funds must meet socially responsible investment guidelines.

FUNDS (Net of Investment Fees)	BENCHMARKS (Gross)
Domestic Stock Fund: Rate of Return Current month 7.0% Year to date 14.9% Five years 2.1%	S&P 500: Rate of Return Current month 7.6% Year to date 11.0% Five years (0.1)%
Domestic Stock Core Fund: Rate of Return Current month 7.3% Year to date 11.4% Five years 1.6%	S&P 500: Rate of Return Current month 7.6% Year to date 11.0% Five years (0.1)%
Small Cap Fund: Rate of Return Current month 11.3% Year to date 15.4% Five years 3.8%	Russell 2000: Rate of Return Current month 9.6% Year to date 12.5% Five years 1.5%
International Stock Core Fund: Rate of Return Current month 10.3% Year to date 16.6% Five years 4.6%	MSCI EAFE: Rate of Return Current month 9.1% Year to date 18.3% Five years 5.3%
Balanced Fund: Rate of Return Current month 5.5% Year to date 12.8% Five years 3.6%	Blended Balanced Index: Rate of Return Current month 5.3% Year to date 7.5% Five years 1.9%
Bond Fund: Rate of Return Current month 3.3% Year to date 9.3% Five years 5.2%	Barclays Capital Gov/Credit: Rate of Return Current month 1.8% Year to date 2.4% Five years 5.0%
Bond Core Fund: Rate of Return Current month 3.2% Year to date 9.1% Five years 5.2%	Barclays Capital Gov/Credit: Rate of Return Current month 1.8% Year to date 2.4% Five years 5.0%
Short-Term Fund: Rate of Return Current month 0.1% Year to date 2.2% Five years 3.5%	Merrill Lynch 6-Month T-Bill*: Rate of Return Current month 0.1% Year to date 0.2% Five years 3.0% * Changed 5/1/09. YTD and 5 yr blended w/90-day T-Bill.
Comm. Dev. Investment Fund: Rate of Return Current month 0.5%* Year to date 1.8%* Five years 3.0%* *Interest accrues on a quarterly basis.	Consumer Price Index: (most recent data available) June 2009 0.9% Year to date (thru June 2009) 2.5% Five years 2.7% The CPI is an indicator of inflation.



Five-year returns are annualized.