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# Investment Perspective

FROM THE BRETHERN FOUNDATION

NOVEMBER 2003

## MARKETS AND ECONOMY

The Standard & Poor's 500 Index surged forward 5.7 percent in October; it is now up 21.2 percent for the year. With an October gain of 6.2 percent, the MSCI Europe/Australia/Far East Index is up 25.8 percent since year-end. In a difficult month for bonds, the Lehman Brothers Government/Credit Index lost 1.3 percent for the month but remains up 3.4 percent year-to-date.

Manufacturing activity and Gross Domestic Product provided reason to believe in the U.S. economic recovery in October. According to the Institute of Supply Management, strong October manufacturing growth was led by new orders, but production also saw a significant jump. U.S. GDP, however, grew at a quarterly rate not seen for twenty years and prompted strong growth in stock prices. The good news pushed the U.S. dollar up for the month.

Although the stock markets surged during the month, some analysts predict an extended period of moderation if corporate income growth slows to more sustainable levels as many expect. The recent relatively flat returns on bonds are more consistent with slower growth going forward than with continued leaps as seen in recent months. As the U.S. Treasury prepares for its biggest quarter of borrowing activity ever, and international investors maintain a certain skepticism regarding the recovery, expectations for future growth remain cautious.

## CHARITABLE GIFT FUND: WHERE ARE THE BENEFITS?

Brethren Foundation's Charitable Gift Fund, a "donor-advised fund" in IRS language, offers donors a flexible vehicle for their charitable donations. It can be used to accumulate a large contribution over time, to support several charities from a single donation of stock or securities, or to involve family members in making charitable gifts. But how might it benefit a church agency?

Encouraging members and supporters to take advantage of the CGF expands potential donors' range of options. Donors with charitable intent and a satisfactory set of possibilities are more likely to find the "right" method to carry out their plans. For example, the donor wishing to make a single large gift but needing tax deductions in several years may appreciate information allowing just that pattern. Helping in that educational process should work to the benefit of the church agency.

## BRETHERN FOUNDATION HIGHLIGHTS

- To be certain of receiving a withdrawal near the end of a month, you must submit it to Brethren Foundation at least two business days before the end of the month. Otherwise, it will be handled with the following month's transactions.
- Each of Brethren Foundation's investment funds is ahead of its benchmark, both for the month of October and for the year to date.

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).

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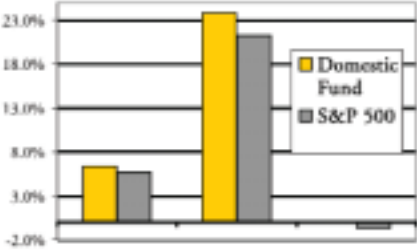


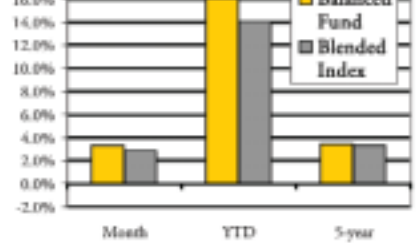
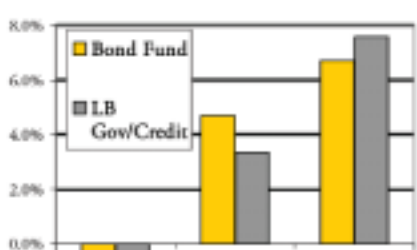
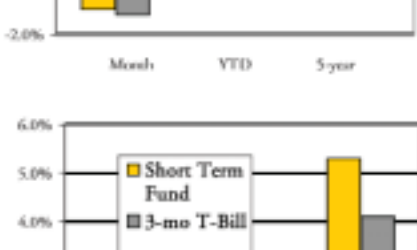
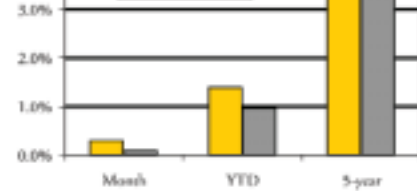


# Monthly Fund Performance Report

for the period ending October 31, 2003

# Performance Report

All Foundation investment funds must meet socially responsible investment guidelines.

FUNDS	BENCHMARKS													
<p><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 ..... 6.3%                      Year to date ..... 23.9%                      Five years ..... (0.1)%</p>	<p><b>CPI:</b>   <b>Rate of Return</b>                      Current month ..... 0.3%                      Year to date ..... 2.4%                      Five years ..... 2.3%</p>	 <table border="1"> <caption>Domestic Fund vs S&amp;P 500 Performance</caption> <thead> <tr> <th>Period</th> <th>Domestic Fund</th> <th>S&amp;P 500</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>~6.3%</td> <td>~0.3%</td> </tr> <tr> <td>YTD</td> <td>23.9%</td> <td>2.4%</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	~6.3%	~0.3%	YTD	23.9%	2.4%	5-year	(0.1)%	2.3%
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5-year	(0.1)%	2.3%												
<p><b>Domestic Stock Index Fund:</b>  <b>Current Asset Allocation Range</b>                      Equity Fund ..... 90-95%  <b>Rate of Return</b>                      Current month ..... 5.8%                      Year to date ..... 21.5%                      Three years ..... (15.0)%</p>	<p><b>S&amp;P 500:</b>   <b>Rate of Return</b>                      Current month ..... 5.7%                      Year to date ..... 21.2%                      Three years ..... (9.0)%                      Five years ..... (0.6)%</p>	 <table border="1"> <caption>Domestic Stock Index Fund vs S&amp;P 500 Performance</caption> <thead> <tr> <th>Period</th> <th>Domestic Stock Index Fund</th> <th>S&amp;P 500</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>5.8%</td> <td>5.7%</td> </tr> <tr> <td>YTD</td> <td>21.5%</td> <td>21.2%</td> </tr> <tr> <td>3-year</td> <td>(15.0)%</td> <td>(9.0)%</td> </tr> </tbody> </table>	Period	Domestic Stock Index Fund	S&P 500	Month	5.8%	5.7%	YTD	21.5%	21.2%	3-year	(15.0)%	(9.0)%
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3-year	(15.0)%	(9.0)%												
<p><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 ..... 6.9%                      Year to date ..... 26.2%                      Three years ..... (17.8)%</p>	<p><b>MSCI EAFE:</b>   <b>Rate of Return</b>                      Current month ..... 6.2%                      Year to date ..... 25.8%                      Three years ..... (17.2)%</p>	 <table border="1"> <caption>International Stock Index Fund vs MSCI EAFE Performance</caption> <thead> <tr> <th>Period</th> <th>International Stock Index Fund</th> <th>MSCI EAFE</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>6.9%</td> <td>6.2%</td> </tr> <tr> <td>YTD</td> <td>26.2%</td> <td>25.8%</td> </tr> <tr> <td>3-year</td> <td>(17.8)%</td> <td>(17.2)%</td> </tr> </tbody> </table>	Period	International Stock Index Fund	MSCI EAFE	Month	6.9%	6.2%	YTD	26.2%	25.8%	3-year	(17.8)%	(17.2)%
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Month	6.9%	6.2%												
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3-year	(17.8)%	(17.2)%												
<p><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 ..... 3.3%                      Year to date ..... 16.1%                      Five years ..... 3.4%</p>	<p><b>Blended Balanced Index:</b>   <b>Rate of Return</b>                      Current month ..... 2.9%                      Year to date ..... 14.1%                      Five years ..... 3.3%</p>	 <table border="1"> <caption>Balanced Fund vs Blended Balanced Index Performance</caption> <thead> <tr> <th>Period</th> <th>Balanced Fund</th> <th>Blended Balanced Index</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>3.3%</td> <td>2.9%</td> </tr> <tr> <td>YTD</td> <td>16.1%</td> <td>14.1%</td> </tr> <tr> <td>5-year</td> <td>3.4%</td> <td>3.3%</td> </tr> </tbody> </table>	Period	Balanced Fund	Blended Balanced Index	Month	3.3%	2.9%	YTD	16.1%	14.1%	5-year	3.4%	3.3%
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<p><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 ..... (1.1)%                      Year to date ..... 4.7%                      Five years ..... 6.7%</p>	<p><b>Lehman Bros Gov/Credit:</b>   <b>Rate of Return</b>                      Current month ..... (1.3)%                      Year to date ..... 3.4%                      Five years ..... 7.6%</p>	 <table border="1"> <caption>Bond Fund vs Lehman Bros Gov/Credit Performance</caption> <thead> <tr> <th>Period</th> <th>Bond Fund</th> <th>Lehman Bros Gov/Credit</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>(1.1)%</td> <td>(1.3)%</td> </tr> <tr> <td>YTD</td> <td>4.7%</td> <td>3.4%</td> </tr> <tr> <td>5-year</td> <td>6.7%</td> <td>7.6%</td> </tr> </tbody> </table>	Period	Bond Fund	Lehman Bros Gov/Credit	Month	(1.1)%	(1.3)%	YTD	4.7%	3.4%	5-year	6.7%	7.6%
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<p><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 ..... (1.1)%                      Year to date ..... 4.1%                      Five years ..... 6.9%</p>	<p><b>Lehman Bros Gov/Credit (Int.):</b>   <b>Rate of Return</b>                      Current month ..... (0.9)%                      Year to date ..... 3.3%                      Five years ..... 7.5%</p>	 <table border="1"> <caption>Bond Fund Core vs Lehman Bros Gov/Credit (Int.) Performance</caption> <thead> <tr> <th>Period</th> <th>Bond Fund Core</th> <th>Lehman Bros Gov/Credit (Int.)</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>(1.1)%</td> <td>(0.9)%</td> </tr> <tr> <td>YTD</td> <td>4.1%</td> <td>3.3%</td> </tr> <tr> <td>5-year</td> <td>6.9%</td> <td>7.5%</td> </tr> </tbody> </table>	Period	Bond Fund Core	Lehman Bros Gov/Credit (Int.)	Month	(1.1)%	(0.9)%	YTD	4.1%	3.3%	5-year	6.9%	7.5%
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5-year	6.9%	7.5%												
<p><b>Short Term Fund:</b>  <b>Current Asset Allocation Range</b>                      Short Term Fund ..... 100%  <b>Rate of Return</b>                      Current month ..... 0.3%                      Year to date ..... 1.4%                      Five years ..... 5.3%</p>	<p><b>3-Month T-Bill:</b>   <b>Rate of Return</b>                      Current month ..... 0.1%                      Year to date ..... 1.0%                      Five years ..... 4.1%</p>	 <table border="1"> <caption>Short Term Fund vs 3-Month T-Bill Performance</caption> <thead> <tr> <th>Period</th> <th>Short Term Fund</th> <th>3-mo T-Bill</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>0.3%</td> <td>0.1%</td> </tr> <tr> <td>YTD</td> <td>1.4%</td> <td>1.0%</td> </tr> <tr> <td>5-year</td> <td>5.3%</td> <td>4.1%</td> </tr> </tbody> </table>	Period	Short Term Fund	3-mo T-Bill	Month	0.3%	0.1%	YTD	1.4%	1.0%	5-year	5.3%	4.1%
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Returns for periods longer than one year are annualized.