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# Investment Perspective

FROM BRETHERN FOUNDATION

SEPTEMBER 2009

## MARKETS AND THE ECONOMY

A consensus has been reached in the investment world — the U.S. economy is emerging from its severe recession. This does not mean that all areas will advance together. There will still be problems going forward in the employment and housing sectors, as well as some long-term effects from this contraction because of the change in consumer buying habits. But the bottom line is that our economy is heading in the right direction, and the domestic equity and bond markets responded last month by continuing the recent trend of higher performances.

BFI funds underperformed for the month due to the increasing appetite for risk. Riskier stocks outperformed the safer and more stable companies that we typically hold in our portfolios. International stocks moved in tandem with the U.S. market but ended the month with smaller gains. We are beginning to see some nice gains in all of BFI's fund choices, based on year-to-date figures. Please look at the monthly fund performance report on the back cover for all the details.

The Brethren Foundation has expanded its investment offerings to include a bond option and a short-term option that can invest in U.S. Treasuries.

## BOND CORE FUND CAN INVEST IN U.S. TREASURIES

As noted in the July issue of *Investment Perspective*, the Brethren Foundation has expanded its investment offerings to include a bond option and a short-term option that can invest in U.S. Treasuries, while continuing to offer bond and short-term options that are U.S. Treasury-free.

The Bond Core Fund can now include U.S. Treasuries. Clients with assets invested in the Bond Fund who want exposure to U.S. Treasuries will need to move those assets to the Bond Core Fund. Likewise, clients with assets invested in the Bond Core Fund who do not want exposure to U.S. Treasuries will need to move those assets to the Bond Fund. Since a portion of the Balanced Fund is invested in the Bond Fund, clients with assets in the Balanced Fund wanting exposure to U.S. Treasuries can gain that exposure by moving their Balanced Fund assets to a combination of the Domestic Stock Fund and the Bond Core Fund. To emulate the Balanced Fund, an investor would allocate approximately 60 percent in the Domestic Stock Fund and 40 percent in the Bond Core Fund.

Investment manager guidelines are identical for the Bond Fund and the Bond Core Fund except that the assets of the Bond Fund cannot be invested in U.S. Treasuries, and the assets of the Bond Core Fund can be invested in U.S. Treasuries. Currently, both funds have the same asset profile because Brethren Foundation's bond managers do not find U.S. Treasuries to be an attractive option.

Brethren Foundation staff will communicate with the primary contact for each client to ensure that assets are invested in a manner consistent with client preferences. Clients who wish to make changes immediately may do so by completing a transfer request. Forms are available in the Forms section at [www.bbtfoundation.org](http://www.bbtfoundation.org) or by contacting the Brethren Foundation office.

A short-term option that can be invested in U.S. Treasuries will not be implemented until there are sufficient assets to do so. The assets presently invested in the Short-Term Fund are insufficient to support two separate funds. Therefore, any client assets invested in the Short-Term Fund will have no exposure to U.S. Treasuries. Clients who have such an interest should contact Steve Mason.



Questions should be directed to Steve Mason, director.

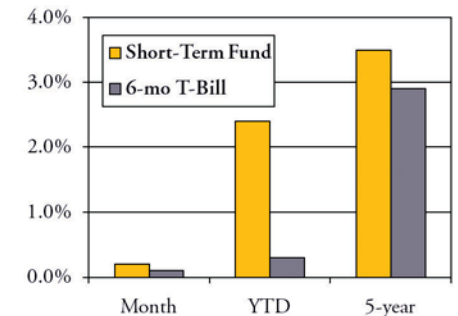
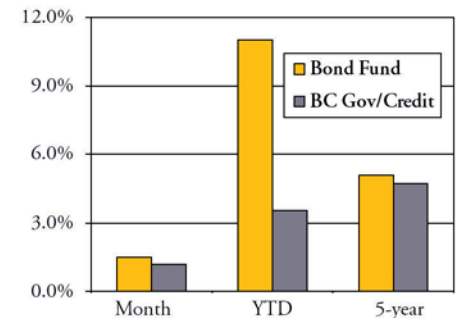
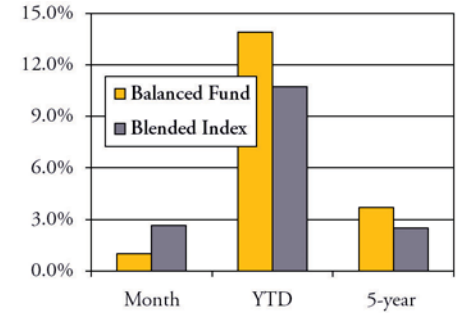
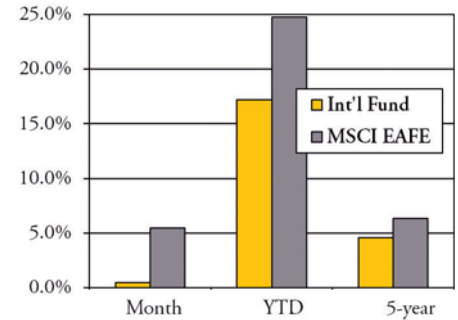
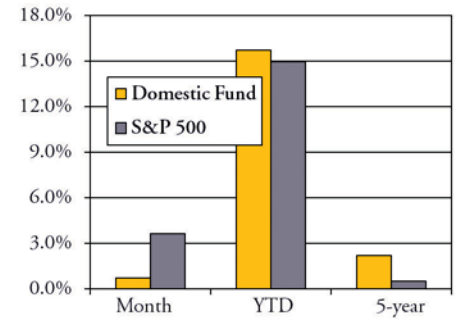
# Monthly Fund Performance Report

for the period ending August 31, 2009

# 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 ..... 0.7% Year to date ..... 15.7% Five years ..... 2.2%	<b>S&amp;P 500:</b> <b>Rate of Return</b> Current month ..... 3.6% Year to date ..... 15.0% Five years ..... 0.5%
<b>Domestic Stock Core Fund:</b> <b>Rate of Return</b> Current month ..... 1.1% Year to date ..... 12.6% Five years ..... 1.7%	<b>S&amp;P 500:</b> <b>Rate of Return</b> Current month ..... 3.6% Year to date ..... 15.0% Five years ..... 0.5%
<b>Small Cap Fund:</b> <b>Rate of Return</b> Current month ..... 1.9% Year to date ..... 17.6% Five years ..... 4.3%	<b>Russell 2000:</b> <b>Rate of Return</b> Current month ..... 2.9% Year to date ..... 15.8% Five years ..... 2.2%
<b>International Stock Core Fund:</b> <b>Rate of Return</b> Current month ..... 0.5% Year to date ..... 17.2% Five years ..... 4.6%	<b>MSCI EAFE:</b> <b>Rate of Return</b> Current month ..... 5.5% Year to date ..... 24.8% Five years ..... 6.3%
<b>Balanced Fund:</b> <b>Rate of Return</b> Current month ..... 1.0% Year to date ..... 13.9% Five years ..... 3.7%	<b>Blended Balanced Index:</b> <b>Rate of Return</b> Current month ..... 2.6% Year to date ..... 10.7% Five years ..... 2.5%
<b>Bond Fund:</b> <b>Rate of Return</b> Current month ..... 1.5% Year to date ..... 11.0% Five years ..... 5.1%	<b>Barclays Capital Gov/Credit:</b> <b>Rate of Return</b> Current month ..... 1.2% Year to date ..... 3.6% Five years ..... 4.8%
<b>Bond Core Fund:</b> <b>Rate of Return</b> Current month ..... 1.5% Year to date ..... 10.7% Five years ..... 5.1%	<b>Barclays Capital Gov/Credit:</b> <b>Rate of Return</b> Current month ..... 1.2% Year to date ..... 3.6% Five years ..... 4.8%
<b>Short-Term Fund:</b> <b>Rate of Return</b> Current month ..... 0.2% Year to date ..... 2.4% Five years ..... 3.5%	<b>Merrill Lynch 6-Month T-Bill*:</b> <b>Rate of Return</b> Current month ..... 0.1% Year to date ..... 0.3% Five years ..... 2.9% * 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 ..... 0.2%* Year to date ..... 2.0%* Five years ..... 3.1%* *Interest accrues on a quarterly basis.	<b>Consumer Price Index:</b> (most recent data available) July 2009 ..... (0.2)% Year to date (thru July 2009) ..... 2.3% Five years ..... 2.7% The CPI is an indicator of inflation.



Five-year returns are annualized.