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# Investment Perspective

FROM BRETHREN FOUNDATION

SEPTEMBER 2010

## MARKETS AND THE ECONOMY

The worst August in nine years for the stock market closed with the S&P 500 down 4.5 percent for the month. The market was not able to sustain July's strong move upward as unemployment did not improve and jobless claims remained high. Home sales declined sharply as government incentives expired, companies moderated expectations for future growth, consumer spending was lackluster, and real gross domestic product growth for the second quarter was revised down to 1.6 percent following a 3.7 percent growth rate in the first quarter. The international markets have also become increasingly concerned about uncertainty in the global economic outlook, and the MSCI EAFE declined 3.1 percent in August.

With the continued volatility in the equity markets and the sluggish pace of economic growth, many investors abandoned more volatile investments and sought the safety of U.S. Treasury Bonds. Some, in a search for yield, invested in corporate bonds, moving the Barclays Capital Government/Credit Bond Index up 1.9 percent in August.

See the back page of this newsletter for the performance of BFI investment options.

## BRETHREN FOUNDATION IS CLOSING LOCKBOX

Brethren Foundation is pleased to announce that, **effective immediately**, checks are being processed internally using a check scanner. For many years, BFI used a lockbox banking service to process checks. The elimination of the lockbox reduces processing expenses and shortens the processing time for all remittances submitted by check.

BFI will close its lockbox on Oct. 31, 2010. For 90 days afterward, checks sent to the old lockbox address will be forwarded to BFI. Checks sent to the old lockbox address after Jan. 31, 2011, will be returned to sender. But there is no need to wait; you may send checks directly to BFI now.

**Effective immediately**, please send checks, made payable to Brethren Foundation, and completed Contribution Forms to the following address:

Brethren Foundation  
1505 Dundee Ave.  
Elgin, IL 60120

## BRETHREN FOUNDATION MOVES TO DAILY VALUATION

Effective Sept. 1, 2010, all assets under Brethren Foundation management are being valued on a daily basis, although statements will still be issued on a monthly basis. Account management will be improved because all transactions will be based on the most recent daily valuation.

## BACK PAGE OF *INVESTMENT PERSPECTIVE* REDESIGNED

In order to provide performance data for all 16 investment options now available from Brethren Foundation, the Fund Performance Report that appears on the back of each *Investment Perspective* had to be redesigned. Check the back of this issue to see the results of the redesign and to review performance data for more time periods than were previously available.

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

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# Fund Performance Report

for the period ending August 31, 2010



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
<b>SHORT-TERM</b>					
<b>Short-Term Fund</b>	0.3%	0.6%	1.1%	2.6%	3.3%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> <sup>1</sup>	0.0%	0.1%	0.3%	1.0%	2.5%
<b>COMMUNITY DEVELOPMENT</b>					
<b>Community Development Investment Fund</b> <sup>2</sup>	0.5%	1.4%	2.6%	3.2%	3.2%
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A
<b>FIXED INCOME</b>					
<b>Bond Core Fund</b>	1.7%	5.2%	9.9%	8.7%	6.5%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.9%	4.9%	8.7%	7.6%	5.8%
<b>Bond Fund</b>	1.6%	5.6%	10.1%	8.8%	6.6%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.9%	4.9%	8.7%	7.6%	5.8%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>3,4</sup>	1.9%	N/A	N/A	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	1.7%	N/A	N/A	N/A	N/A
<b>High Yield Bond Fund</b> <sup>3</sup>	(0.3)%	N/A	N/A	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	0.1%	N/A	N/A	N/A	N/A
<b>DOMESTIC EQUITY</b>					
<b>Domestic Stock Core Fund</b>	(6.2)%	(4.3)%	(5.7)%	(7.1)%	0.4%
<i>S&amp;P 500 Index</i>	(4.5)%	(3.2)%	(4.6)%	(8.7)%	(0.9)%
<b>Domestic Stock Value Fund</b>	(4.2)%	N/A	N/A	N/A	N/A
<i>Russell 1000 Value Index</i>	(4.3)%	N/A	N/A	N/A	N/A
<b>Domestic Stock Growth Fund</b>	(3.6)%	N/A	N/A	N/A	N/A
<i>Russell 1000 Growth Index</i>	(4.7)%	N/A	N/A	N/A	N/A
<b>Domestic Stock Fund</b>	(4.7)%	(3.7)%	(4.6)%	(5.9)%	0.8%
<i>S&amp;P 500 Index</i>	(4.5)%	(3.2)%	(4.6)%	(8.7)%	(0.9)%
<b>Small Cap Fund</b>	(7.1)%	(4.3)%	(0.6)%	(1.8)%	3.0%
<i>Russell 2000 Index</i>	(7.4)%	(8.7)%	(3.0)%	(7.4)%	(0.7)%
<b>Public Real Estate Fund</b> <sup>3,4</sup>	(0.2)%	N/A	N/A	N/A	N/A
<i>FTSE EPRA/NAREIT Global Real Estate Index</i>	0.5%	N/A	N/A	N/A	N/A
<b>INTERNATIONAL EQUITY</b>					
<b>International Stock Core Fund</b>	(3.8)%	4.6%	(6.0)%	(9.0)%	1.3%
<i>MSCI EAFE Index</i>	(3.1)%	5.1%	(7.6)%	(10.3)%	1.4%
<b>Emerging Markets Stock Fund</b> <sup>3</sup>	(2.0)%	N/A	N/A	N/A	N/A
<i>MSCI Emerging Markets Index</i>	(1.9)%	N/A	N/A	N/A	N/A
<b>ALTERNATIVES</b>					
<b>Commodities-Based Fund</b> <sup>3</sup>	(1.0)%	N/A	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	(2.5)%	N/A	N/A	N/A	N/A
<b>EQUITY AND FIXED INCOME</b>					
<b>Balanced Fund</b>	(2.2)%	0.1%	1.3%	0.3%	3.5%
<i>Blended Balanced Index</i> <sup>5</sup>	(2.0)%	0.1%	0.8%	(1.9)%	2.1%
<b>U.S. INFLATION</b>					
<b>Consumer Price Index</b> (July 2010) <sup>6</sup>	0.0%	0.0%	0.9%	1.5%	2.2%

<sup>1</sup> Changed May 1, 2009. 3-year and 5-year blended with 90-day Treasury Bill. <sup>2</sup> CDIF interest accrues on a quarterly basis. <sup>3</sup> 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. <sup>4</sup> Net of mutual fund expenses only; no assets under BFI management are currently invested in this fund. <sup>5</sup> Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). <sup>6</sup> Most recent data available.