



Investment Perspective

FROM THE BRETHERN FOUNDATION

OCTOBER 2006

MARKETS AND THE ECONOMY

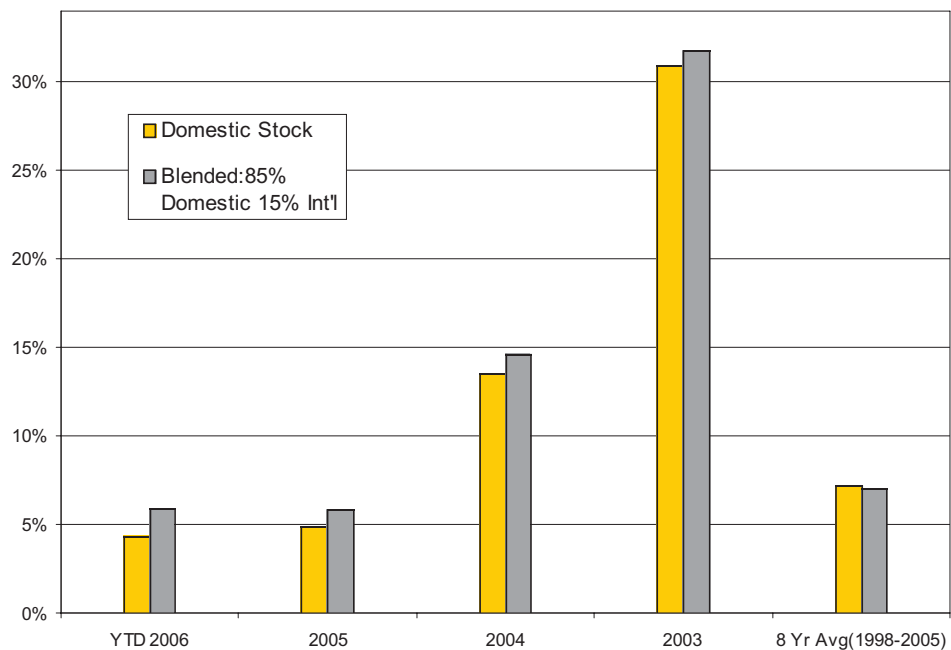
Continued soft economic housing data in September was interpreted as an end to interest rate increases by the Federal Reserve, which also served as rationale by investors for higher equity valuations. Continued declines in oil prices contributed to the positive investing environment. Strong August sales reports and lower gasoline prices gave consumer stocks the highest sector return of 6.5 percent within the Index. The Energy sector was down the most with a loss of 2.8 percent. The S&P Index rose 2.6 percent for the month, bringing its year-to-date total to 8.5 percent.

The international markets continued their upward movement, but at a much slower pace than domestic markets. The MSCI EAFE Index gained 0.15 percent during the month, making the year-to-date return 14.49 percent. Of the two broad regions, the European region enjoyed the higher return, 0.86 percent, while the Pacific region was down 1.33 percent.

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BFI CAN HELP WITH YOUR EQUITY DIVERSIFICATION

As a follow-up to last month's article of examining the diversification within the Domestic Stock Fund, this month will examine the benefit of adding a small portion of the International Fund to the Domestic Stock Fund. The following chart illustrates the benefit of diversification: It shows what it could mean by adding 15 percent of equity investment into the International Fund from the Domestic Stock Fund, as compared to owning 100 percent 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.

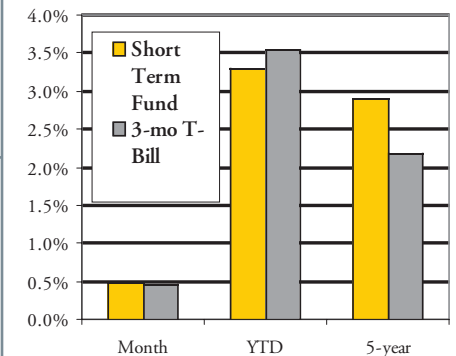
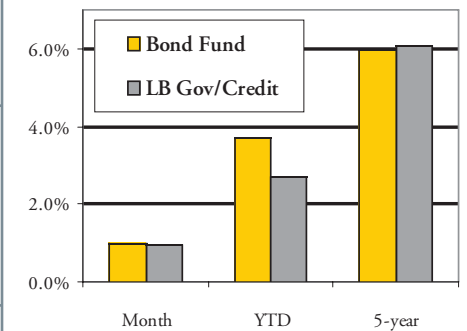
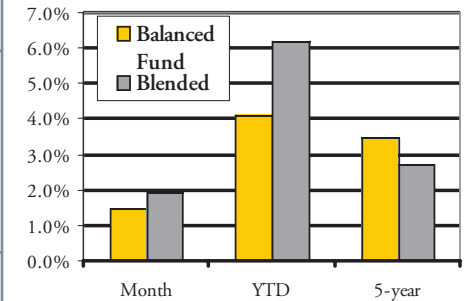
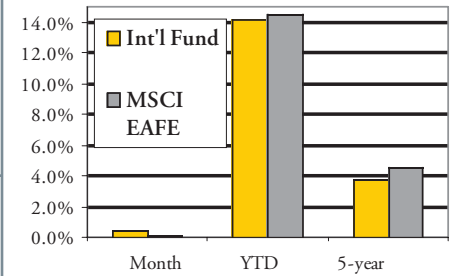
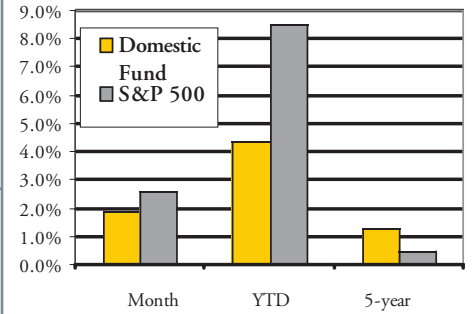
Monthly Fund Performance Report

for the period ending September 30, 2006

Performance Report

All Foundation investment funds must meet socially responsible investment guidelines.

FUNDS	BENCHMARKS
Domestic Stock Fund: Rate of Return Current month..... 1.9% Year to date 4.4% Five years 1.3%	S&P 500: Rate of Return Current month..... 2.6% Year to date 8.5% Five years 0.5%
Domestic Stock Index Fund: Rate of Return Current month..... 2.0% Year to date 6.2% Five years 0.0%	CPI: Rate of Return Current month..... 0.2% Year to date 3.6% Five years 2.5%
Small Cap Fund: Rate of Return Current month..... 2.7% Year to date 10.6%	Russell 2000: Rate of Return Current month..... 0.8% Year to date 8.7%
International Stock Index Fund: Rate of Return Current month..... 0.5% Year to date 14.2% Five years 3.8%	MSCI EAFE: Rate of Return Current month..... 0.2% Year to date 14.5% Five years 4.6%
Balanced Fund: Rate of Return Current month..... 1.5% Year to date 4.1% Five years 3.5%	Blended Balanced Index: Rate of Return Current month..... 1.9% Year to date 6.2% Five years 2.7%
Bond Fund: Rate of Return Current month..... 1.0% Year to date 3.7% Five years 6.0%	Lehman Bros Gov/Credit: Rate of Return Current month..... 1.0% Year to date 2.7% Five years 6.1%
Bond Fund Core: Rate of Return Current month..... 1.0% Year to date 3.6% Five years 6.1%	Lehman Bros Gov/Credit Intern.: Rate of Return Current month..... 1.3% Year to date 2.2% Five years 5.5%
Short Term Fund: Rate of Return Current month 0.5% Year to date 3.3% Five years 2.9%	3 Month T Bill: Rate of Return Current month 0.8% Year to date 3.0% Five years 2.2%
Community Development Investment Fund: Rate of Return Current month 0.3%* Year to date..... 2.1%* *Interest accrues on a quarterly basis.	



Returns for periods longer than one year are annualized.