



# Investment Perspective

FROM THE BRETHERN FOUNDATION

APRIL 2005

## MARKETS AND ECONOMY

More than any other forces in the economy, inflation and the Federal Reserve's response to it will drive both the U.S. economy and the financial markets for some time. The latter shows that analysts are more concerned with pronouncements from the Federal Reserve than they are with actual data on the economy. Growth in the U.S. economy is weaker than hoped and corporate profits are not growing as quickly as expected. Energy prices, particularly for oil, are up dramatically, while jobs growth in March was about one-half the consensus estimate of 220,000 new jobs.

For the third year in a row, equity prices were down in the first quarter. March also saw softness in the bond markets, possibly reflecting less enthusiasm among worldwide investors for U.S. debt. In one dark scenario, falling bond prices would produce higher yields, which would increase payments on many variable-rate loans like mortgages. These higher payments would cut into consumer spending, which is still a major driving force in the strength of the U.S. economy.

The Standard & Poor's 500 Index lost 1.8 percent in March for a 2.2 percent first-quarter decline. The MSCI Europe/Australia/Far East Index slipped 2.5 percent for the month; it is down 0.2 percent for the three-month period. The Lehman Brothers Government/Credit Index gave up 0.7 percent in March, which matches its performance for the quarter.

## INVESTMENT, MISSION, OR BOTH?

Continuing last month's discussion on using or investing a congregation's funds, it may be possible to accomplish both goals at the same time. Brethren Foundation offers a positive investment option, the Community Development Investment Fund. Amounts invested in the CDIF are made available through the Calvert Foundation to local community development organizations as loans to support affordable housing, microenterprise, small business, and nonprofit facilities.

All loans are made by local community development financial institutions; the portfolio of loans has a good history on loan performance. Despite this strength, the CDIF, like other investment options, carries some investment risk that must be evaluated by each investor.

For a congregation or other church agency with funds that have no immediate purpose, the CDIF can provide an attractive combination of returns and mission-based investing. Your investment funds can support economic security and infrastructure development when they would otherwise be sitting in a CD or another conservative investment. BFI recommends that CDIF investments be considered a long-term portion of your overall asset allocation. Pursuing your mission and carefully investing your resources need not be incompatible goals.

## BRETHERN FOUNDATION HIGHLIGHTS

Twelve-month performance for BFI funds remains strong relative to market benchmarks —

Domestic Fund 7.9 percent	Bond Fund 1.4 percent	Small Cap Fund 12.3 percent
S&P 500 6.7 percent	LB Gov/Credit 0.4 percent	Russell 2000 5.4 percent

“More than any other forces in the economy, inflation and the Federal Reserve's response to it will drive both the U.S. economy and the financial markets for some time.”



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

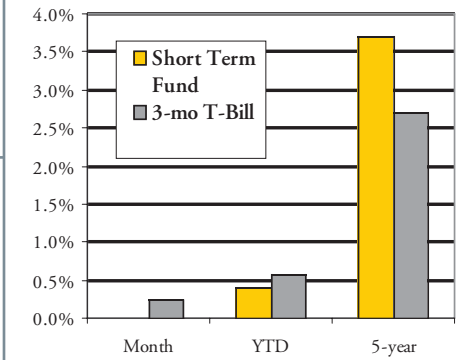
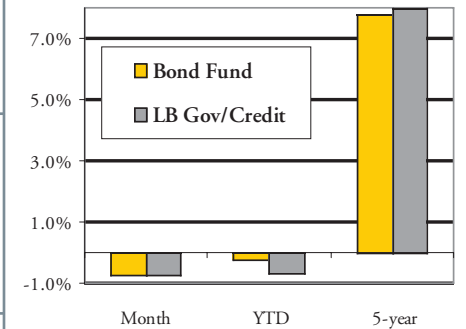
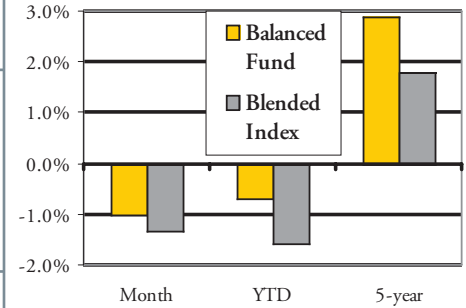
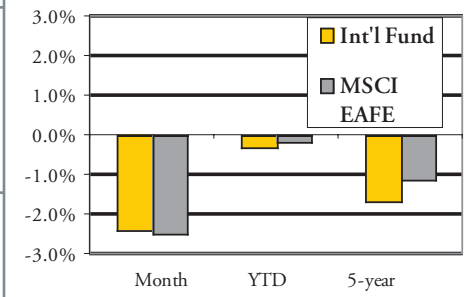
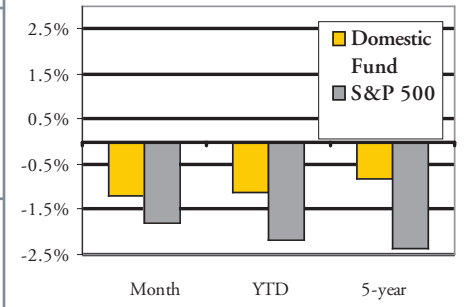
# Monthly Fund Performance Report

for the period ending March 31, 2005

# Performance Report

All Foundation investment funds must meet socially responsible investment guidelines.

FUNDS	BENCHMARKS
<b>Domestic Stock Fund:</b> <b>Rate of Return</b> Current month ..... (1.2)% Year to date ..... (1.1)% Five years ..... (0.8)%	<b>S&amp;P 500:</b> <b>Rate of Return</b> Current month ..... (1.8)% Year to date ..... (2.2)% Five years ..... (2.3)%
<b>Domestic Stock Index Fund:</b> <b>Rate of Return</b> Current month ..... (1.9)% Year to date ..... (2.4)% Five years ..... (2.8)%	<b>CPI:</b> <b>Rate of Return</b> Current month ..... 0.6% Year to date ..... 0.8% Five years ..... 2.5%
<b>Small Cap Fund:</b> <b>Rate of Return</b> Current month ..... (1.1)% Year to date ..... (2.6)%	<b>Russell 2000:</b> <b>Rate of Return</b> Current month ..... (2.9)% Year to date ..... (5.3)%
<b>International Stock Index Fund:</b> <b>Rate of Return</b> Current month ..... (2.4)% Year to date ..... (0.3)% Five years ..... (1.7)%	<b>MSCI EAFE:</b> <b>Rate of Return</b> Current month ..... (2.5)% Year to date ..... (0.2)% Five years ..... (1.1)%
<b>Balanced Fund:</b> <b>Rate of Return</b> Current month ..... (1.0)% Year to date ..... (0.7)% Five years ..... 2.9%	<b>Blended Balanced Index:</b> <b>Rate of Return</b> Current month ..... (1.3)% Year to date ..... (1.6)% Five years ..... 1.8%
<b>Bond Fund:</b> <b>Rate of Return</b> Current month ..... (0.7)% Year to date ..... (0.2)% Five years ..... 7.8%	<b>Lehman Bros Gov/Credit:</b> <b>Rate of Return</b> Current month ..... (0.7)% Year to date ..... (0.7)% Five years ..... 8.0%
<b>Bond Fund Core:</b> <b>Rate of Return</b> Current month ..... (0.6)% Year to date ..... (0.2)% Five years ..... 7.8%	<b>Lehman Bros Gov/Credit Interm.:</b> <b>Rate of Return</b> Current month ..... (0.5)% Year to date ..... (0.9)% Five years ..... 7.2%
<b>Short Term Fund:</b> <b>Rate of Return</b> Current month ..... 0.0% Year to date ..... 0.4% Five years ..... 3.7%	<b>3 Month T Bill:</b> <b>Rate of Return</b> Current month ..... 0.2% Year to date ..... 0.6% Five years ..... 2.7%
<b>Community Development Investment Fund:</b> <b>Rate of Return</b> Current month ..... 0.6%* Year to date ..... 0.6%* *Interest accrues on a quarterly basis.	



Returns for periods longer than one year are annualized.