

Investment Perspective

FROM THE BRETHERN FOUNDATION

MAY 2004

MARKETS AND ECONOMY

The Standard & Poor's 500 Index fell 1.6 percent in April but clings to a 0.1 percent year-to-date gain. The MSCI Europe/Australia/Far East Index lost 2.3 percent for its first monthly decline in twelve months; the index is up 2 percent for the year. The Lehman Brothers Government/Credit Index gave up 3.1 percent in April, leaving it with a loss of 0.1 percent for the year.

For the month of April, stock prices fell almost across the board. Large-cap, small-cap, domestic, and international were all down. Factors contributing to the broad decline included inflation fears, the recovering U.S. dollar, and the prospect of interest rates rising earlier than expected. Strong growth may move the Federal Reserve to increase interest rates in late summer rather than later in the fall.

The U.S. economy continued to add jobs in April, with a report that surpassed expectations. Manufacturing activity also extended a pattern of increasing production, new orders, and employment. As the economy showed renewed strength, however, investors began to worry anew about inflation, which hurts both stocks and bonds.

COMMON INVESTMENT TERMS

Investment managers – and Brethren Foundation staff members – sometimes use technical terms when describing investments and investment policy. These terms include –

Market risk: The risk of declines in investment values due to factors that affect the entire market. Every investor faces market risk simply by holding stocks, bonds, or other securities. Market risk includes the broadest forces affecting the financial markets.

Systematic risk: Those elements of market risk that cannot be reduced or eliminated through diversification.

Diversification: The practice of investing in a variety of investment classes with the goal of reducing a portfolio's exposure to risk. A diversified portfolio still faces market risk since risk is always present, but should also promise acceptable rates of return.

Interest rate risk: The risk of decreases in market values from increases in interest rates. Bond prices and interest rates move in opposite directions so rising rates will push prices down.

Reinvestment risk: The possibility that when a bond matures, the available replacements will offer lower interest rates. As a result the portfolio's rate of return will fall.

BRETHERN FOUNDATION HIGHLIGHTS

- Brethren Foundation's Domestic Stock Fund, Balanced Fund, and Bond Fund outperformed their respective benchmarks for the month of April.
- The Community Development Investment Fund supports loans to community organizations for affordable housing and small business.

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.

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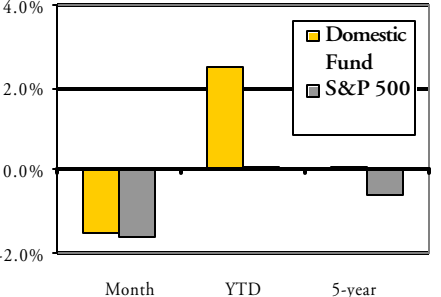
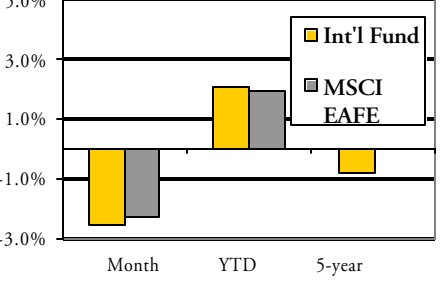
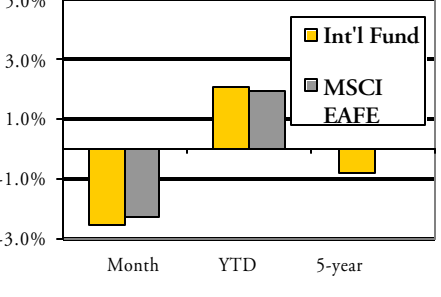
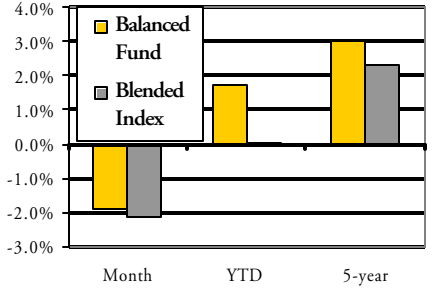
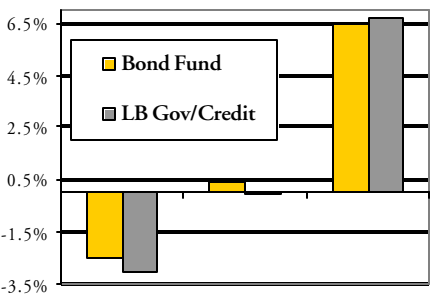
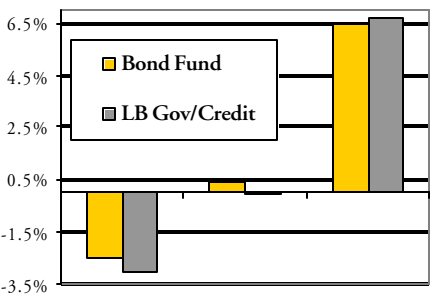
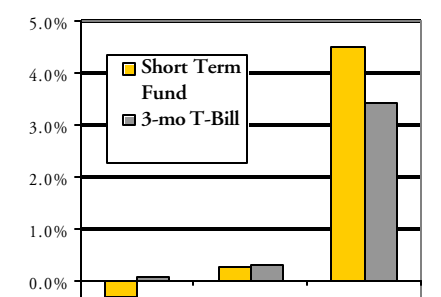
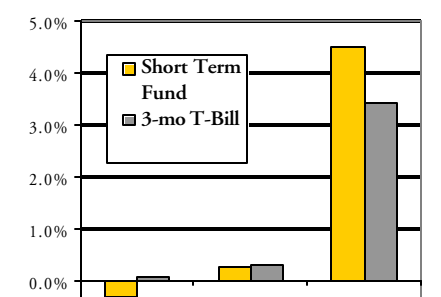


Monthly Fund Performance Report

for the period ending April 30, 2004

Performance Report

All Foundation investment funds must meet socially responsible investment guidelines.

FUNDS	BENCHMARKS													
Domestic Stock Fund: Rate of Return Current month (1.5)% Year to date 2.5% Five years 0.1%	CPI: Rate of Return Current month 0.6% Year to date 1.7% Five years 2.3%	 <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>-1.5%</td> <td>-1.5%</td> </tr> <tr> <td>YTD</td> <td>2.5%</td> <td>2.5%</td> </tr> <tr> <td>5-year</td> <td>0.1%</td> <td>0.1%</td> </tr> </tbody> </table>	Period	Domestic Fund	S&P 500	Month	-1.5%	-1.5%	YTD	2.5%	2.5%	5-year	0.1%	0.1%
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Domestic Stock Index Fund: Rate of Return Current month (1.6)% Year to date 0.0% Five years (1.4)%	S&P 500: Rate of Return Current month (1.6)% Year to date 0.1% Five years (0.6)%													
Small Cap Fund: Rate of Return Current month (1.4)% Year to date 3.2%	Russell 2000: Rate of Return Current month (5.1)% Year to date 0.8%	 <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>1.4%</td> <td>1.4%</td> </tr> <tr> <td>YTD</td> <td>3.2%</td> <td>3.2%</td> </tr> <tr> <td>5-year</td> <td>3.2%</td> <td>3.2%</td> </tr> </tbody> </table>	Period	Small Cap Fund	Russell 2000	Month	1.4%	1.4%	YTD	3.2%	3.2%	5-year	3.2%	3.2%
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Short Term Fund: Rate of Return Current month (0.3)% Year to date 0.3% Five years 4.5%	3-Month T-Bill: Rate of Return Current month 0.1% Year to date 0.3% 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>0.3%</td> <td>0.3%</td> </tr> <tr> <td>YTD</td> <td>0.3%</td> <td>0.3%</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	0.3%	0.3%	YTD	0.3%	0.3%	5-year	4.5%	3.5%
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Returns for periods longer than one year are annualized