



Investment Perspective

FROM BRETHERN FOUNDATION

JANUARY 2009

MARKETS AND THE ECONOMY

Challenging. Probably the best word to describe the fourth quarter and 2008 investment climate for all categories of investments. The S&P 500 index decline marks the third worst annual drop in history and by far the worst since the Great Depression. Along with that bad news, it was the credit market that led stocks and the U.S. economy down in 2008. There was virtually no place to hide, and nothing was safe in the investment world. The year-end saw the Federal Reserve Board finally making a policy decision to support the U.S. economy by any means necessary, as opposed to fighting inflation. The Federal Reserve took actions that effectively lowered interest rates 0.75 to 1.0 percent. The results are preliminary at this time, but the intraday lows in equity markets on Nov. 21 have held and have rebounded 20 to 25 percent thus far. It is normal to see a 50 percent rebound from a significant market move, and there is cautious optimism that this will be the case. It could be a couple of years before the entire decline is fully recovered. (The graphs on the reverse side show the changes in market benchmarks and BFI fund performance.)

With so much attention to our falling markets, and stimulus packages being considered and passed in Congress, our economy should stabilize. The content of this stimulus comes in the form of subsidies, bailouts, and tax breaks. Putting money in the hands of consumers would provide the most immediate impact if that money is spent (velocity), followed by direct intervention by the Fed, and finally, guarantees such as the Troubled Asset Relief Program.

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SEEKING A SAFER INVESTMENT OPTION

Erosion of the value of invested assets during the past 15 months has increased investors' interest in safe investment options. As was reported in the June 2008 issue of *Investment Perspective*, all of Brethren Foundation's investment options carry some degree of risk, with the Short-Term Fund being the least risky of the nine options. You can review the June 2008 commentary on the Short-Term Fund at <http://www.brethrenbenefittrust.org/Foundation%20page/ip08-06.pdf> to understand the nature of the risk of this investment option.

At its November meeting, the Brethren Foundation Board of Directors implemented a couple of changes in the investment guidelines for the Short-Term Fund manager to further reduce the likelihood of negative performance. First, the invested assets shall "have a *final stated* (emphasis added) maturity of 24 months or less," which clarifies the type of "maturity" to be used. Second, a new statement was added to the investment guidelines specifying that the assets invested in the Short-Term Fund are "to achieve positive returns for all rolling three-month periods." The Short-Term Fund manager's compliance with the investment guidelines, including these two changes, will reduce the risk of negative returns and also reduce the possibility of higher positive returns.

The Board of Directors also decided to employ the services of a new Short-Term Fund manager that has expertise and proven results with shorter-term or cash management strategies. The new manager, Sterling Capital Management of Charlotte, N.C., will assume management of the Short-Term Fund in the first quarter of 2009.



Please contact Steve Mason, director of Brethren Foundation, if you have questions or comments.

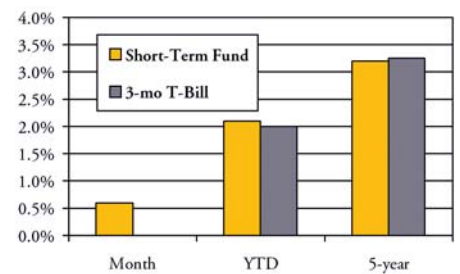
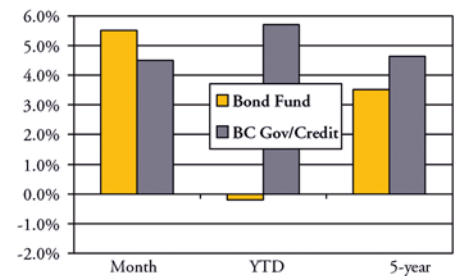
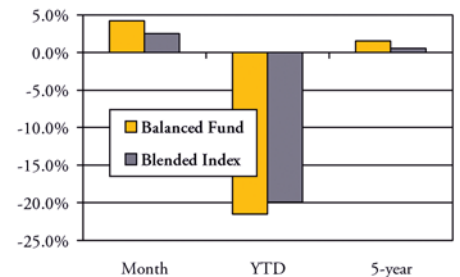
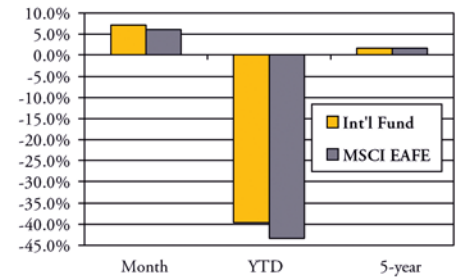
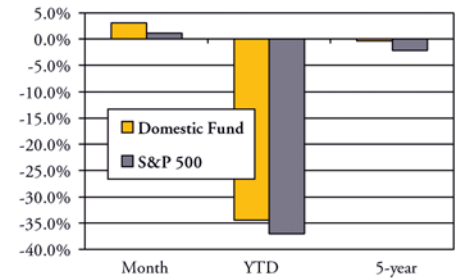
Monthly Fund Performance Report

for the period ending December 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 3.1% Year to date (34.4)% Five years (0.4)%	S&P 500: Rate of Return Current month 1.1% Year to date (37.0)% Five years (2.2)%
Domestic Stock Core Fund: Rate of Return Current month 1.0% Year to date (34.5)% Five years (0.7)%	S&P 500: Rate of Return Current month 1.1% Year to date (37.0)% Five years (2.2)%
Small Cap Fund: Rate of Return Current month 4.4% Year to date (28.9)%	Russell 2000: Rate of Return Current month 5.8% Year to date (33.8)%
International Stock Core Fund: Rate of Return Current month 7.2% Year to date (39.7)% Five years 1.7%	MSCI EAFE: Rate of Return Current month 6.0% Year to date (43.4)% Five years 1.7%
Balanced Fund: Rate of Return Current month 4.2% Year to date (21.5)% Five years 1.5%	Blended Balanced Index: Rate of Return Current month 2.5% Year to date (19.9)% Five years 0.5%
Bond Fund: Rate of Return Current month 5.5% Year to date (0.2)% Five years 3.5%	Barclays Capital Gov/Credit: Rate of Return Current month 4.5% Year to date 5.7% Five years 4.6%
Bond Core Fund: Rate of Return Current month 5.6% Year to date 0.2% Five years 3.6%	Barclays Capital Gov/Credit: Rate of Return Current month 4.5% Year to date 5.7% Five years 4.6%
Short-Term Fund: Rate of Return Current month 0.6% Year to date 2.1% Five years 3.2%	3-Month T-Bill: Rate of Return Current month 0.0% Year to date 2.0% Five years 3.3%
Community Development Investment Fund: Rate of Return Current month 0.3%* Year to date 3.3%* *Interest accrues on a quarterly basis.	Consumer Price Index: (most recent data available) November 2008 (2.0)% Year to date (thru Nov. 2008) 2.5% Five years 2.9% <i>The CPI is an indicator of inflation.</i>



Five-year returns are annualized.