



Investment Perspective

FROM THE BRETHERN FOUNDATION

JULY 2005

MARKETS AND ECONOMY

The domestic stock market remains down for the year following a minimal gain in June. European stocks, on the other hand, turned in solid performance for the first half of the year. Even as the U.S. dollar gained against the Euro in June, though, investors and analysts expressed reservations about the strength of the U.S. economic recovery. Heading into the period of earnings reports for the second quarter, numerous corporations have issued warnings. Even with the warnings, investors are likely to be disappointed in the reported earnings, according to some analysts.

Economic data for June showed the U.S. economy growing at a moderate pace. Unemployment was down in June to its lowest level in four years. The number of new jobs was about right to absorb natural growth in the labor market. Manufacturing activity grew at a faster rate than most analysts had expected, although manufacturing employment was down slightly. Late in the month, the Federal Reserve raised its key short-term interest rate another 0.25 percent to reduce the likelihood of significant inflation.

The Standard & Poor's 500 Index barely avoided a loss with a 0.1 percent gain in June; it has lost 0.8 percent year-to-date. The MSCI Europe/Australia/Far East Index added 1.3 percent in June; it is now down 1.2 percent through mid-year. The Lehman Brothers Government/Credit Index picked up another 0.7 percent for the month; it is up 2.8 percent so far this year.

SPENDING POLICY FOR YOUR INVESTMENTS

Through careful stewardship or a sudden bequest, your congregation has established an investment fund. One of the significant questions regarding such a fund is how much can be withdrawn to support your ministries. Groups follow various patterns depending on their long-term plans for the fund.

Some congregations use income-producing investments such as BFI's Bond Fund and withdraw the income periodically. This leaves the original fund intact except for market fluctuations. Others withdraw a consistent percentage of the fund each year, say 4 percent. If the average growth is greater than the withdrawal level, this allows the fund to grow over time. A smaller withdrawal rate reduces annual support for ministry, but produces more growth in the fund for later use.

If the funds are to be used up over time, it may be appropriate to set a dollar amount or a percentage that is greater than average growth. This draws the fund down each period and eventually exhausts it. If ministry support is the primary goal, it may be appropriate to determine the amount of support necessary and simply withdraw that each year. This requires careful attention to the remaining amount to match long-term availability with your congregation's plans for the fund.

BRETHERN FOUNDATION HIGHLIGHTS

- For the 12 months ending June 30, the Domestic Fund, Small Cap Fund, and International Index Fund are all running ahead of their benchmarks – by 0.2, 3.5, and 0.4 percent, respectively.

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

“Economic data for the month suggested that the U.S. economy is growing at a moderate pace.”



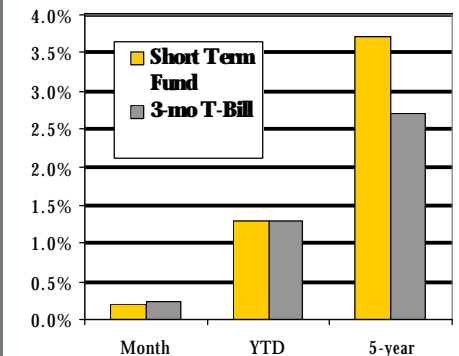
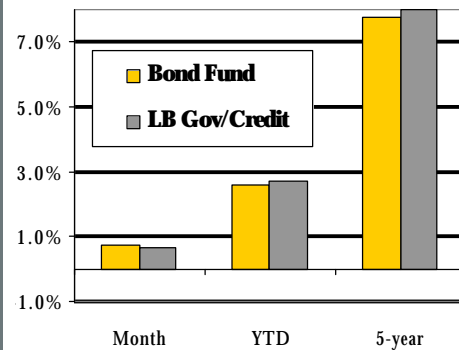
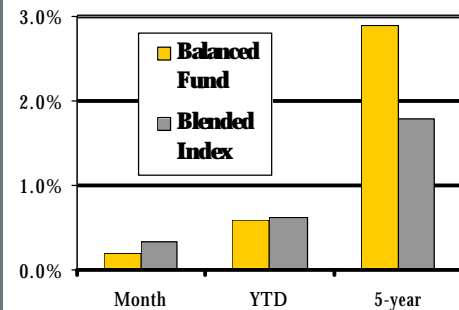
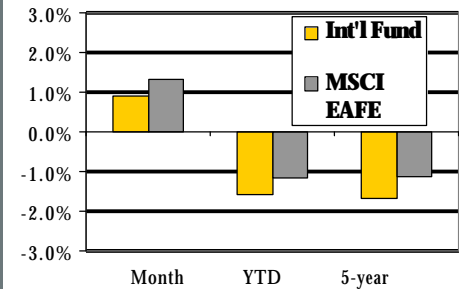
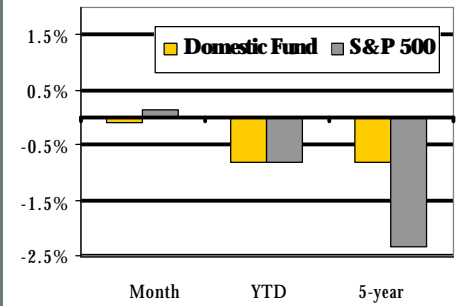
Monthly Fund Performance Report

for the period ending June 30, 2005

Performance Report

All Foundation investment funds must meet socially responsible investment guidelines.

FUNDS	BENCHMARKS
Domestic Stock Fund: Rate of Return Current month (0.1)% Year to date (0.8)% Five years (0.8)%	S&P 500: Rate of Return Current month 0.1% Year to date (0.8)% Five years (2.3)%
Domestic Stock Index Fund: Rate of Return Current month 0.3% Year to date (1.3)% Five years (2.8)%	CPI: Rate of Return Current month (0.1)% Year to date 2.2% Five years 2.5%
Small Cap Fund: Rate of Return Current month 2.1% Year to date 1.9%	Russell 2000: Rate of Return Current month 3.9% Year to date (1.3)%
International Stock Index Fund: Rate of Return Current month 0.9% Year to date (1.6)% Five years (1.7)%	MSCI EAFE: Rate of Return Current month 1.3% Year to date (1.2)% Five years (1.1)%
Balanced Fund: Rate of Return Current month 0.2% Year to date 0.6% Five years 2.9%	Blended Balanced Index: Rate of Return Current month 0.3% Year to date 0.6% Five years 1.8%
Bond Fund: Rate of Return Current month 0.7% Year to date 2.6% Five years 7.8%	Lehman Bros Gov/Credit: Rate of Return Current month 0.7% Year to date 2.8% Five years 8.0%
Bond Fund Core: Rate of Return Current month 0.7% Year to date 2.8% Five years 7.8%	Lehman Bros Gov/Credit Intern.: Rate of Return Current month 0.4% Year to date 1.6% Five years 7.2%
Short Term Fund: Rate of Return Current month 0.2% Year to date 1.3% Five years 3.7%	3-Month T-Bill: Rate of Return Current month 0.2% Year to date 1.3% Five years 2.7%
Community Development Investment Fund: Rate of Return Current month 0.2%* Year to date 1.4%* *Interest accrues on a quarterly basis.	



Returns for periods longer than one year are annualized