



Investment Perspective

FROM BRETHERN FOUNDATION

FEBRUARY 2011

MARKETS AND THE ECONOMY

For the fifth month in a row and the first January in four years, the S&P 500 index showed a positive return by gaining 2.4 percent last month. The U.S. economy continues to grow at a steady but not overwhelming pace. Buoyed by improving net exports, stronger business investment, increases in personal consumption expenditures, strength in manufacturing, and an increase in consumer confidence, the market was able to resist the negative forces still pressing on the economy.

Domestically, the housing market remains soft, unemployment is still higher than expected, and inflation, although modest, is positive. Even though the market responded favorably to the Federal Reserve's commitment to continue its support of the economy by keeping the Federal funds rate at its historic low level and continuing planned quantitative easing, the market is also sensitive to the fact that this type of support cannot continue indefinitely.

Global pressure on market performance came from political upheaval in Tunisia and Egypt, the rising price of commodities, and continued European debt worries. Even so, the MSCI EAFE increased 2.4 percent in January.

Bond performance in January was barely positive, with the Barclays Capital Government Credit Index gaining 0.1 percent.

SOME BFI INVESTMENTS ARE EXEMPT FROM SRI SCREENS

Assets invested in the following investment options currently are not subject to Brethren Foundation's socially responsible investing screens: Treasury Inflation-Protected Securities Fund, High Yield Bond Fund, Public Real Estate Fund, Emerging Markets Stock Fund, and Commodities-Based Fund. Why are these five investment options treated differently?

In order for BFI investment options to be subject to the SRI guidelines, they must be set up in separately managed accounts. A separately managed account is set up for a single client (in this case BFI) by an investment manager hired by the client to hold only the assets of that client and to operate according to guidelines specified by that client. In order for an investment option to qualify for a separately managed account, it must have sufficient assets invested in it to meet the minimum threshold required by the investment manager.

If an investment option does not have sufficient assets for a separately invested account, the only alternative available to activate such an option is to place the assets in a mutual fund. Since the mutual fund holds the assets of many different clients and not just those under BFI management, all assets in the mutual fund are subject to the guidelines established by the manager. Therefore, assets under BFI management that are placed in mutual funds cannot be bound to the restrictions of BFI investment guidelines.

The BFI Board decided to activate the new investment options by placing the assets in mutual funds until the asset base grows to a size that qualifies the investment options for separately managed accounts. We have tried to clearly publicize that these investment options are not in compliance with BFI investment guidelines. In this way, those who are interested in these investment options can take advantage of them as long as they accept this screening limitation. As soon as the investment options have sufficient assets to qualify for a separately managed account, BFI will make the change. All assets under BFI's management will be subject to BFI's investment guidelines as soon as possible.

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 Jan. 31, 2011



All periods longer than one year are annualized.

Performance Report

Funds (Net of Investment Fees) Benchmarks (Gross)	Current Month	Three Months	Year-to-Date	Three Years	Five Years
SHORT-TERM					
Short-Term Fund	0.2%	0.3%	0.2%	1.9%	3.2%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.0%	0.1%	0.0%	0.6%	2.4%
COMMUNITY DEVELOPMENT					
Community Development Investment Fund ²	0.5%	1.3%	0.5%	3.6%	3.3%
<i>No Benchmark</i>	N/A	N/A	N/A	N/A	N/A
FIXED INCOME					
Bond Core Fund	0.2%	(1.7)%	0.2%	6.3%	6.4%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.1%	(2.1)%	0.1%	5.0%	5.6%
Bond Fund	0.3%	(1.6)%	0.3%	6.4%	6.5%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	0.1%	(2.1)%	0.1%	5.0%	5.6%
Treasury Inflation-Protected Securities Fund ³	0.5%	(2.9)%	0.5%	N/A	N/A
<i>Barclays Capital U.S. TIPS Index</i>	0.2%	(3.0)%	0.2%	N/A	N/A
High Yield Bond Fund ³	2.5%	2.5%	2.5%	N/A	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	2.2%	2.8%	2.2%	N/A	N/A
DOMESTIC EQUITY					
Domestic Stock Core Fund	1.4%	8.0%	1.4%	0.1%	3.2%
<i>S&P 500 Index</i>	2.4%	9.2%	2.4%	(0.1)%	2.2%
Domestic Stock Value Fund	2.9%	13.1%	2.9%	N/A	N/A
<i>Russell 1000 Value Index</i>	2.3%	9.8%	2.3%	N/A	N/A
Domestic Stock Growth Fund	2.0%	N/A	2.0%	N/A	N/A
<i>Russell 1000 Growth Index</i>	2.6%	9.5%	2.6%	N/A	N/A
Domestic Stock Fund	2.1%	10.0%	2.1%	2.9%	4.5%
<i>S&P 500 Index</i>	2.4%	9.2%	2.4%	(0.1)%	2.2%
Small Cap Fund	2.3%	11.8%	2.3%	9.4%	7.1%
<i>Russell 2000 Index</i>	(0.3)%	11.4%	(0.3)%	4.6%	2.6%
Public Real Estate Fund ^{3,4}	1.7%	3.8%	N/A	N/A	N/A
<i>FTSE EPRA/NAREIT Global Real Estate Index</i>	1.3%	3.2%	N/A	N/A	N/A
INTERNATIONAL EQUITY					
International Stock Core Fund	1.4%	5.4%	1.4%	(2.5)%	2.1%
<i>MSCI EAFE Index</i>	2.4%	5.4%	2.4%	(2.7)%	2.2%
Emerging Markets Stock Fund ³	(2.9)%	1.1%	(2.9)%	N/A	N/A
<i>MSCI Emerging Markets Index</i>	(2.7)%	1.5%	(2.7)%	N/A	N/A
ALTERNATIVES					
Commodities-Based Fund ³	1.9%	5.9%	1.9%	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	1.0%	11.4%	1.0%	N/A	N/A
EQUITY AND FIXED INCOME					
Balanced Fund	1.4%	5.5%	1.4%	4.9%	5.7%
<i>Blended Balanced Index</i> ⁵	1.4%	4.5%	1.4%	1.4%	3.2%
U.S. INFLATION					
Consumer Price Index (December 2010) ⁶	0.2%	0.3%	1.4%	1.4%	2.2%

¹ Changed May 1, 2009. 3-year and 5-year blended with 90-day Treasury Bill. ² CDIF interest accrues on a quarterly 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 Net of mutual fund expenses only; no assets under BFI management are currently invested in this fund. ⁵ Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). ⁶ Most recent data available.