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# Investment Perspective

FROM BRETHERN FOUNDATION

OCTOBER 2010

## MARKETS AND THE ECONOMY

September was an unusually good month in the marketplace. The S&P 500 index climbed 8.9 percent in September — historically the worst month for stocks — posting the strongest monthly gain since April 2009 and the best September performance since 1939. The international markets also performed well, with the MSCI EAFE index gaining 9.8 percent. Bonds also moved favorably in the month: The Barclays Capital U.S. Government Credit Bond index rose 0.3 percent in September.

The markets responded to macroeconomic data released in late August that showed the global economy, powered by developing markets, was strong enough to help the U.S. economy avoid a double-dip recession, continuing it on the path of sluggish growth. Key domestic indicators, such as real estate, retail sales, factory activity, and employment were a bit better than expected. The domestic market also responded favorably to the prospect of a Republican shift in Washington and the Federal Reserve's continued efforts to keep interest rates and inflation low.

U.S. equities rebounded strongly in the third quarter. The S&P 500 index recouped the 11.4 percent decline it experienced in a weak second quarter, ending with a robust 11.3 percent gain for the third quarter and a 3.9 percent gain for the year. International equities also performed well this quarter, with the MSCI EAFE index rising 16.5 percent, showing a year-to-date gain of 1.5 percent. Bonds continued their strong performance in 2010 with the Barclays U.S. Government Credit Bond index climbing 3.3 percent in the third quarter, resulting in a 9.0 percent gain thus far in 2010.

## SECURE E-MAIL SERVICE AVAILABLE TO CLIENTS

Since e-mail has become a likely target of unwanted and dangerous attacks to harvest private information, Brethren Foundation is offering clients a way to transmit sensitive data to BFI staff in a secure manner, free of charge.

BFI uses Cisco Registered Envelope Service to transmit secure e-mail communications. This service allows clients to send encrypted messages electronically via registered envelopes, which are password-protected and can only be opened by authorized recipients. If you are a first-time recipient of a password-protected secure envelope, you will be asked to register with the service to set the password, which will be used to verify your identity.

Any client wishing to transmit information securely by e-mail to BFI should contact Steve Lipinski, manager of Foundation operations, and request that he send a registered envelope by e-mail to the client. The client will then need to click on the attachment and follow the instructions to open the registered envelope. Once inside the registered envelope, the client may safely send information to BFI by replying to the message.

Please contact Steve Lipinski if you have questions about the secure e-mail service.

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

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# Fund Performance Report

for the period ending Sept. 30, 2010



All periods longer than one year are annualized.

Funds (Net of Investment Fees) Benchmarks (Gross)	Current Month	Three Months	Year-to-Date	Three Years	Five Years
<b>SHORT-TERM</b>					
<b>Short-Term Fund</b>	0.1%	0.5%	1.2%	2.5%	3.4%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> <sup>1</sup>	0.0%	0.1%	0.3%	1.0%	2.4%
<b>COMMUNITY DEVELOPMENT</b>					
<b>Community Development Investment Fund</b> <sup>2</sup>	0.5%	1.4%	3.1%	3.3%	3.1%
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A
<b>FIXED INCOME</b>					
<b>Bond Core Fund</b>	0.5%	4.0%	10.4%	8.6%	6.9%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.3%	3.3%	9.0%	7.5%	6.2%
<b>Bond Fund</b>	0.5%	4.3%	10.7%	8.7%	7.0%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.3%	3.3%	9.0%	7.5%	6.2%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>3,4</sup>	0.8%	N/A	N/A	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	0.6%	N/A	N/A	N/A	N/A
<b>High Yield Bond Fund</b> <sup>3</sup>	1.6%	N/A	N/A	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	3.0%	N/A	N/A	N/A	N/A
<b>DOMESTIC EQUITY</b>					
<b>Domestic Stock Core Fund</b>	8.6%	9.1%	2.4%	(6.2)%	1.9%
<i>S&amp;P 500 Index</i>	8.9%	11.3%	3.9%	(7.2)%	0.6%
<b>Domestic Stock Value Fund</b>	10.1%	N/A	N/A	N/A	N/A
<i>Russell 1000 Value Index</i>	7.8%	N/A	N/A	N/A	N/A
<b>Domestic Stock Growth Fund</b>	10.1%	N/A	N/A	N/A	N/A
<i>Russell 1000 Growth Index</i>	10.7%	N/A	N/A	N/A	N/A
<b>Domestic Stock Fund</b>	9.6%	11.0%	4.6%	(4.3)%	2.7%
<i>S&amp;P 500 Index</i>	8.9%	11.3%	3.9%	(7.2)%	0.6%
<b>Small Cap Fund</b>	9.8%	8.4%	9.1%	0.8%	4.9%
<i>Russell 2000 Index</i>	12.5%	11.3%	9.1%	(4.3)%	1.6%
<b>Public Real Estate Fund</b> <sup>3,4</sup>	8.1%	N/A	N/A	N/A	N/A
<i>FTSE EPRA/NAREIT Global Real Estate Index</i>	8.7%	N/A	N/A	N/A	N/A
<b>INTERNATIONAL EQUITY</b>					
<b>International Stock Core Fund</b>	8.5%	14.5%	2.0%	(7.9)%	2.2%
<i>MSCI EAFE Index</i>	9.8%	16.5%	1.5%	(9.1)%	2.5%
<b>Emerging Markets Stock Fund</b> <sup>3</sup>	8.8%	N/A	N/A	N/A	N/A
<i>MSCI Emerging Markets Index</i>	11.1%	N/A	N/A	N/A	N/A
<b>ALTERNATIVES</b>					
<b>Commodities-Based Fund</b> <sup>3</sup>	7.6%	N/A	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	7.3%	N/A	N/A	N/A	N/A
<b>EQUITY AND FIXED INCOME</b>					
<b>Balanced Fund</b>	5.9%	8.3%	7.3%	1.2%	4.8%
<i>Blended Balanced Index</i> <sup>5</sup>	5.5%	8.2%	6.3%	(1.0)%	3.2%
<b>U.S. INFLATION</b>					
<b>Consumer Price Index</b> (August 2010) <sup>6</sup>	0.1%	0.0%	1.0%	1.6%	2.1%

Performance Report

<sup>1</sup> Changed May 1, 2009. 3-year and 5-year blended with 90-day Treasury Bill. <sup>2</sup> CDIF interest accrues on a quarterly basis. <sup>3</sup> These investment funds may not meet socially responsible investing guidelines because they are invested in mutual funds. All other investment funds must meet socially responsible investing guidelines. <sup>4</sup> Net of mutual fund expenses only; no assets under BFI management are currently invested in this fund. <sup>5</sup> Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). <sup>6</sup> Most recent data available.