



Investment Perspective

FROM BRETHERN FOUNDATION

JANUARY 2010

MARKETS AND THE ECONOMY

Looking back over the previous year, the best word to use to sum up the stock and bond market comes from basketball — rebound! Brethren Foundation's monthly objective is to obtain a fair return for its clients and exceed its benchmarks, and both goals were accomplished in the past year in U.S. stocks. The Domestic Stock Fund gained 29.2 percent. This great return in stocks beat the target S&P 500 Index by 2.7 percent for the year.

The movement in the bond market was even more dramatic. BFI Bond funds' returns reclaimed all of the excess returns given up in 2008. With a 13 percent total return for the past year, it is likely that the Bond Fund's returns will exceed those reported by many secular and most faith-based bond investment choices. The Bond Core Fund ended 2009 with an impressive 12.5 percent gain. The Barclays Capital Gov/Credit Index we use for comparison had an annual return of 4.5 percent. This impressive performance illustrates the success of BFI's long-term approach to investing using modern portfolio theory, while selecting top investment managers to oversee your investments, and warrants your continued business and confidence in Brethren Foundation.

These new screens more closely align Brethren Foundation's investment guidelines with the positions of the denomination as outlined in Church of the Brethren Annual Conference statements.

BRETHERN FOUNDATION DEEPENS AND BROADENS ITS SOCIALLY RESPONSIBLE INVESTMENT SCREENS

During its November meeting, the Board of Directors adopted a significantly revised set of socially responsible investing screens. These new screens more closely align Brethren Foundation's investment guidelines with the positions of the denomination as outlined in Church of the Brethren Annual Conference statements.

The screens previously adopted by the Board prohibit assets under Brethren Foundation management from being invested in companies that generate more than 10 percent of their annual gross revenues from the manufacture or sale of alcoholic beverages or tobacco products; the production, sale, or distribution of pornography; the manufacture, sale, or operation of gambling devices; and contracts with the U.S. Department of Defense, as well as the top 25 publicly traded Defense contractors.

The new screens prevent investment in companies that generate more than 10 percent of their annual gross revenues from the following:

- The manufacture or sale of biological, chemical, or nuclear weapons; anti-personnel landmines; or cluster munitions.
- The manufacture or sale of firearms or military weapons systems, including key components.
- Abortion procedures or the manufacture or sale of products used primarily to complete abortion procedures.

The Board also expanded restrictions against companies with histories of environmental and human rights violations to apply to both international and domestic investments, and added specific prohibitions against companies engaging in slavery or child labor practices.

Investment managers must affirm compliance with these and other investment guidelines on a quarterly basis. A copy of the full text is available upon request.

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



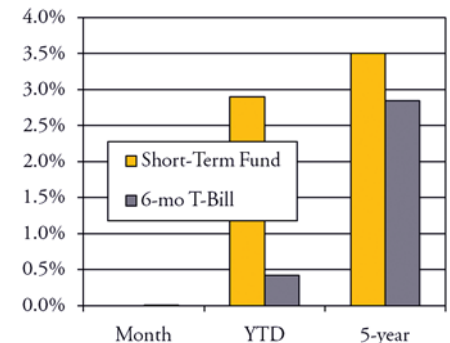
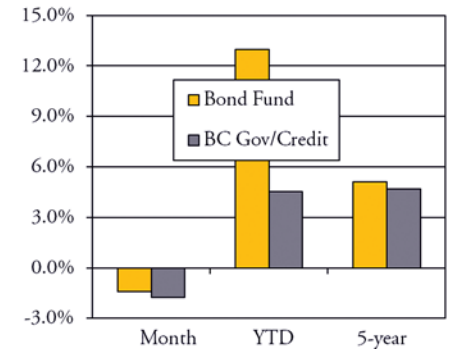
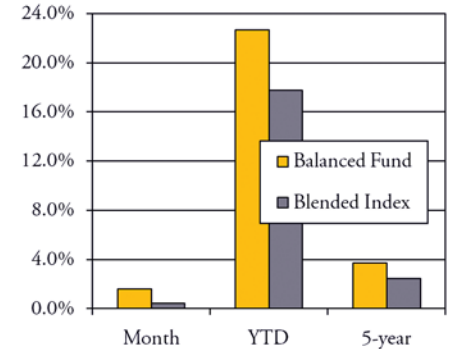
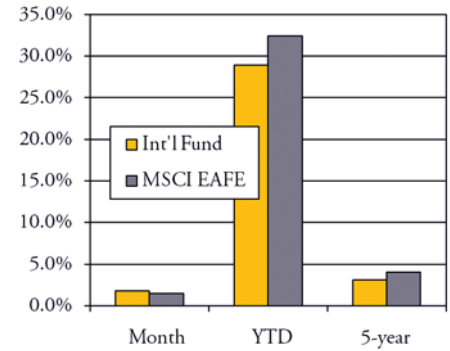
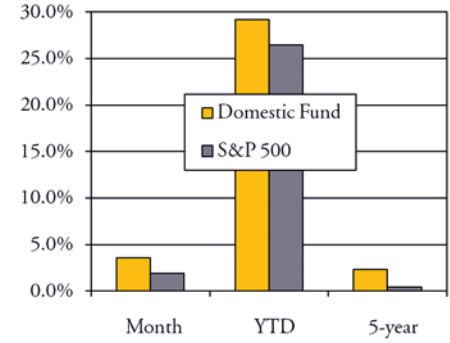
Monthly Fund Performance Report

for the period ending December 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 3.6% Year to date 29.2% Five years 2.3%	S&P 500: Rate of Return Current month 1.9% Year to date 26.5% Five years 0.4%
Domestic Stock Core Fund: Rate of Return Current month 1.4% Year to date 24.9% Five years 1.9%	S&P 500: Rate of Return Current month 1.9% Year to date 26.5% Five years 0.4%
Small Cap Fund: Rate of Return Current month 7.4% Year to date 35.2% Five years 4.6%	Russell 2000: Rate of Return Current month 8.1% Year to date 27.2% Five years 0.5%
International Stock Core Fund: Rate of Return Current month 1.8% Year to date 28.9% Five years 3.1%	MSCI EAFE: Rate of Return Current month 1.5% Year to date 32.5% Five years 4.0%
Balanced Fund: Rate of Return Current month 1.6% Year to date 22.7% Five years 3.7%	Blended Balanced Index: Rate of Return Current month 0.5% Year to date 17.8% Five years 2.4%
Bond Fund: Rate of Return Current month (1.4)% Year to date 13.0% Five years 5.1%	Barclays Capital Gov/Credit: Rate of Return Current month (1.8)% Year to date 4.5% Five years 4.7%
Bond Core Fund: Rate of Return Current month (1.6)% Year to date 12.5% Five years 5.1%	Barclays Capital Gov/Credit: Rate of Return Current month (1.8)% Year to date 4.5% Five years 4.7%
Short-Term Fund: Rate of Return Current month 0.0% Year to date 2.9% Five years 3.5%	Merrill Lynch 6-Month T-Bill*: Rate of Return Current month 0.0% Year to date 0.4% Five years 2.9% * Changed 5/1/09. YTD and 5 yr blended w/90-day T-Bill.
Comm. Dev. Investment Fund: Rate of Return Current month 0.0%* Year to date 2.7%* Five years 3.0%* *Interest accrues on a quarterly basis.	Consumer Price Index: (most recent data available) November 2009 0.4% Year to date (thru November 2009) 3.7% Five years 2.8% The CPI is an indicator of inflation.



Five-year returns are annualized.