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# Investment Perspective

FROM THE BRETHERN FOUNDATION

SEPTEMBER 2005

## MARKETS AND ECONOMY

Even before Hurricane Katrina blasted through the U.S. Gulf Coast, rising oil prices and continuing inflation threats were putting a damper on economic activity. Although overall manufacturing activity was up again in August, some retail outlets had reported declining sales and the Federal Reserve communicated its analysis that inflation remains a threat that must be dealt with. Then Katrina hit.

Oil production, coffee, and tourism are among the major areas directly affected by the hurricane's devastation – to say nothing of the human toll. Hundreds of thousands of jobs disappeared in the wind and floods. Bond prices jumped, reducing yields, even as stock prices slumped in the days following the storm. The U.S. economy now faces a long period of rebuilding lost homes, shattered lives, and crushed businesses. Although some industries will profit from the cleanup and rebuilding, the overall impact on the economy will be negative, at least until the basics of infrastructure are back in place and entrepreneurs are able once again to take risks.

The Standard & Poor's 500 Index dropped 0.9 percent in August, reducing its year-to-date gain to 1.9 percent. The MSCI Europe/Australia/Far East Index picked up 2.5 percent for the month; it is now up 4.4 percent since the beginning of the year. The Lehman Brothers Government/Credit Index gained 1.5 percent this month, for a 3.1 percent eight-month increase.

## PREPARING FOR A (FINANCIAL) DISASTER

As individuals and congregations reach out to assist those left homeless, injured, and jobless by a natural disaster like Hurricane Katrina, it may also be a good time to review preparations for a disaster closer to home: perhaps one that affects a congregation. Some points to consider–

**Have a plan.** Decide in advance who needs to be contacted and what their responsibilities will be. Consider a variety of scenarios and prepare for them.

**Protect your records.** Off-site storage of financial records can speed recovery from a disaster. If your records are kept on a computer at church, making a backup copy on a disk and storing it elsewhere may be sufficient. Paper records can be stored in a safe or in a bank safe-deposit box. Keeping these backup and off-site records up to date should be part of your regular operating procedures.

**Maintain financial security.** It almost goes without saying – almost – that holding a financial reserve in some form will enable a congregation to recover from disaster much more quickly. As some have learned in New Orleans, not all banks are prepared to give depositors ready access to their funds after a major disruption. If you depend on a local bank, talk with them about this risk.

**Insure your property.** Insurance exists to help when damage occurs. Use it wisely.

## BRETHERN FOUNDATION HIGHLIGHTS

- To serve you better, Brethren Foundation is experimenting with steps that may make it possible to deliver your monthly account statements earlier than the 15th of each month.

As we make changes to the schedule, we will, of course, keep you informed.

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

“The U.S. economy now faces a long period of rebuilding lost homes, shattered lives, and crushed businesses.”



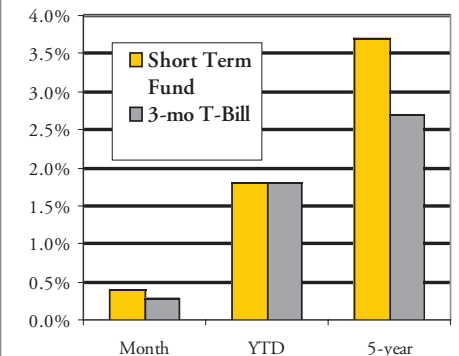
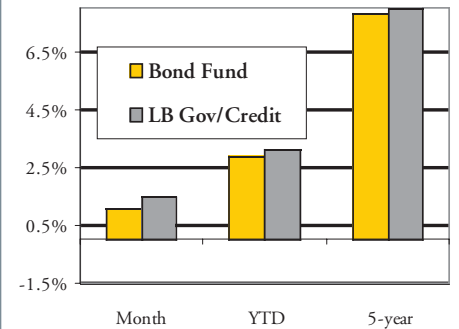
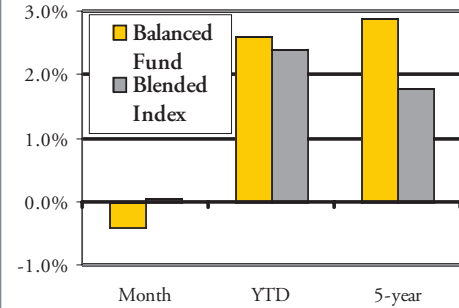
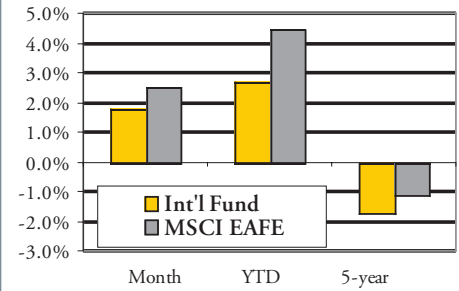
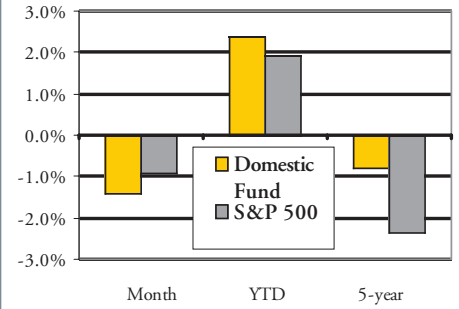
# Monthly Fund Performance Report

for the period ending August 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 ..... (1.4)% Year to date ..... 2.4% Five years ..... (0.8)%	<b>S&amp;P 500:</b> <b>Rate of Return</b> Current month ..... (0.9)% Year to date ..... 1.9% Five years ..... (2.3)%
<b>Domestic Stock Index Fund:</b> <b>Rate of Return</b> Current month ..... (1.1)% Year to date ..... 1.4% Five years ..... (2.8)%	<b>CPI:</b> <b>Rate of Return</b> Current month ..... 0.5% Year to date ..... 2.7% Five years ..... 2.5%
<b>Small Cap Fund:</b> <b>Rate of Return</b> Current month ..... (1.4)% Year to date ..... 7.3%	<b>Russell 2000:</b> <b>Rate of Return</b> Current month ..... (1.9)% Year to date ..... 3.1%
<b>International Stock Index Fund:</b> <b>Rate of Return</b> Current month ..... 1.8%* Year to date ..... 2.7%* Five years ..... (1.7)%  * These returns are subject to review	<b>MSCI EAFE:</b> <b>Rate of Return</b> Current month ..... 2.5% Year to date ..... 4.4% Five years ..... (1.1)%
<b>Balanced Fund:</b> <b>Rate of Return</b> Current month ..... (0.4)% Year to date ..... 2.6% Five years ..... 2.9%	<b>Blended Balanced Index:</b> <b>Rate of Return</b> Current month ..... 0.1% Year to date ..... 2.4% Five years ..... 1.8%
<b>Bond Fund:</b> <b>Rate of Return</b> Current month ..... 1.1% Year to date ..... 2.9% Five years ..... 7.8%	<b>Lehman Bros Gov/Credit:</b> <b>Rate of Return</b> Current month ..... 1.5% Year to date ..... 3.1% Five years ..... 8.0%
<b>Bond Fund Core:</b> <b>Rate of Return</b> Current month ..... 1.1% Year to date ..... 3.0% Five years ..... 7.8%	<b>Lehman Bros Gov/Credit Intern.:</b> <b>Rate of Return</b> Current month ..... 1.2% Year to date ..... 1.9% Five years ..... 7.2%
<b>Short Term Fund:</b> <b>Rate of Return</b> Current month ..... 0.4% Year to date ..... 1.8% Five years ..... 3.7%	<b>3 Month T Bill:</b> <b>Rate of Return</b> Current month ..... 0.3% Year to date ..... 1.8% Five years ..... 2.7%
<b>Community Development Investment Fund:</b> <b>Rate of Return</b> Current month ..... 0.1%* Year to date ..... 1.6%* *Interest accrues on a quarterly basis.	



Returns for periods longer than one year are annualized.