



Investment Perspective

FROM BRETHREN FOUNDATION

OCTOBER 2011

MARKETS AND THE ECONOMY

For most investors, the third quarter of 2011 was the worst quarter since the collapse of the capital markets in 2008 and 2009. Volatility was primarily driven by fears about the health of banks in Europe, European policy makers working to avoid a default by Greece's debt-burdened government, and growing concerns about a double-dip recession in the U.S.

The Federal Reserve introduced its newest rate-lowering program, Operation Twist, with the hopes of reducing long-term interest rates and encouraging more borrowing. However, weak economic indicators in the U.S., Europe, and China, coupled with the prospect of an unraveling of the European debt crisis, are contributing to a continued aversion to risk. Investors have bought U.S. Treasury bills that offer no yield but provide certainty that they will get their money back. After this challenging month and quarter, investors are now looking ahead to third quarter corporate earnings reports to better formulate their outlooks for the remainder of this year.

The S&P 500 fell 7.0 percent in September — its fifth straight monthly decline — and is down 13.9 percent for the third quarter. International equities that are included in the MSCI EAFE declined 9.5 percent in September and are down 19.0 percent for the quarter. The bond market, as it is represented by the Barclays Capital Government/Credit Index, increased 1.0 percent for September and was up 4.7 percent during the quarter.

ONLINE ACCOUNT MANAGEMENT IS NOW AVAILABLE!

Brethren Foundation is pleased to announce that on Sept. 29 online account management became available to its organizational clients. Via the client portal, authorized individuals can access monthly statements, initiate transactions, run statements and performance reports for custom date ranges, and review both summary and detail account activity for custom date ranges. All reports can be downloaded or printed.

“We are pleased to provide this additional service to our clients,” said Steve Mason, director. “We believe that client portal users will appreciate the functionality of the online processes and access to additional account information. This service has been under development for some time and has benefited from extensive testing by staff, the service provider, and a small group of clients who have served as beta testers. Their collective efforts have yielded a product that we hope many clients will use and appreciate.”

The announcement of this new service was sent to the primary contact for all organizational clients via email and regular mail on Sept. 29. The announcement, which provides information about the process to gain access to the client portal, is also available on BFI's website ([www.brethrenbenefittrust.org/news/Foundation News](http://www.brethrenbenefittrust.org/news/Foundation%20News)).

Contact **Steve Lipinski** at 847-622-3377 or slipinski_bbt@brethren.org for assistance with the client portal.

SYSTEM UPGRADE SCHEDULED FOR OCT. 10-14

Brethren Foundation will be upgrading its fund accounting system during the week of Oct. 10-14. Clients should expect transactions initiated during that time to be delayed. BFI brings this to the attention of its clients now so that they are aware of it and can plan transaction activities accordingly. Clients should direct questions or concerns to **Steve Lipinski** using the contact information above.

Please contact Steve Mason, director, with additional questions or comments about Brethren Foundation.

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Fund Performance Report

for the period ending Sept. 30, 2011



All periods longer than one year are annualized.

Performance Report

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)%	0.0%	0.5%	1.8%	2.7%	2.6%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.0%	0.1%	0.2%	0.4%	1.6%	1.9%
COMMUNITY DEVELOPMENT						
Community Development Investment Fund ²	0.2%	0.5%	1.7%	2.8%	2.9%	N/A
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A	N/A
FIXED INCOME						
Bond Core Fund	0.9%	3.5%	6.4%	10.4%	7.0%	N/A
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.0%	4.7%	7.5%	8.4%	6.5%	N/A
Bond Fund	0.8%	3.3%	6.3%	10.6%	7.0%	6.0%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.0%	4.7%	7.5%	8.4%	6.5%	5.7%
Treasury Inflation-Protected Securities Fund ³	(0.9)%	4.0%	9.7%	N/A	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	(0.2)%	4.5%	10.6%	N/A	N/A	N/A
High Yield Bond Fund ³	(2.0)%	(5.7)%	(1.8)%	N/A	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	(3.3)%	(6.1)%	(1.4)%	N/A	N/A	N/A
DOMESTIC EQUITY						
Domestic Stock Core Fund	(8.5)%	(15.8)%	(12.4)%	(1.4)%	(0.4)%	2.7%
<i>S&P 500 Index</i>	(7.0)%	(13.9)%	(8.7)%	1.2%	(1.2)%	2.8%
Domestic Stock Value Fund	(11.5)%	(22.7)%	(12.6)%	N/A	N/A	N/A
<i>Russell 1000 Value Index</i>	(7.6)%	(16.2)%	(11.2)%	N/A	N/A	N/A
Domestic Stock Growth Fund	(7.1)%	(13.9)%	(7.3)%	N/A	N/A	N/A
<i>Russell 1000 Growth Index</i>	(7.4)%	(13.1)%	(7.2)%	N/A	N/A	N/A
Domestic Stock Fund	(9.0)%	(17.4)%	(10.7)%	1.9%	1.3%	4.0%
<i>S&P 500 Index</i>	(7.0)%	(13.9)%	(8.7)%	1.2%	(1.2)%	2.8%
Small Cap Fund	(7.1)%	(13.7)%	(0.9)%	8.9%	5.3%	N/A
<i>Russell 2000 Index</i>	(11.2)%	(21.9)%	(17.0)%	(0.4)%	(1.0)%	N/A
Public Real Estate Fund ³	(8.7)%	(14.4)%	N/A	N/A	N/A	N/A
<i>S&P Developed Property Index</i>	(11.7)%	(16.4)%	N/A	N/A	N/A	N/A
INTERNATIONAL EQUITY						
International Stock Core Fund	(10.9)%	(18.4)%	(15.3)%	(1.1)%	(3.0)%	4.9%
<i>MSCI EAFE Index</i>	(9.5)%	(19.0)%	(14.6)%	(0.7)%	(3.0)%	5.5%
Emerging Markets Stock Fund ³	(11.3)%	(24.3)%	(26.2)%	N/A	N/A	N/A
<i>MSCI Emerging Markets Index</i>	(14.6)%	(22.5)%	(21.7)%	N/A	N/A	N/A
ALTERNATIVES						
Commodities-Based Fund ³	(11.3)%	(8.3)%	(8.9)%	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	(14.7)%	(11.3)%	(13.6)%	N/A	N/A	N/A
EQUITY AND FIXED INCOME						
Balanced Fund	(4.8)%	(9.2)%	(3.6)%	6.2%	4.2%	5.2%
<i>Blended Balanced Index</i> ⁴	(3.8)%	(6.7)%	(2.3)%	4.6%	2.3%	4.3%
U.S. INFLATION						
Consumer Price Index (August 2011) ⁵	0.3%	0.3%	3.5%	1.1%	2.1%	2.5%

¹ Changed May 1, 2009. 3-year, 5-year, and 10-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.