



Investment Perspective

FROM THE BRETHERN FOUNDATION

FEBRUARY 2004

MARKETS AND ECONOMY

The Standard & Poor's 500 Index started the new year with a 1.8 percent gain in January. With most of its constituent countries up, the MSCI Europe/Australia/Far East Index added 1.4 percent for the month. The Lehman Brothers Government/Credit Index grew by 0.9 percent in the first month of the year.

The United States economy in general and manufacturing activity in particular continued their recent patterns of growth in January. Although factories increased production for the eighth straight month, this increase was less than expected. Also lower than expected were job growth figures.

Record U.S. budget deficits, producing a record level of Treasury borrowing this quarter, cast an increasingly dark shadow over the broader economy. When the government borrows as heavily as it must this year, the upward pressure on interest rates affects almost every borrower—both business and individual—in the country. The Federal Reserve's decision not to pledge restraint in raising interest rates later in the year raised the level of concern. Growth in the economy remains positive, but the implications for households and businesses appear somewhat mixed.

SOCIAL RESPONSIBILITY UPDATE

Socially responsible investing (SRI) is an important element of Brethren Foundation's overall investment program. It consists of the following three components:

Screening. No fund in the Foundation owns securities of any company earning more than 10 percent of its revenues from defense contracts, gambling, or the sale of tobacco or alcohol.

Positive investing. Each manager seeks out companies that exhibit positive corporate behavior. In addition, the Community Development Investment Fund offers direct support for local community development organizations.

Shareholder advocacy. As a long-term investor, Brethren Foundation works with several companies each year in an effort to encourage behavior that is in the best interests of workers, local communities, the environment, and shareholders.

You can rest assured that any funds placed with Brethren Foundation are invested in a manner consistent with Church of the Brethren values.

BRETHERN FOUNDATION HIGHLIGHTS

- The Domestic Stock Fund had an impressive month, beating its benchmark — the S&P 500 — by 80 basis points.
- Both Bond funds, the International Fund, and the Balanced Fund each beat their respective benchmarks for the month.

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.

“Growth in the economy remains positive, but the implications for households and businesses appear somewhat mixed.”



Monthly Fund Performance Report

for the period ending January 31, 2004

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 2.6% Year to date 2.6% Five years 0.1%</p>	<p>CPI:</p> <p>Rate of Return Current month (0.1)% Year to date 1.9% 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>~2.6%</td> <td>~1.9%</td> </tr> <tr> <td>YTD</td> <td>~2.6%</td> <td>~1.9%</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	~2.6%	~1.9%	YTD	~2.6%	~1.9%	5-year	~0.1%	~2.3%
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Month	~2.6%	~1.9%												
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5-year	~0.1%	~2.3%												
<p>Domestic Stock Index Fund:</p> <p>Current Asset Allocation Range Equity Fund 90-95%</p> <p>Rate of Return Current month 1.4% Year to date 1.4% Five years (1.4)%</p>	<p>S&P 500:</p> <p>Rate of Return Current month 1.8% Year to date 1.8% Five years (0.6)%</p>	<table border="1"> <caption>Int'l Fund vs MSCI EAFE Performance</caption> <thead> <tr> <th>Period</th> <th>Int'l Fund</th> <th>MSCI EAFE</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>~1.4%</td> <td>~1.8%</td> </tr> <tr> <td>YTD</td> <td>~1.4%</td> <td>~1.8%</td> </tr> <tr> <td>5-year</td> <td>~(1.4)%</td> <td>~(0.6)%</td> </tr> </tbody> </table>	Period	Int'l Fund	MSCI EAFE	Month	~1.4%	~1.8%	YTD	~1.4%	~1.8%	5-year	~(1.4)%	~(0.6)%
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YTD	~1.4%	~1.8%												
5-year	~(1.4)%	~(0.6)%												
<p>International Stock Index Fund:</p> <p>Current Asset Allocation Range Equity Fund 80-100% Cash Fund 0-20%</p> <p>Rate of Return Current month 1.7% Year to date 1.7% Five years (0.8)%</p>	<p>MSCI EAFE:</p> <p>Rate of Return Current month 1.4% Year to date 1.4% Five years 0.0%</p>	<table border="1"> <caption>Balanced Fund vs Blended Index Performance</caption> <thead> <tr> <th>Period</th> <th>Balanced Fund</th> <th>Blended Index</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>~2.0%</td> <td>~1.5%</td> </tr> <tr> <td>YTD</td> <td>~2.0%</td> <td>~1.5%</td> </tr> <tr> <td>5-year</td> <td>~3.0%</td> <td>~2.3%</td> </tr> </tbody> </table>	Period	Balanced Fund	Blended Index	Month	~2.0%	~1.5%	YTD	~2.0%	~1.5%	5-year	~3.0%	~2.3%
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<p>Balanced Fund:</p> <p>Current Asset Allocation Range Equity Fund 55-60% Fixed Income Fund 35-40% Cash Fund 0-10%</p> <p>Rate of Return Current month 2.0% Year to date 2.0% Five years 3.0%</p>	<p>Blended Balanced Index:</p> <p>Rate of Return Current month 1.5% Year to date 1.5% Five years 2.3%</p>	<table border="1"> <caption>Bond Fund vs LB Gov/Credit Performance</caption> <thead> <tr> <th>Period</th> <th>Bond Fund</th> <th>LB Gov/Credit</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>~1.1%</td> <td>~0.9%</td> </tr> <tr> <td>YTD</td> <td>~1.1%</td> <td>~0.9%</td> </tr> <tr> <td>5-year</td> <td>~6.5%</td> <td>~6.7%</td> </tr> </tbody> </table>	Period	Bond Fund	LB Gov/Credit	Month	~1.1%	~0.9%	YTD	~1.1%	~0.9%	5-year	~6.5%	~6.7%
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Returns for periods longer than one year are annualized.