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# Investment Perspective

FROM THE BRETHERN FOUNDATION

JUNE 2003

## MARKETS AND ECONOMY

The Standard & Poor's 500 Index rose another 5.3 percent in May, almost doubling its year-to-date performance to a gain of 10.4 percent. The MSCI Europe/Australia/Far East Index added 6.1 percent in May; it has now gained 6.9 percent since Jan. 1. The Lehman Brothers Government/Credit Index was also up for the month; its 2.8 percent return produced a year-to-date gain of 5.7 percent.

Although these solid gains indicate some resurgent willingness to enter the equity markets, the broader picture remains mixed. Industrial production increased in May, but employment continued to decline. The sudden turnaround in equity prices may be outstripping the economy's rate of growth, raising questions about the sustainability of the current rally. Economic conditions continue to indicate moderate growth for the remainder of the year. Even less certain, though, is the ability of financial markets to react appropriately and avoid the roller coaster rides of 2002.

## WHAT CAN THE SUB-ACCOUNTING SYSTEM DO FOR YOU?

Brethren Foundation offers a unique sub-accounting system as an integral feature of its monthly reporting. The system allows you to create as many sub-accounts as you need to account for the different portions of your total investment with the Foundation. Establishing a new account is straightforward. Simply indicate on the regular "Transfer/Withdrawal" form the amount you would like to transfer from an existing sub-account to a new one, and show how the funds are to be invested. Foundation staff members will do the rest.

Each sub-account can have its own specific fund allocation. For example, a scholarship fund that makes annual distributions might best be invested in some combination of the Bond and Short Term funds, while an endowment might benefit from including the Common Stock Fund in its investment mix.

Even if each sub-account needs the same investment strategy, sub-accounts can simplify internal record-keeping. On the monthly statement, Brethren Foundation presents investment results for each sub-account, along with an overall total. This means your bookkeeper does not need to separate an overall earning amount among several accounts on your books. Call to discuss sub-accounts with Foundation staff.

*"Economic conditions continue to indicate moderate growth for the remainder of the year."*

## BRETHERN FOUNDATION HIGHLIGHTS

- Brethren Foundation's Bond, Balanced, and Domestic Stock funds have equaled or exceeded their benchmarks for May and are all ahead of their benchmarks for the year to date.
- Beginning in July, Brethren Foundation will offer a Small Cap Fund as a new option for asset allocation. Call for more information.



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](http://www.bbtfoundation.org).

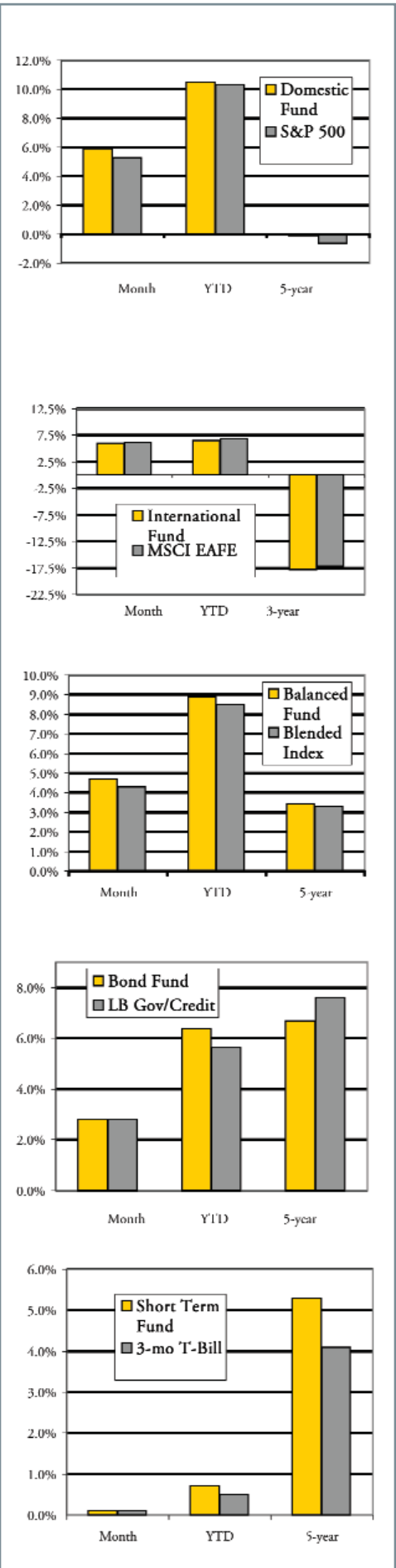
# Monthly Fund Performance Report

for the period ending May 31, 2003

# Performance Report

All Foundation investment funds must meet socially responsible investment guidelines.

FUNDS	BENCHMARKS
<b>Domestic Stock Fund:</b> <b>Current Asset Allocation Range</b> Equity Fund ..... 90-95% Cash Fund ..... 5-10% <b>Rate of Return</b> Current month ..... 5.9% Year to date ..... 10.5% Five years ..... (0.1)%	<b>CPI:</b>  <b>Rate of Return</b> Current month ..... (0.2)% Year to date ..... 1.6% Five years ..... 2.3%
<b>Domestic Stock Index Fund:</b> <b>Current Asset Allocation Range</b> Equity Fund ..... 90-95% <b>Rate of Return</b> Current month ..... 5.0% Year to date ..... 10.3% Three years ..... (15.0)%	<b>S&amp;P 500:</b>  <b>Rate of Return</b> Current month ..... 5.3% Year to date ..... 10.4% Three years ..... (9.0)% Five years ..... (0.6)%
<b>International Stock Index Fund:</b> <b>Current Asset Allocation Range</b> Equity Fund ..... 80-100% Cash Fund ..... 0-20% <b>Rate of Return</b> Current month ..... 6.0% Year to date ..... 6.5% Three years ..... (17.8)%	<b>MSCI EAFE:</b>  <b>Rate of Return</b> Current month ..... 6.1% Year to date ..... 6.9% Three years ..... (17.2)%
<b>Balanced Fund:</b> <b>Current Asset Allocation Range</b> Equity Fund ..... 55-60% Fixed Income Fund ..... 35-40% Cash Fund ..... 0-10% <b>Rate of Return</b> Current month ..... 4.7% Year to date ..... 8.9% Five years ..... 3.4%	<b>Blended Balanced Index:</b>  <b>Rate of Return</b> Current month ..... 4.3% Year to date ..... 8.5% Five years ..... 3.3%
<b>Bond Fund:</b> <b>Current Asset Allocation Range</b> Fixed Income Fund ..... 95-100% Cash Fund ..... 0-5% <b>Rate of Return</b> Current month ..... 2.8% Year to date ..... 6.4% Five years ..... 6.7%	<b>Lehman Bros Gov/Credit:</b>  <b>Rate of Return</b> Current month ..... 2.8% Year to date ..... 5.7% Five years ..... 7.3%
<b>Bond Fund Core:</b> <b>Current Asset Allocation Range</b> Fixed Income Fund ..... 95-100% Cash Fund ..... 0-5% <b>Rate of Return</b> Current month ..... 2.9% Year to date ..... 6.2% Five years ..... 6.9%	<b>Lehman Bros Gov/Credit (Int.):</b>  <b>Rate of Return</b> Current month ..... 2.0% Year to date ..... 4.3% Five years ..... 7.5%
<b>Short Term Fund:</b> <b>Current Asset Allocation Range</b> Short Term Fund ..... 100% <b>Rate of Return</b> Current month ..... 0.1% Year to date ..... 0.7% Five years ..... 5.3%	<b>3-Month T-Bill:</b>  <b>Rate of Return</b> Current month ..... 0.1% Year to date ..... 0.5% Five years ..... 4.3%



Returns for periods longer than one year are annualized.