



Investment Perspective

FROM THE BRETHERN FOUNDATION

JULY 2004

MARKETS AND ECONOMY

With a 1.9 percent June gain, the Standard & Poor's 500 Index is up 3.4 percent for the first six months of the year. The MSCI Europe/Australia/Far East Index gained 2.2 percent in June; this international index has grown by 4.6 percent year to date. The Lehman Brothers Government/Credit Index ended the month up 0.4 percent, which brings its loss for the year to -0.2 percent.

Responding to growth in the U.S. economy and in overall employment numbers, the Federal Reserve in late June raised its key interest rate by one-quarter percent. This move, which the Fed clearly signalled in advance, represents an effort to forestall inflation before it begins to affect the U.S. economic recovery. Increases in both manufacturing activity and new orders, however, were smaller in June than in May, raising questions about the ongoing strength of the overall economy. Investors cautious about rising interest rates found little encouragement in the stock market. Terrorist threats, the U.S. presidential election, and mixed signals from Europe and Asia, along with possible weakening of the recovery, create uncertainty for the financial markets.

SOME "RETURN" TERMS

The back side of each *Investment Perspective* presents several figures called "returns," but they do not all have the same meaning. Following are brief descriptions of what these important numbers represent.

Each BFI fund reports a "rate of return" for the month and for the year to date. The return portion consists of interest and dividends plus market value changes minus management and custodial fees. This is divided by a weighted average number of dollars invested in the fund during the month.

Five-year "annualized" returns are a separate calculation. They are the equal annual return that would have produced the same five-year result as the actual, varying returns produced. For example, each set of returns in the table to the right produces an annualized return of 4.0 percent.

Finally, return figures for the market benchmarks are calculated from index numbers using this formula: Current month return = Current month index/Previous month index - 1. Annualized returns are similar to the example above.

	Set 1	Set 2
Year 1	8.0%	2.0%
Year 2	6.6%	3.0%
Year 3	-3.0%	4.0%
Year 4	10.0%	5.0%
Year 5	-1.0%	6.0%

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BRETHERN FOUNDATION HIGHLIGHTS

- Brethren Foundation's new Small Cap Fund has outperformed its benchmark index by 4.1 percent so far this year.
- Investments in the Community Development Investment Fund continue to support localized development initiatives around the United States and abroad – with a positive return.

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.



Monthly Fund Performance Report

for the period ending June 30, 2004

Performance Report

All Foundation investment funds must meet socially responsible investment guidelines.

FUNDS	BENCHMARKS													
Domestic Stock Fund: Rate of Return Current month 1.8% Year to date 5.8% Five years 0.1%	S&P 500: Rate of Return Current month 1.9% Year to date 3.4% Five years (0.6)%	<table border="1"> <caption>Domestic Stock Fund vs S&P 500</caption> <thead> <tr> <th>Period</th> <th>Domestic Fund</th> <th>S&P 500</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>1.8%</td> <td>1.9%</td> </tr> <tr> <td>YTD</td> <td>5.8%</td> <td>3.4%</td> </tr> <tr> <td>5-year</td> <td>0.1%</td> <td>(0.6)%</td> </tr> </tbody> </table>	Period	Domestic Fund	S&P 500	Month	1.8%	1.9%	YTD	5.8%	3.4%	5-year	0.1%	(0.6)%
Period	Domestic Fund	S&P 500												
Month	1.8%	1.9%												
YTD	5.8%	3.4%												
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Domestic Stock Index Fund: Rate of Return Current month 1.8% Year to date 3.1% Five years (1.4)%	CPI: Rate of Return Current month 0.6% Year to date 2.6% Five years 2.3%	<table border="1"> <caption>Domestic Stock Index Fund vs CPI</caption> <thead> <tr> <th>Period</th> <th>Domestic Index Fund</th> <th>CPI</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>1.8%</td> <td>0.6%</td> </tr> <tr> <td>YTD</td> <td>3.1%</td> <td>2.6%</td> </tr> <tr> <td>5-year</td> <td>(1.4)%</td> <td>2.3%</td> </tr> </tbody> </table>	Period	Domestic Index Fund	CPI	Month	1.8%	0.6%	YTD	3.1%	2.6%	5-year	(1.4)%	2.3%
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Small Cap Fund: Rate of Return Current month 4.4% Year to date 10.9%	Russell 2000: Rate of Return Current month 4.2% Year to date 6.8%	<table border="1"> <caption>Small Cap Fund vs Russell 2000</caption> <thead> <tr> <th>Period</th> <th>Small Cap Fund</th> <th>Russell 2000</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>4.4%</td> <td>4.2%</td> </tr> <tr> <td>YTD</td> <td>10.9%</td> <td>6.8%</td> </tr> <tr> <td>5-year</td> <td></td> <td></td> </tr> </tbody> </table>	Period	Small Cap Fund	Russell 2000	Month	4.4%	4.2%	YTD	10.9%	6.8%	5-year		
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International Stock Index Fund: Rate of Return Current month 2.5% Year to date 4.8% Five years (0.8)%	MSCI EAFE: Rate of Return Current month 2.2% Year to date 4.6% Five years 0.0%	<table border="1"> <caption>International Stock Index Fund vs MSCI EAFE</caption> <thead> <tr> <th>Period</th> <th>Int'l Fund</th> <th>MSCI EAFE</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>2.5%</td> <td>2.2%</td> </tr> <tr> <td>YTD</td> <td>4.8%</td> <td>4.6%</td> </tr> <tr> <td>5-year</td> <td>(0.8)%</td> <td>0.0%</td> </tr> </tbody> </table>	Period	Int'l Fund	MSCI EAFE	Month	2.5%	2.2%	YTD	4.8%	4.6%	5-year	(0.8)%	0.0%
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Balanced Fund: Rate of Return Current month 1.2% Year to date 3.5% Five years 3.0%	Blended Balanced Index: Rate of Return Current month 1.3% Year to date 2.0% Five years 2.3%	<table border="1"> <caption>Balanced Fund vs Blended Index</caption> <thead> <tr> <th>Period</th> <th>Balanced Fund</th> <th>Blended Index</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>1.2%</td> <td>1.3%</td> </tr> <tr> <td>YTD</td> <td>3.5%</td> <td>2.0%</td> </tr> <tr> <td>5-year</td> <td>3.0%</td> <td>2.3%</td> </tr> </tbody> </table>	Period	Balanced Fund	Blended Index	Month	1.2%	1.3%	YTD	3.5%	2.0%	5-year	3.0%	2.3%
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Bond Fund: Rate of Return Current month 0.4% Year to date 0.2% Five years 6.5%	Lehman Bros Gov/Credit: Rate of Return Current month 0.4% Year to date (0.2)% Five years 6.7%	<table border="1"> <caption>Bond Fund vs LB Gov/Credit</caption> <thead> <tr> <th>Period</th> <th>Bond Fund</th> <th>LB Gov/Credit</th> </tr> </thead> <tbody> <tr> <td>Month</td> <td>0.4%</td> <td>0.4%</td> </tr> <tr> <td>YTD</td> <td>0.2%</td> <td>(0.2)%</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	0.4%	0.4%	YTD	0.2%	(0.2)%	5-year	6.5%	6.7%
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Short Term Fund: Rate of Return Current month 0.0% Year to date 0.3% Five years 4.5%	3-Month T-Bill: Rate of Return Current month 0.7% Year to date 0.5% Five years 3.5%	<table border="1"> <caption>Short Term Fund vs 3-mo T-Bill</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>0.0%</td> <td>0.7%</td> </tr> <tr> <td>YTD</td> <td>0.3%</td> <td>0.5%</td> </tr> <tr> <td>5-year</td> <td>4.5%</td> <td>3.5%</td> </tr> </tbody> </table>	Period	Short Term Fund	3-mo T-Bill	Month	0.0%	0.7%	YTD	0.3%	0.5%	5-year	4.5%	3.5%
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Returns for periods longer than one year are annualized