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Investment Perspective

FROM THE BRETHERN FOUNDATION

JUNE 2008

MARKETS AND THE ECONOMY

The S&P 500 rose 1.3 percent in May, bringing the year-to-date performance to negative 3.8 percent. Oil prices hit new record highs and sapped modestly improving investor sentiment on mixed economic data. Although consumer confidence dropped to a 16-year low, retail sales showed surprising strength and productivity growth was greater than expected. In the critical residential real estate market, new home sales showed a slight increase, but housing is still severely depressed. The financial markets continue to struggle and were hampered by new concerns about credit problems.

The MSCI EAFE Index rose 1 percent during the month of May, bringing the year-to-date performance to negative 3 percent. The international market is experiencing many of the same pressures encountered in the domestic market. The negative tug of the housing and financial markets was offset by the strong performance of commodities and industrial products. Bonds had another difficult month; the Lehman Brothers Government/Credit Index dropped 1 percent, bringing the index's year-to-date total to a positive 0.9 percent.

WHY DOES THE SHORT-TERM FUND LOSE MONEY?

Some of our clients have expressed concern about Short-Term Fund returns because they believed it to be a risk-free investment option, and yet, between February and April 2008, the Short-Term Fund experienced negative or flat returns.

Brethren Foundation offers nine investment options, but each one carries some degree of risk. The Short-Term Fund is the least risky of the options. However, since its investment guidelines specify that it may invest in fixed income options that have a maturity of up to 24 months, the Short-Term Fund is a riskier investment option than a cash or cash-equivalent investment option. The Short-Term Fund is an investment option, not a holding account. Its objective is to provide low risk while generating modest income over time.

During the past 10 years, the Short-Term Fund has experienced monthly declines only seven times, and only twice have these declines been for two months in a row. Five other times the rate of return from one month to the next was flat — neither increasing nor decreasing. Only twice in the past 10 years — March through July of 2003 and currently — did it take longer than three months to regain the losses. After all investment manager fees and custodial fees were deducted, the cumulative net rate of return for every year has been positive, ranging from a low of 1.3 percent in 2004 to a high of 6.9 percent in 2000.

Those who cannot accept any risk may find the lower interest cash or cash-equivalent options available through Church of the Brethren Credit Union to be more satisfying. Interest-bearing options include checking accounts, savings accounts, certificates of deposit, or money market accounts. These options guarantee a lower positive interest rate, but do not provide the opportunity for the higher levels of performance or the occasional negative performance which can occur in the Short-Term Fund. For more information about these options, contact CoBCU staff at cobcu@brethren.org or 888-832-1383.

Please direct Brethren Foundation questions to Steve Mason.

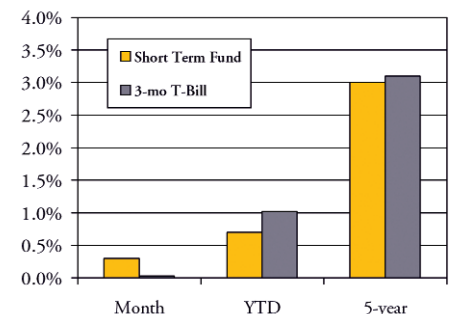
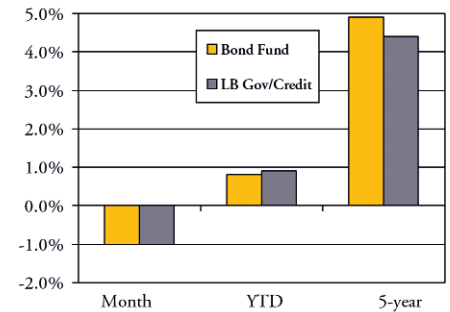
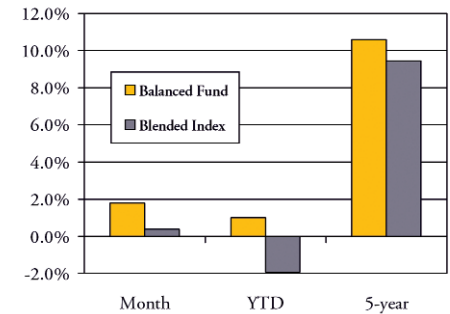
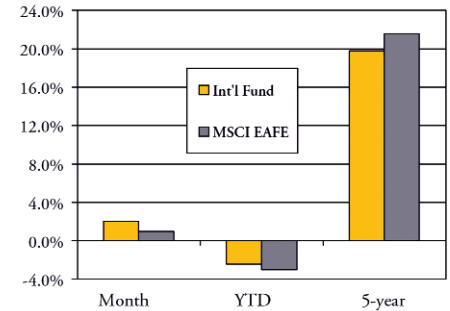
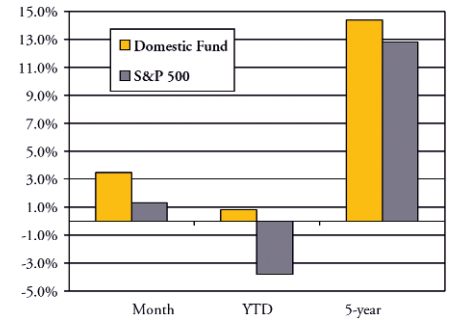
Monthly Fund Performance Report

for the period ending May 31, 2008

Performance Report

All Foundation investment funds must meet socially responsible investment guidelines.

| FUNDS (Net of Investment Fees) | BENCHMARKS (Gross) |
|--|---|
| Domestic Stock Fund: Rate of Return Current month 3.5% Year to date 0.8% Five years 14.4% | S&P 500: Rate of Return Current month 1.3% Year to date (3.8)% Five years 12.8% |
| Domestic Stock Core Fund: Rate of Return Current month 3.0% Year to date (1.1)% Five years 13.7% | S&P 500: Rate of Return Current month 1.3% Year to date (3.8)% Five years 12.8% |
| Small Cap Fund: Rate of Return Current month 3.7% Year to date (1.3)% | Russell 2000: Rate of Return Current month 4.6% Year to date (1.8)% |
| International Stock Core Fund: Rate of Return Current month 2.0% Year to date (2.4)% Five years 19.8% | MSCI EAFE: Rate of Return Current month 1.0% Year to date (3.0)% Five years 21.6% |
| Balanced Fund: Rate of Return Current month 1.8% Year to date 1.0% Five years 10.6% | Blended Balanced Index: Rate of Return Current month 0.4% Year to date (1.9)% Five years 9.4% |
| Bond Fund: Rate of Return Current month (1.0)% Year to date 0.8% Five years 4.9% | Lehman Bros Gov/Credit: Rate of Return Current month (1.0)% Year to date 0.9% Five years 4.4% |
| Bond Fund Core: Rate of Return Current month (0.9)% Year to date 0.9% Five years 4.7% | Lehman Bros Gov/Credit Intern.: Rate of Return Current month (0.8)% Year to date 1.4% Five years 4.1% |
| Short-Term Fund: Rate of Return Current month 0.3% Year to date 0.7% Five years 3.0% | 3-Month T-Bill: Rate of Return Current month 0.0% Year to date 1.0% Five years 3.1% |
| Community Development Investment Fund: Rate of Return Current month 0.3%* Year to date 1.3%* *Interest accrues on a quarterly basis. | Consumer Price Index: (most recent data available) April 2008 0.6% Year to date (thru April 2008) 3.6% Five years 3.0% <i>The CPI is an indicator of inflation.</i> |



Five-year returns are annualized for the period ending Dec. 31, 2007.