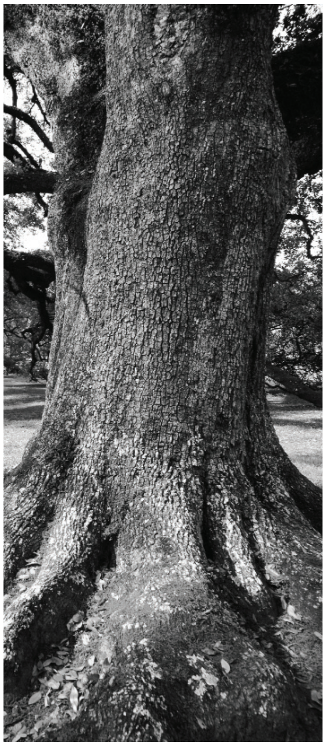

Investment Perspective

FROM BRETHREN FOUNDATION NOVEMBER 2012

Markets and the Economy

The nation's gross domestic product grew 2 percent in the third quarter on strong federal government spending. The unemployment rate rose to 7.9 percent in October from 7.8 percent in September as more Americans began searching for jobs. Early in the month, the Federal Reserve reinforced the need for a third round of quantitative easing and will keep buying mortgage-backed securities until there is a substantial improvement in the labor market. Exports contracted for the first time in more than three years; third quarter corporate earnings were softer than expected; on the horizon loom concerns over tax and spending policies with no signs of resolution. During October, the S&P 500 declined 1.9 percent — its first monthly decrease since May — but is up 14.3 percent for the year. The bond market, as measured by the Barclays Capital Government/Credit Index, increased 0.4 percent in October and 4.8 percent October year-to-date.

Overseas, the eurozone's struggling economy remains hampered by rising unemployment, weakening confidence, and a global slowdown, which is reducing exports from the region. The International Monetary Fund lowered its forecast for worldwide GDP growth. International equities, as measured by the MSCI EAFE, increased 0.8 percent and are up 11.5 percent since the beginning of the year.

Everyone charged with the responsibility of managing the investment of assets for themselves or others should consider the importance of rebalancing those assets periodically.

Rebalancing: Discipline vs. Opportunism

Rebalancing is the exercise of reallocating assets from one type of investment to another to put a portfolio back in line with its set strategy. Everyone charged with the responsibility of managing the investment of assets for themselves or others should consider the importance of rebalancing those assets periodically.

Assets are initially allocated based on an investment strategy that takes into consideration such factors as risk tolerance and the time horizon for use of the assets. A conservative investment strategy will seek to protect principal but provide limited opportunities for income generation or asset appreciation, while an aggressive strategy will seek higher yields but risk low returns or even losses over the short term. Typically, an investment portfolio will include a mixture of conservative and aggressive investment options.

As the markets ebb and flow over time, some investment options will perform better than others, causing the investment portfolio to drift from its original proportions. At such times, it can be tempting to let the portfolio remain "unbalanced," especially when the overall portfolio is performing well. Rebalancing ensures that a portfolio does not become riskier than is comfortable for the investor and helps protect the positive gains of good performance.

Rebalancing can be made according to a schedule or when the portfolio reaches a specified level of imbalance. Rebalancing on a schedule automates the process and ensures that the portfolio is in line with a strategy or policy on a regular basis. Experts do not agree on the proper frequency for calendar-driven rebalancing, except to say that monthly rebalancing is too frequent. Rebalancing only when the portfolio achieves a certain level of imbalance generally requires less frequent asset reallocation. However, it requires more active attention to the portfolio by the investor and exposes the portfolio to more risk.

Portfolio rebalancing is an important discipline for everyone responsible for invested assets. Acceptable parameters should be established for the management of each portfolio and should include instructions on the rebalancing of the assets.

Please contact Steve Mason, Director of Brethren Foundation, with comments or questions.

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Fund Performance Report

for the period ending Oct. 31, 2012

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	Ten Years
SHORT-TERM						
Short-Term Fund	(0.1)%	0.1%	1.3%	1.0%	1.7%	2.3%
Merrill Lynch 6-Month Treasury Bill Index [1]	*0.0%*	*0.0%*	*0.1%*	*0.3%*	*0.6%*	*1.8%*
COMMUNITY DEVELOPMENT						
Community Development Investment Fund [2]	0.2%	0.5%	1.8%	2.5%	2.7%	N/A
No Benchmark	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
FIXED INCOME						
Bond Core Fund	0.6%	1.5%	6.7%	7.3%	7.4%	6.3%
Barclays Capital U.S. Government/Credit Bond Index	*0.4%*	*0.5%*	*4.8%*	*6.5%*	*6.5%*	*5.5%*
Bond Fund	0.6%	1.8%	6.9%	7.5%	7.4%	6.4%
Barclays Capital U.S. Government/Credit Bond Index	*0.4%*	*0.5%*	*4.8%*	*6.5%*	*6.5%*	*5.5%*
Treasury Inflation-Protected Securities Fund [3]	0.4%	0.7%	6.1%	N/A	N/A	N/A
Barclays Capital U.S. TIPS Index	*0.9%*	*1.1%*	*7.2%*	*N/A*	*N/A*	*N/A*
High Yield Bond Fund [3]	0.8%	3.5%	12.6%	N/A	N/A	N/A
Barclays Capital U.S. Corporate High Yield Bond Index	*0.9%*	*3.5%*	*13.1%*	*N/A*	*N/A*	*N/A*
DOMESTIC EQUITY						
Domestic Stock Core Fund	(2.1)%	3.5%	13.7%	9.7%	(0.5)%	6.7%
S&P 500 Index	*(1.9)%*	*3.0%*	*14.3%*	*13.2%*	*0.4%*	*6.9%*
Domestic Stock Value Fund	0.2%	6.5%	22.3%	N/A	N/A	N/A
Russell 1000 Value Index	*(0.5)%*	*4.9%*	*15.2%*	*N/A*	*N/A*	*N/A*
Domestic Stock Growth Fund	(2.0)%	2.9%	12.3%	N/A	N/A	N/A
Russell 1000 Growth Index	*(2.9)%*	*1.7%*	*13.4%*	*N/A*	*N/A*	*N/A*
Domestic Stock Fund	(1.3)%	4.3%	16.1%	13.5%	2.1%	8.4%
S&P 500 Index	*(1.9)%*	*3.0%*	*14.3%*	*13.2%*	*0.4%*	*6.9%*
Small Cap Fund	(0.3)%	5.8%	10.2%	18.7%	6.3%	N/A
Russell 2000 Index	*(2.2)%*	*4.4%*	*11.8%*	*14.8%*	*1.2%*	*N/A*
INTERNATIONAL EQUITY						
International Stock Core Fund	(0.7)%	5.3%	9.8%	5.2%	(4.4)%	7.7%
MSCI EAFE Index	*0.8%*	*6.7%*	*11.5%*	*3.3%*	*(5.4)%*	*8.2%*
Emerging Markets Stock Fund [3]	(1.3)%	6.2%	10.1%	N/A	N/A	N/A
MSCI Emerging Markets Index	*(0.6)%*	*5.1%*	*11.7%*	*N/A*	*N/A*	*N/A*
REAL ASSETS						
Commodities-Based Fund [3]	(2.9)%	(0.6)%	8.4%	N/A	N/A	N/A
Dow Jones UBS Commodity Index	*(3.9)%*	*(1.0)%*	*1.5%*	*N/A*	*N/A*	*N/A*
Public Real Estate Fund [3]	0.2%	2.2%	17.3%	N/A	N/A	N/A
S&P Developed Property Index	*1.1%*	*3.2%*	*23.0%*	*N/A*	*N/A*	*N/A*
EQUITY AND FIXED INCOME						
Balanced Fund	(0.5)%	3.3%	12.7%	11.5%	4.8%	8.0%
Blended Balanced Index [4]	*(1.0)%*	*2.0%*	*10.6%*	*10.9%*	*3.3%*	*6.7%*
U.S. INFLATION						
Consumer Price Index (September 2012) [5]	0.4%	0.8%	2.5%	2.4%	2.1%	2.5%

Performance Report

[1] Changed May 1, 2009. 5-year and 10-year blended with 90-day Treasury Bill. [2] CDIF interest accrues on a daily basis. [3] 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. [4] Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). [5] Most recent data available. CPI data are not seasonally adjusted.