



Investment Perspective

FROM THE BRETHERN FOUNDATION

SEPTEMBER 2006

MARKETS AND THE ECONOMY

August began with a slow start as worries about the declining housing market and its impact on consumption and growth, as well as uncertainty over inflation and the direction of the Federal Reserve's policy on short-term interest rates, weighed heavily on the markets. However, the markets gained a boost when the Fed left interest rates unchanged in a break from its two-year pattern of steady hikes, and when oil prices started to decline. The S&P 500 Index responded to this favorable environment with an increase of 2.4 percent, making the year-to-date return 5.8 percent. Ten-year Treasury bonds rallied as interest rates declined from 4.99 to 4.74 percent.

The international markets outperformed the domestic markets in August, with the MSCI EAFE Index up 2.75 percent. Of the two broad regions, the European region enjoyed the higher return of 3.16 percent, while the Pacific region returned 1.89 percent. With a 14.31 percent year-to-date increase, the international markets have greatly outperformed the domestic markets during 2006.

BFI CAN HELP WITH YOUR EQUITY DIVERSIFICATION

When making decisions about investing in equities (stocks), an important factor to consider is making sure that your investments are diversified. With the up and down nature of the stock markets, investors may want to consider spreading their funds in equities among different investment managers, investment styles, and different markets.

The Brethren Foundation provides such equity diversification for its clients. It does so by offering four fund options — Domestic Stock Fund, Managed Core Fund, Small Cap Fund, and the International Fund. However, the diversification goes even deeper. For example, the Domestic Stock Fund provides three different styles of investment management — growth, value, and core. Each of these styles is managed by a different national investment manager, each of which is reviewed quarterly by staff and annually by the BBT Board. Each investment manager invests in approximately 60 to 80 different company stocks and does not allow any one stock to grow larger than five percent of their entire portfolio. Therefore, an investment in the Domestic Stock Fund provides clients with three managed investment styles, which can perform differently during a market cycle. The fund includes stocks from more than 200 different companies, and no single stock comprises more than two percent of the entire fund.

Adding a portion of equity investment in a different style from the Domestic Stock Fund, such as the International Fund and/or Small Cap Fund, can add additional diversification. There may be more risk, but there also is the potential for more return. In the upcoming months, *Investment Perspective* will examine the benefits and risks of including these two funds to an investment portfolio.

Investors may want to consider spreading their funds in equities among different investment managers, investment styles, and different markets. The Brethren Foundation provides such diversification.



A Brethren Foundation representative can talk with you about the appropriate allocation of your organization's funds. Contact us to begin such a discussion.

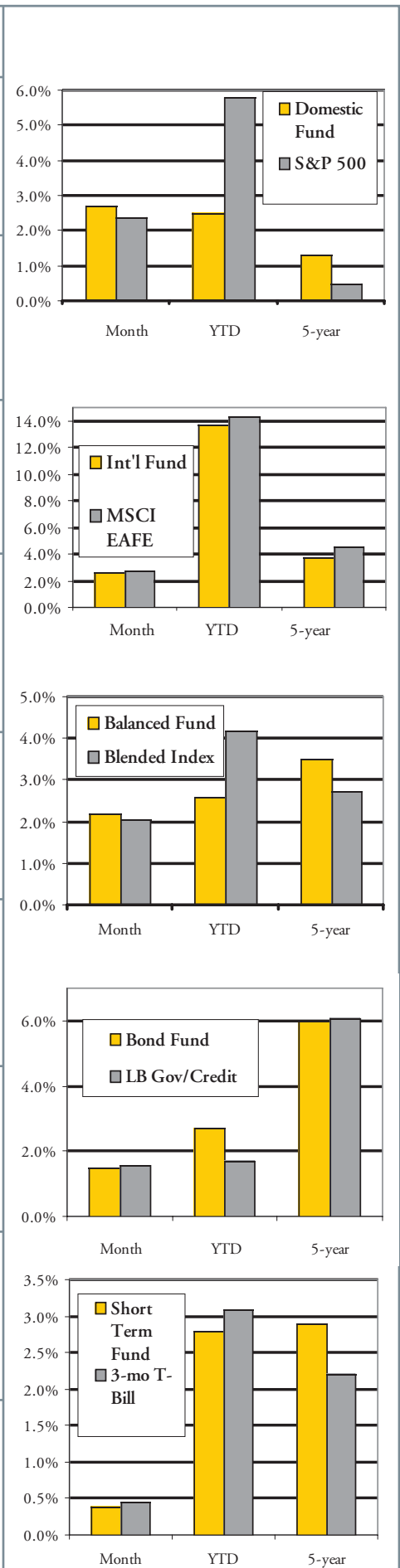
Monthly Fund Performance Report

for the period ending August 31, 2006

Performance Report

All Foundation investment funds must meet socially responsible investment guidelines.

FUNDS	BENCHMARKS
Domestic Stock Fund: Rate of Return Current month..... 2.7% Year to date 2.5% Five years 1.3%	S&P 500: Rate of Return Current month..... 2.4% Year to date 5.8% Five years 0.5%
Domestic Stock Core Fund: Rate of Return Current month..... 2.5% Year to date 4.1% Five years 0.0%	CPI: Rate of Return Current month..... 0.3% Year to date 3.4% Five years 2.5%
Small Cap Fund: Rate of Return Current month..... 3.4% Year to date 7.6%	Russell 2000: Rate of Return Current month..... 3.0% Year to date 7.8%
International Stock Index Fund: Rate of Return Current month..... 2.6% Year to date 13.7% Five years 3.8%	MSCI EAFE: Rate of Return Current month..... 2.8% Year to date 14.3% Five years 4.6%
Balanced Fund: Rate of Return Current month..... 2.2% Year to date 2.6% Five years 3.5%	Blended Balanced Index: Rate of Return Current month..... 2.1% Year to date 4.2% Five years 2.7%
Bond Fund: Rate of Return Current month..... 1.5% Year to date 2.7% Five years 6.0%	Lehman Bros Gov/Credit: Rate of Return Current month..... 1.6% Year to date 1.7% Five years 6.1%
Bond Fund Core: Rate of Return Current month..... 1.5% Year to date 2.7% Five years 6.1%	Lehman Bros Gov/Credit Intern.: Rate of Return Current month..... 1.3% Year to date 2.2% Five years 5.5%
Short Term Fund: Rate of Return Current month 0.4% Year to date 2.8% Five years 2.9%	3 Month T Bill: Rate of Return Current month 0.4% Year to date 3.1% Five years 2.2%
Community Development Investment Fund: Rate of Return Current month 0.2%* Year to date..... 1.8%* *Interest accrues on a quarterly basis.	



Returns for periods longer than one year are annualized.