



Investment Perspective

FROM THE BRETHERN FOUNDATION

SEPTEMBER 2003

MARKETS AND ECONOMY

During August, the Standard & Poor's 500 Index gained 2.0 percent; it is up 16.0 percent for the year to date. The MSCI Europe/Australia/Far East Index picked up 2.4 percent for the month and is up 14.8 percent for the eight-month period. The Lehman Brothers Government/Credit Index reversed direction in August, gaining 0.7 percent. For the year-to-date, this index is up 1.5 percent.

Data on the economic recovery was positive in August. Manufacturing reports were also positive, with the Institute of Supply Management's manufacturing index up sharply from its July level. Evidence of a stronger recovery came in the form of an upward revision in the government's estimate of second-quarter Gross Domestic Product.

One consequence of economic growth is frequently seen in rising interest rates. In apparent anticipation of such an increase, corporations are preparing what may be a record amount of debt issuance in coming weeks in what may be the last opportunity to take advantage of lower rates. New projections of the U.S. budget deficit for the next fiscal year, now approaching \$500 billion, drew a dark cloud over many long-term predictions.

MINISTRY VERSUS BUDGETS

Language frequently has a significant effect on the message being conveyed. Consider, for example, these two sentences for a hypothetical congregational report: "Spending on the program was over budget by \$15,000." "The program assisted more than 75 individuals over the course of the year." Although they might very well describe the very same program, the two sentences present distinctly different analyses of the year.

The first focuses on the budget, or plan, for the period, while the second concentrates on the outcomes. By itself, neither provides a complete account, but with each in its proper context, it should be possible to develop a full understanding of what happened.

Understanding the budget is important: How much spending did we anticipate? Why was the actual amount different? Of at least equal importance is an understanding of the ministry: What did we hope to accomplish? How successful were we? Using the appropriate language to describe the resources used and the mission objectives achieved will clarify reporting and, overall, advance the mission.

BRETHERN FOUNDATION HIGHLIGHTS

- Both Brethren Foundation's Domestic Stock Fund and Balanced Fund are ahead of their benchmarks by at least 1.4 percent for the year to date.
- Socially screened funds, including Brethren Foundation's, continue to perform well compared with non-screened funds.

A Brethren Foundation representative can talk with you about the appropriate allocation of your organization's funds. Simply call **888-311-6530** to begin such a discussion. Descriptions of Brethren Foundation's family of funds are available on the website at www.bbtfoundation.org.

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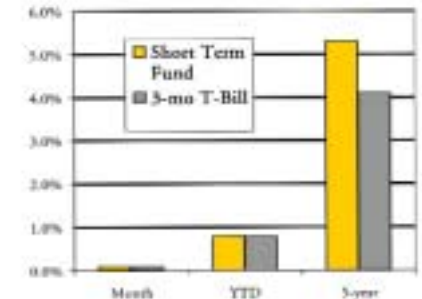
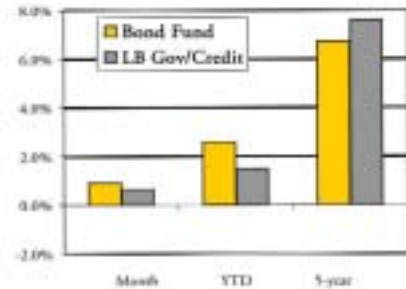
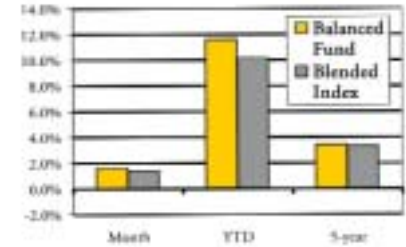
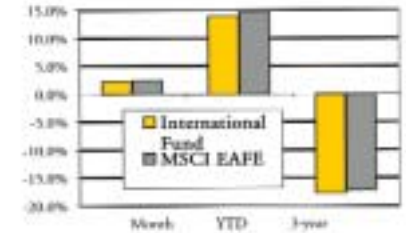
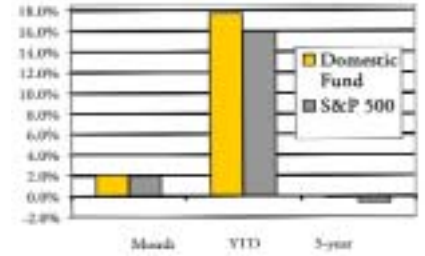
Monthly Fund Performance Report

for the period ending August 31, 2003

Performance Report

All Foundation investment funds must meet socially responsible investment guidelines.

FUNDS	BENCHMARKS
<p>Domestic Stock Fund:</p> <p>Current Asset Allocation Range Equity Fund 90-95% Cash Fund 5-10%</p> <p>Rate of Return Current month 2.1% Year to date 17.7% Five years (0.1)%</p>	<p>CPI:</p> <p>Rate of Return Current month 0.1% Year to date 1.7% Five years 2.3%</p>
<p>Domestic Stock Index Fund:</p> <p>Current Asset Allocation Range Equity Fund 90-95% Cash Fund 0-10%</p> <p>Rate of Return Current month 1.9% Year to date 16.2% Three years (15.0)%</p>	<p>S&P 500:</p> <p>Rate of Return Current month 2.0% Year to date 16.0% Three years (9.0)% Five years (0.6)%</p>
<p>International Stock Index Fund:</p> <p>Current Asset Allocation Range Equity Fund 80-100% Cash Fund 0-20%</p> <p>Rate of Return Current month 2.2% Year to date 13.9% Three years (17.8)%</p>	<p>MSCI EAFE:</p> <p>Rate of Return Current month 2.4% Year to date 14.8% Three years (17.2)%</p>
<p>Balanced Fund:</p> <p>Current Asset Allocation Range Equity Fund 55-60% Fixed Income Fund 35-40% Cash Fund 0-10%</p> <p>Rate of Return Current month 1.6% Year to date 11.6% Five years 3.4%</p>	<p>Blended Balanced Index:</p> <p>Rate of Return Current month 1.4% Year to date 10.2% Five years 3.3%</p>
<p>Bond Fund:</p> <p>Current Asset Allocation Range Fixed Income Fund 95-100% Cash Fund 0-5%</p> <p>Rate of Return Current month 0.9% Year to date 2.6% Five years 6.7%</p>	<p>Lehman Bros Gov/Credit:</p> <p>Rate of Return Current month 0.7% Year to date 1.5% Five years 7.6%</p>
<p>Bond Fund Core:</p> <p>Current Asset Allocation Range Fixed Income Fund 95-100% Cash Fund 0-5%</p> <p>Rate of Return Current month 0.8% Year to date 2.1% Five years 6.9%</p>	<p>Lehman Bros Gov/Credit (Int.):</p> <p>Rate of Return Current month 0.2% Year to date 1.7% Five years 7.5%</p>
<p>Short Term Fund:</p> <p>Current Asset Allocation Range Short Term Fund 100%</p> <p>Rate of Return Current month 0.1% Year to date 0.8% Five years 5.3%</p>	<p>3-Month T-Bill:</p> <p>Rate of Return Current month 0.1% Year to date 0.8% Five years 4.1%</p>



Returns for periods longer than one year are annualized.