



Investment Perspective

FROM THE BROTHERS FOUNDATION

SEPTEMBER 2004

MARKETS AND ECONOMY

The Standard & Poor's 500 Index recovered slightly in August from its July losses with a 0.4 percent gain both for the month and for the eight months of this year. The MSCI Europe/Australia/Far East Index also rebounded somewhat in August, gaining 0.4 percent, for a 1.6 percent year-to-date advance. The Lehman Brothers Government/Credit Index added 2.1 percent for the month, bringing its year-to-date-gain to 3.0 percent.

August reports on manufacturing activity and jobs did little to change descriptions of the U.S. economy as lackluster and directionless. Nationally, manufacturing activity was up in August, but with a smaller increase than in July, according to the Institute of Supply Management. Businesses hired about 144,000 new employees in August, which is only about one-half of the job growth considered healthy at this point in an economic expansion. The Conference Board's report of a five-month low in its consumer confidence index did little to improve the picture.

New jobless claims were lower in August than in July and payroll data suggested some growth in wages for the first time in at least two years. Still, the risk of terrorist attacks in connection with the U.S. elections, the presidential election itself, and the deteriorating situation in Iraq provided reason for cautious investing. Bond interest rates fell closer to Treasury rates, boosting market prices, and stock investors took advantage of the lower rates to secure some slight gains on the month. The looming federal budget deficit and political uncertainty continue to pose questions for the future.

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SOME GUIDANCE ON REALLOCATION

If your congregation or organization has reached the conclusion to revise your investment strategy, it may be wise to consider making any allocation changes gradually. Presumably the reallocation decision is based on changes in the investment horizon or in the long-term goals for a particular fund. If so, give some thought to how the change will take place.

As tempting as it may be to make a move all at once, this may not be the most beneficial approach. A sudden transition could convert a temporary decline in the “old” fund into a permanent reduction once you move to the “new” fund, especially if the new fund is more conservative than the old.

Spreading a major movement over three or four months, on the other hand, reduces the impact of any one-month movements in either of the two funds. Brethren Foundation's system makes it easy for you to accomplish a reallocation over several months. Simply indicate your plan on the Transfer form, or contact us at 888-311-6530. We will be happy to work with you.

BRETHREN FOUNDATION HIGHLIGHTS

- Brethren Foundation's Small Cap Fund has outperformed the Russell 2000 Index by 7.7 percent so far this year. The Balanced Fund is ahead of its blended index by 0.9 percent in a challenging investment environment.

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 at www.bbtfoundation.org



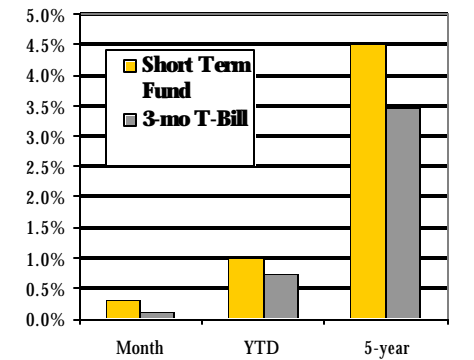
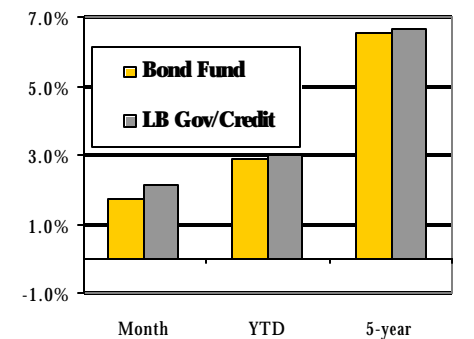
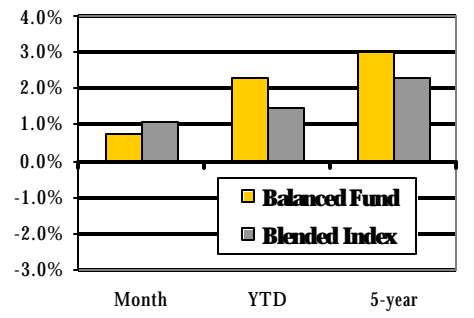
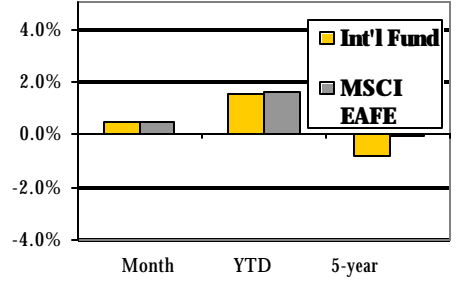
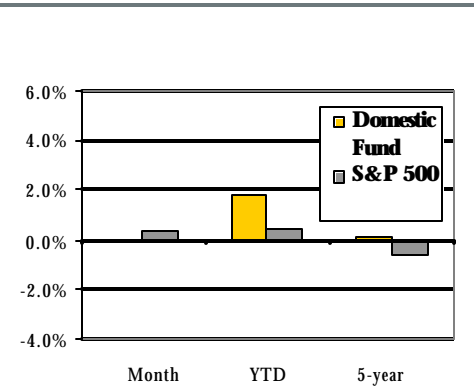
Monthly Fund Performance Report

for the period ending August 31, 2004

Performance Report

All Foundation investment funds must meet socially responsible investment guidelines.

FUNDS	BENCHMARKS
Domestic Stock Fund: Rate of Return Current month 0.0% Year to date 1.8% Five years 0.1%	S&P 500: Rate of Return Current month 0.4% Year to date 0.4% Five years (0.6)%
Domestic Stock Index Fund: Rate of Return Current month 0.5% Year to date 0.0% Five years (1.4)%	CPI: Rate of Return Current month (0.2)% Year to date 2.8% Five years 2.3%
Small Cap Fund: Rate of Return Current month (0.3)% Year to date 6.8%	Russell 2000: Rate of Return Current month (0.5)% Year to date (0.9)%
International Stock Index Fund: Rate of Return Current month 0.4% Year to date 1.5% Five years (0.8)%	MSCI EAFE: Rate of Return Current month 0.4% Year to date 1.6% Five years 0.0%
Balanced Fund: Rate of Return Current month 0.7% Year to date 2.3% Five years 3.0%	Blended Balanced Index: Rate of Return Current month 1.1% Year to date 1.4% Five years 2.3%
Bond Fund: Rate of Return Current month 1.7% Year to date 2.9% Five years 6.5%	Lehman Bros Gov/Credit: Rate of Return Current month 2.1% Year to date 3.0% Five years 6.7%
Bond Fund Core: Rate of Return Current month 1.8% Year to date 2.7% Five years 6.6%	Lehman Bros Gov/Credit Intern.: Rate of Return Current month 1.7% Year to date 2.4% Five years 6.7%
Short Term Fund: Rate of Return Current month 0.3% Year to date 1.0% Five years 4.5%	3-Month T-Bill: Rate of Return Current month 0.1% Year to date 0.7% Five years 3.5%
Community Development Investment Fund: Rate of Return Current month 0.0%* Year to date 1.4%* *Interest accrues on a quarterly basis.	



Returns for periods longer than one year are annualized