January 2002

INVESTMENT PERSPECTIVE

BRETHREN FOUNDATION INC.
BBT A not-for-profit ministry of Brethren Benefit Trust
1505 Dundee Avenue, Elgin, IL 60120-1619

Some Recent Indicators

	November		2001 YTD	
CPI (All Urban)	down	0.2%	up	2.0%
	December		**2001 YTD**	
S&P 500	up	0.9%	down	11.9%
MSCI EAFE*	up	0.7%	down	21.2%
LB G/C	down	0.8%	up	8.5%
LB G/C Int	down	0.6%	up	9.0%
3-Mo T-Bill	up	0.2%	up	3.5%

*Morgan Stanley Capital International Europe/Australia/Far East net dividends

The consensus forecast for 2002 is up, but the range is wide.

THE MARKETS

With a December gain of 0.9 percent, the Standard and Poor's 500 Index finished 2001 down 11.9 percent from its January opening. At year-end the index stood at a value almost identical to its March close — and up 8.5 percent from the September month-end. From this perspective, the full year's drop occurred in the first three months. With the faltering economy and the September terrorist attacks, the markets dragged to a nine-month draw.

The MSCI Europe/Australia/Far East Index closed the year with a 0.7-percent gain in December, but a loss of 21.2 percent for the year. As with domestic equities, the low point came at the end of September, after which the index gained back 5 percent by the end of the year. Extending the gains into 2002, according to analysts, will require strength in the U.S. economy to breathe life back into other countries. Singapore and Finland (up 9.9 and 8.0 percent, respectively) outperformed all other countries in the index, while Greece and Japan (down 3.7 and 6.8 percent, respectively) brought up the rear.

For the second month in a row, the Lehman Brothers Government/Credit Index fell in December, by 0.8 percent, but finished the year up 8.5 percent, far outperforming the losses experienced by equities. Fueled by the Federal Reserve's rate cuts, the recession, and continuing deterioration in equities, bonds realized strong performance for the second year in a row.

THE ECONOMY

A year that began with a new president and a looming recession brought unprecedented terrorist attacks, a confirmed recession, a rapidly disappearing federal budget surplus, and a new war. Not surprisingly, uncertainty characterized the end of 2001 as thoroughly as it had through the rest of the year, as leading economic indicators and analysts alike seemed to point in all directions at once. Consensus estimates call for recovery during 2002, but the timing and strength of a recovery are difficult to foresee.

Growth in business demand and strengthening consumer confidence will influence the pace of recovery, as will developments in European and Asian economies. Eventually, the Federal Reserve's rate cuts will help stimulate renewed investment. Brethren Foundation's investment managers continue to monitor the securities in their portfolios as conditions change. Their individual areas of expertise and BFI's diversification strategy work together to generate acceptable investment returns through these difficult times.

Darryl Deardorff
Chief Financial Officer

Monthly Fund Performance Report

for period ending December 31, 2001

All Foundation investment funds must meet socially responsible investment guidelines.

Domestic Stock Fund

Current Asset Allocation Range
Equity Fund . . . . 90 — 95%
Cash Fund . . . . 5 — 10%
Rate of Return
Current month 0.9%
Year to date . . . . (10.5)%

Domestic Stock Index Fund

Current Asset Allocation Range
Equity Fund 100%
Rate of Return
Current month 0.5%
Year to date . . . . (12.0)%

International Stock Index Fund

Current Asset Allocation Range
Equity Fund . . . . 80 – 100%
Cash Fund . . . . 0 – 20%
Rate of Return
Current month 0.0%
Year to date . . . . (22.2)%

Balanced Fund

Current Asset Allocation Range
Equity Fund . . . . 55 – 60%
Fixed Income Fund . . . . 35 – 40%
Cash Fund . . . . 0 – 10%
Rate of Return
Current month 0.3%
Year to date . . . . (2.4)%

Short Term Fund

Current Asset Allocation Range
Cash Fund 100%
Rate of Return
Current month 0.2%
Year to date 5.6%

Bond Fund

Current Asset Allocation Range
Fixed Income Fund . . . 95 – 100%
Cash Fund . . . . 0 – 5%
Rate of Return
Current month . . . . (0.7)%
Year to date 9.4%