



Investment Perspective

FROM THE BRETHERN FOUNDATION

MAY 2006

MARKETS AND ECONOMY

In April, U.S. and international financial markets followed a path similar to March's, with stocks gaining on positive news and bonds losing ground as intermediate-term interest rates continued to rise. Analysts differed on whether sub-par growth in job creation outweighed rising wages as an indicator of where the markets are heading. Higher yields on bonds makes them more attractive investments, even though the rise pushes prices for existing bonds lower. Internationally, stock investors continued to find strength in corporate earnings reports while a relatively large worldwide pool of investment-grade bonds kept competition up and pushed prices down.

Economic reports for April were once again generally positive. Early reports on gross domestic product for the first quarter had the U.S. economy growing at a 3.8 percent annual rate. Wages rose more quickly than predicted in several key industries. Business income and manufacturing activity continued to grow. Consumers once again pulled out their cash and their credit cards to give retailers a much-needed boost in retail sales. The dark cloud looming over this generally good news, aside from slightly anemic job growth, is the possibility that the Federal Reserve will see signs of resurgent inflation and continue raising short-term interest rates to cool the expansion.

The Standard & Poor's 500 Index added 1.3 percent in April, for a year-to-date advance of 5.6 percent. The MSCI/EAFE Index surged 4.8 percent during the month. It is up 13.9 percent since Jan. 1. The Lehman Brothers Government/Credit Index gave up another 0.3 percent in April, increasing its loss for the year to 1.3 percent.

CHANGES TO BFI FUNDS

At its April 2006 meeting, the Brethren Benefit Trust board of directors took two separate steps that clients of Brethren Foundation should understand. Each change is part of the board's ongoing oversight of the overall investment program.

First, the board engaged Agincourt Capital Management to invest one half of the Bond Fund and Bond Fund Core. Agincourt joins Income, Research & Management, BFI's other fixed-income manager that has responsibility for this important investment class. In the Bond Fund, Agincourt has authority to make use of high-yield bonds when conditions make that investment desirable. The Bond Fund Core concentrates on corporate debt and U.S. government agency securities. Neither portfolio in the Foundation invests in securities of the U.S. Treasury. Agincourt will assume its BFI responsibilities on June 1.

The second change was to refine the investment strategy for the "core" portion of the Domestic Stock Fund and the Domestic Stock Index Fund. The portfolio will continue to be managed in a core style, but will be actively managed as of June 1. Historically, the core portfolio has been an "index" fund, managed to track the performance of the Standard and Poor's 500 Index. As an actively managed fund, the portfolio will hold fewer securities and should produce higher returns over time. The Domestic Stock Index Fund will be renamed the Domestic Stock Core Fund when the change occurs on June 1. The core portfolio will continue to form one third of the Domestic Stock Fund.

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

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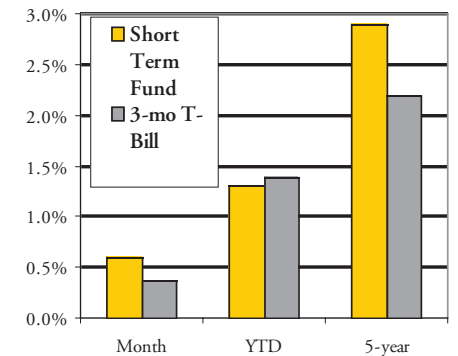
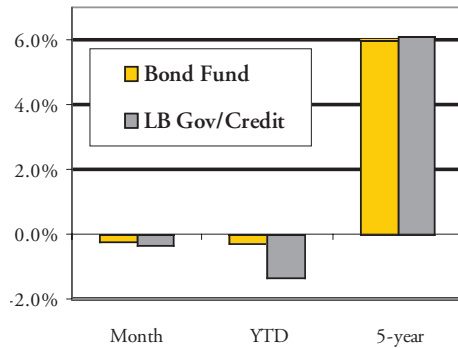
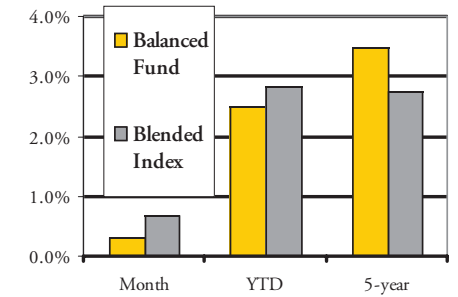
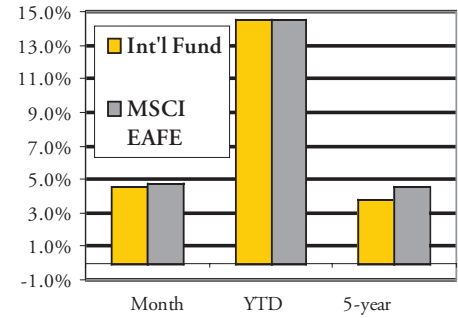
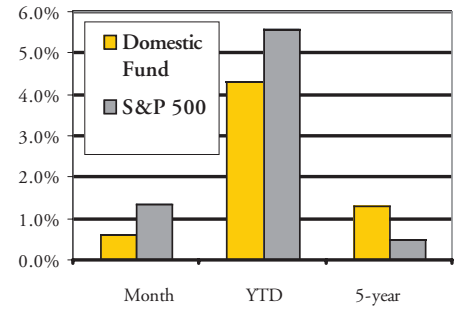
Monthly Fund Performance Report

for the period ending April 30, 2006

Performance Report

All Foundation investment funds must meet socially responsible investment guidelines.

FUNDS	BENCHMARKS
Domestic Stock Fund: Rate of Return Current month 0.6% Year to date 4.3% Five years 1.3%	S&P 500: Rate of Return Current month 1.3% Year to date 5.6% Five years 0.5%
Domestic Stock Index Fund: Rate of Return Current month 1.4% Year to date 6.0% Five years 0.0%	CPI: Rate of Return Current month 0.6% Year to date 1.5% Five years 2.5% For periods ended March 31, 2006
Small Cap Fund: Rate of Return Current month (0.3)% Year to date 10.8%	Russell 2000: Rate of Return Current month 0.0% Year to date 13.9%
International Stock Index Fund: Rate of Return Current month 4.6% Year to date 14.6% Five years 3.8%	MSCI EAFE: Rate of Return Current month 4.8% Year to date 14.6% Five years 4.6%
Balanced Fund: Rate of Return Current month 0.3% Year to date 2.5% Five years 3.5%	Blended Balanced Index: Rate of Return Current month 0.7% Year to date 2.8% Five years 2.7%
Bond Fund: Rate of Return Current month (0.2)% Year to date (0.3)% Five years 6.0%	Lehman Bros Gov/Credit: Rate of Return Current month (0.3)% Year to date (1.3)% Five years 6.1%
Bond Fund Core: Rate of Return Current month (0.2)% Year to date (0.4)% Five years 6.1%	Lehman Bros Gov/Credit Intern.: Rate of Return Current month 0.1% Year to date (0.3)% Five years 5.5%
Short Term Fund: Rate of Return Current month 0.6% Year to date 1.3% Five years 2.9%	3 Month T Bill: Rate of Return Current month 0.4% Year to date 1.4% Five years 2.2%
Community Development Investment Fund: Rate of Return Current month 0.0%* Year to date 0.7%* *Interest accrues on a quarterly basis.	



Returns for periods longer than one year are annualized.