



Investment Perspective

FROM THE BRETHERN FOUNDATION

AUGUST 2003

MARKETS AND ECONOMY

The Standard & Poor's 500 Index advanced another 1.8 percent in July; the index has gained 13.7 percent so far this year. The MSCI Europe/Australia/Far East Index gained 2.4 percent for the month and is up 12.1 percent since the beginning of the year. The Lehman Brothers Government/Credit Index, down for the second consecutive month, lost 4.2 percent in July. For the year-to-date, though, it is still up 0.8 percent.

July produced several positive indications for the U.S. economy. Among them were improvements in productivity and a drop in new unemployment claims. Growing productivity suggests higher profits, even if sales remain constant. Although unemployment continues to grow, the rate of increase is at least becoming more stable. July also saw manufacturing activity and new orders both on the increase.

Improving prospects for the economy and for corporate earnings produced one of the largest bond sell-offs in recent history; prices plummeted and yields soared. Some of the activity likely indicates that investors were ready to re-enter the equity markets. Other investors reacted to the Federal Reserve's new efforts to fight deflation, efforts that are generally negative for the bond markets. A gradually strengthening economy, however, holds great promise for investors.

HOW THE FOUNDATION'S STRATEGY WORKS FOR YOU

Brethren Foundation's investment funds screen out certain industries, promote positive investments, and engage corporations in shareholder efforts to improve their practices. These efforts define the Foundation's socially responsible investment strategy. But how does this benefit the investor?

Research in recent years has generally found that socially screened portfolios perform as well as non-screened portfolios over time, suggesting that investors do not give up performance in order to avoid specific industries. In addition, there is some evidence indicating that companies with better governance and employment practices, for example, are also more profitable than their peers in the long run.

Many members of congregational and agency investment committees perceive a strong burden of good stewardship in their management of investment funds. If, as it appears, screened investments do not underperform, people of faith may adopt a socially responsible strategy without being in conflict with their stewardship obligations. Brethren Foundation staff members will be happy to discuss these issues with interested clients.

BRETHERN FOUNDATION HIGHLIGHTS

- Both the Domestic Stock Fund and the Balanced Fund exceeded the performance of their benchmarks in July and for the year to date.
- Although the bond markets suffered in July, the Bond Fund remains ahead of its benchmark index by almost one percent.

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.

"A gradually strengthening economy holds great promise for investors."

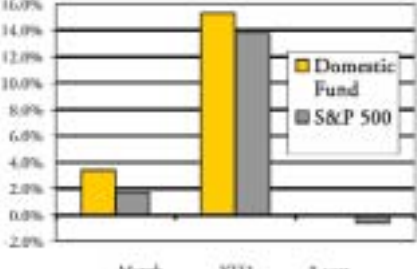
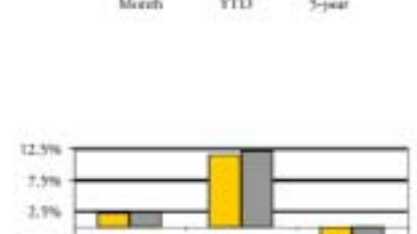

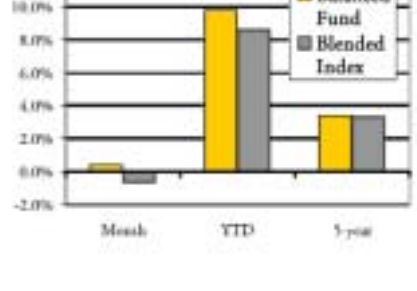
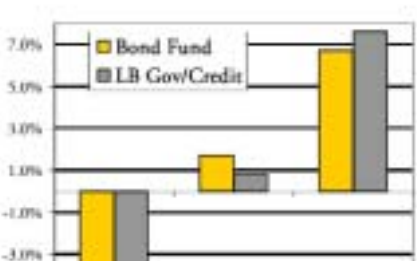
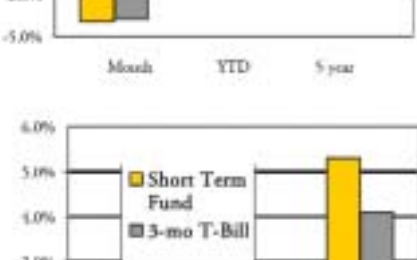
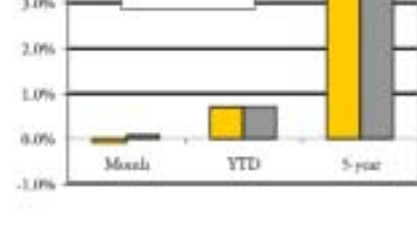


Monthly Fund Performance Report

for the period ending July 31, 2003

Performance Report

All Foundation investment funds must meet socially responsible investment guidelines.

FUNDS	BENCHMARKS													
<p>Domestic Stock Fund: Current Asset Allocation Range Equity Fund 90-95% Cash Fund 5-10% Rate of Return Current month 3.4% Year to date 15.3% Five years (0.1)%</p>	<p>CPI: Rate of Return Current month 0.1% Year to date 1.6% 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>3.4%</td> <td>0.1%</td> </tr> <tr> <td>YTD</td> <td>15.3%</td> <td>1.6%</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	3.4%	0.1%	YTD	15.3%	1.6%	5-year	(0.1)%	2.3%
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Returns for periods longer than one year are annualized.