



Investment Perspective

FROM THE BROTHERS FOUNDATION

JANUARY 2004

MARKETS AND ECONOMY

The Standard & Poor's 500 Index, with a 5.2 percent gain in December, finished 2003 up 28.7 percent. A December gain of 7.8 percent helped the MSCI Europe/Australia/Far East Index to a 38.6 percent increase for the year. The Lehman Brothers Government/Credit Index picked up 1.0 percent for the month; it ended the year up 4.7 percent.

As the U.S. economy continues to strengthen, most analysts expect a significant shift when investors sell out of fixed income securities and move back into the stock markets. Such a movement, if it materializes, will push bond yields up sharply. In the second year of recovery, most also expect high-quality stocks to regain favor. Speculative issues dominated for much of 2003 and the markets tended to reward risk. Earnings should become more important throughout the year.

Manufacturing activity increased again in December according to the Institute for Supply Management. Overall, the levels are the best since December 1983; their New Orders index, however, was stronger than it had been since 1950. Ongoing weakening in the U.S. dollar will affect commodity prices, the willingness of foreign investors to buy U.S. securities, and the Federal Reserve's evaluation of its interest rate policy. It promises to be a major factor in the world economy this year.

PORTFOLIO REVIEW II: PERFORMANCE

The end of a quarter or of a calendar year presents an opportunity to review the returns your investments have generated. Any analysis of this type should begin with a review of your investment goals. Do you require current income? Or are you looking for long-term growth? Have you invested for protection? These answers form the basis for any performance review.

An appropriate market benchmark can give you a reasonable point of comparison for your investments. Brethren Foundation presents on the reverse side of this newsletter the indexes we use for such comparisons.

It is also important to review performance over a suitably long time period. Almost any manager will achieve exceptional returns on occasion. The ability to perform well over longer periods is a much more appropriate indication of success.

As a final note, you should be aware that Brethren Foundation's investment funds exclude large sectors of the stock and bond markets to remain consistent with Church of the Brethren social responsibility requirements.

BRETHREN FOUNDATION HIGHLIGHTS

- Each of Brethren Foundation's domestic funds outperformed its benchmark index for 2003; the International Fund gained more than 36 percent.
- The Domestic Fund outperformed the S&P 500 for the past five years — including three down years — by an annualized 0.5 percent per year.

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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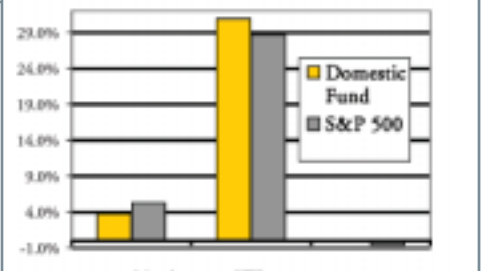
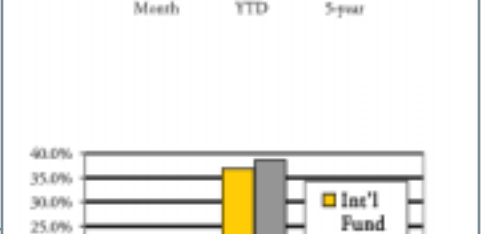
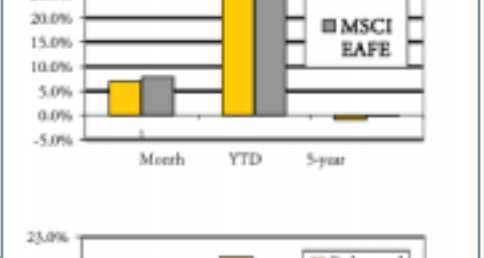
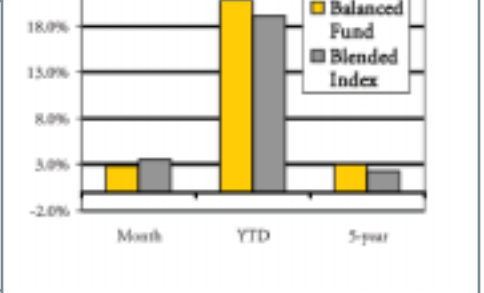
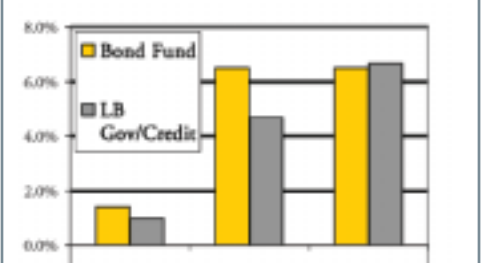
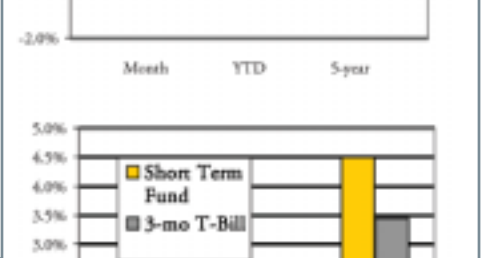



Monthly Fund Performance Report

for the period ending December 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 3.8% Year to date 30.9% Five years 0.1%</p>	<p>CPI:</p> <p>Rate of Return Current month (0.3)% Year to date 2.0% Five years 2.3%</p>	 <table border="1"> <caption>Domestic Fund vs S&P 500 Performance</caption> <thead> <tr> <th>Period</th> <th>Domestic Fund</th> <th>S&P 500</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>~4.0%</td> <td>~4.0%</td> </tr> <tr> <td>YTD</td> <td>~21.0%</td> <td>~19.0%</td> </tr> <tr> <td>5-year</td> <td>~0.1%</td> <td>~2.3%</td> </tr> </tbody> </table>	Period	Domestic Fund	S&P 500	Month	~4.0%	~4.0%	YTD	~21.0%	~19.0%	5-year	~0.1%	~2.3%
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Returns for periods longer than one year are annualized.