



MMA®

*MMA Praxis
Mutual Funds*

Intermediate Income Fund

As of June 30, 2002

A Share Ticker
MIIAX

B Share Ticker
MMPIX

Assets
\$67.2 million

Risk
Low-mod

Portfolio information

Benchmark: Lehman Aggregate¹

Portfolio profile

	<i>Fund</i>	<i>L Agg</i>
Turnover ratio	50	n/a
Standard deviation	3.58	3.58

A mutual fund's standard deviation is a statistical measure of historic volatility of returns. The greater the standard deviation, the wider the range of returns, therefore the greater the downside risk and, conversely, the upside potential.

Sector weightings

	<i>Fund</i>	<i>L Agg</i>	<i>+/- %</i>
Mortgage	36%	36%	0
Industry	21	13	8
Agency	20	13	7
Financials	12	9	3
Utilities	5	2	3
Asset-backed securities	4	2	2
Cash	2	0	2
Treasuries	0	22	-22
International	0	3	-3

Top 10 holdings

FNMA 6.63 / 07	3.8%
FNMA 6.00 / 16	3.4
GNMA 7.00 / 32	3.3
FHLMC 6.25 / 05	3.1
FHLMC 6.50 / 32	2.6
FHLB 6.63 / 10	2.1
GNMA #3107 6.50 / 31	1.9
GNMA #3068 6.50 / 31	1.5
FNMA 4.75 / 07	1.5
FNMA 5.63 / 11	1.5

Holdings are subject to change.

Number of holdings

<i>Fund</i>	<i>L Agg</i>
121	6,892

Maturity

<i>Year breakdown</i>	<i>Fund</i>	<i>L Agg</i>
0 - 1	6%	0%
1 - 5	47	47
5 - 10	33	38
10 - 20	3	7
20 - 30	11	8

Yield to maturity	5.3%	5.2%
Average maturity in years	7.1	7.4
Effective duration in years	4.3	4.4

Yield

	<i>Class A</i>	<i>Class B</i>
30-day yield	5.23	4.88
SEC yield	4.55	4.38

Quality

	<i>Fund</i>	<i>L Agg</i>	<i>+/- %</i>
Average	Aa2	Aaa	-
Government	46%	70%	-24%
Aaa	10	6	+4
Aa	2	4	-2
A	22	10	+12
Baa	17	10	+7
Ba	1	0	+1
Other	2	0	+2

Dividends may be declared and paid semi-annually.

MMA Praxis Mutual Funds: Aligning values and investing

MMA Praxis Mutual Funds is a leader in faith-based investing for individuals and institutions. Grounded in the religious principles of the Christian Anabaptist tradition, the funds engage in a full range of socially responsible investing practices. Asset classes include actively-managed U.S. large-cap equity, passively-managed value index, U.S. fixed income, and international equity.

Stewardship investing in action

Assessing and responding to ethical concerns is an important part of MMA's stewardship investing work.

Corporate ethics in America: The good news

You already know the bad news – a seemingly endless stream of major corporations revealing misleading – even fraudulent – financial and accounting practices. However, there is a silver lining here, particularly for those who are concerned about the social and environmental impact of their investments:

Ethics are now central. For over 10 years, there has been growing attention to business ethics and corporate responsibility. Suddenly, everyone is imminently aware that ethics, responsibility, and accountability are crucial to the social and financial operation of business. Because ethics are now seen as integral to shareholder value and national interests, the demand for corporate change will be unavoidable.

Corporate governance merges with social responsibility. Even before the scandal at WorldCom broke, the effect of Enron was in full swing during the 2001-2002 proxy voting season. An entire range of corporate governance-related shareholder resolutions (board independence, auditor independence, stock option packages, etc.) received unprecedented support from a variety of sources. There was also a significant jump in interest and support for social shareholder resolutions such as board diversity, limitations on executive compensation, and disclosure of employment and emissions data. This trend will continue.

The issues aren't new – but our response should be. Many of these recent issues are long-time concerns of social investors. Now more than ever we have an opportunity and responsibility to raise our voices and share our accumulated knowledge – to the benefit of our economy, the stability of the markets, and the people and planet so deeply impacted by our investment decisions.

We have always been strong advocates for good governance through our proxy voting activity (visit www.mmapraxis.com to view our online voting record). In addition, MMA Praxis is committed to working with other faith-based and socially responsible investors to articulate new standards of excellence in corporate ethics and accountability. This is an incredible opportunity to "let our Light shine!"

Performance

	A Share Inception date: May 3, 1999		B Share Inception date: Jan. 4, 1994		Benchmark
	<i>No load</i>	<i>Load*</i>	<i>No CDSC</i>	<i>CDSC**</i>	Lehman Aggregate
6 mo	3.55	(0.34)	3.45	(0.55)	3.70
YTD	2.85	(1.04)	2.67	(1.33)	3.80
1 yr	5.96	1.95	5.59	1.59	8.63
3 yr ann	5.83	4.48	5.45	4.85	8.11
5 yr ann	5.65	4.85	5.41	5.25	7.57
Avg ann	5.29	4.82	5.15	5.15	n/a

Performance depicted for Class A shares utilizes historic performance of the Class B shares, but imposes the expense structure of Class A shares.

* Load: Assumes maximum sales charge of 3.75%

**Maximum CDSC is 4%

Calendar-year total returns

<i>B Share no CDSC</i>	1994	1995	1996	1997	1998	1999	2000	2001	06/02
Total return %	(4.1)	17.5	2.2	7.6	7.3	(1.1)	7.7	6.2	2.7
+/- L Agg	N/A	-1.0	-1.4	-2.1	-1.4	-1.0	-3.9	-2.2	-1.1
+/- category	N/A	-0.3	-1.1	-1.3	-0.2	-0.5	-2.0	-1.3	+0.3

¹ Lehman Brothers Aggregate Bond Index is an index of widely held fixed-income securities often used as a proxy for the bond market. It is comprised of the U.S. Treasury and U.S. agency bonds, mortgage-backed bonds, and higher-grade corporate bonds. Indexes are unmanaged, do not incur fees, and it is not possible to invest directly in an index.

Past performance is not a guarantee of future results. Share price and return will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost.

This report must be accompanied or preceded by a current fund prospectus. Fund composition is subject to change. BISYS Fund Services, LP, distributor.

Fund information

Objective

To seek current income and to a lesser extent seek capital appreciation, while incorporating socially responsible investing criteria.

Investor profile

The fund is designed for investors who:

- Are committed to the fund's socially responsible investment criteria.
- Want current income.
- Are willing to accept a limited amount of risk for potentially higher returns than bank CDs or money market funds without the volatility of higher yielding long-term bonds.

Strategy

The fund:

- Invests primarily in a wide range of U.S. corporate debt securities, notes, and bonds issued by agencies of the U.S. Government, and mortgage-backed securities.
- Invests primarily in securities with a maximum maturity of less than 10 years, but also invests in securities with longer maturities.
- Invests primarily in securities rated within the top four rankings of one or more nationally recognized rating organizations.
- Avoids investments in U.S. Treasury bills, notes and bonds.

Contact information

Fund account information

(800) 9-PRAXIS (977-2947)

Broker and institutional investor support

Jerry Gray at (800) 503-0905

J.B. Miller at (800) 514-6962

Web site

www.mmapraxis.com

Portfolio managers



Delmar King

Del has been the Intermediate Income Fund manager since its 1994 inception. He has over 30 years of investment experience with Mennonite Mutual Aid (MMA), where he has investment responsibilities for various other MMA entities and individual clients. Del received a B.A. in economics from Goshen College and a master's degree in business administration from Indiana University. In addition to these duties, Del serves on the Investment Committee of the Elkhart County (Ind.) Community Foundation.



Robert W. Nelson

Before becoming this fund's co-manager, Rob had 11 years investment management experience, including investment policy and asset allocation. He received his bachelor's degree from State University of New York at Fredonia and a master's degree in business administration from Clarkson University. Rob holds the Chartered Financial Analyst (CFA) designation.

Second quarter commentary

The bond market provided a haven of positive returns for the quarter as stock prices continued to slide. Our performance largely kept pace with the benchmark for the quarter, lagging only slightly. During the quarter we made a major effort to lower exposure to doubtful individual bonds that hint at potential credit problems.

Our strategy is to overweight high-quality corporate bonds, keep our mortgage allocation slightly under the benchmark weight, and keep about 15 percent in agency bonds. With credit issues still overhanging the market our focus is on high quality bonds where credit concerns are relatively low.

There were three big factors that effected fixed income returns in the second quarter. First, interest rates fell, particularly in June as bonds began to track the stock market very closely. Second, hedge funds continued to impact the market by sharply attacking bonds with weak credit ratings. This, in-turn, kept investment grade bond buyers in a defensive posture. The third big factor was the fallout from the accounting scandals at WorldCom, Xerox, and Adelphia. Fortunately, we dodged most of the impact.

We expect the remainder of the year to continue to be difficult. Given the lack of confidence in corporate accounting we do not see a quick or early turn in the demand for corporate bonds in general, but demand for the highest quality bonds will remain strong. We expect the Fed to remain on hold for the remainder of the year, which will keep interest rates low.

Winners and losers

Winners	% gain	Reason
Golden State Petroleum	+15.51	The price of this bond had been knocked down earlier in a general sell off in the energy sector. However, we believed it was undervalued because of lack of market awareness. It bounced back after the market realistically valued its underlying worth, restoring the price to a fairer value.
Puget Sound Energy	+13.35	This bond's price recovered as the utility provider began to work out a solution to its rate dilemma with the Washington Public Service Commission. As rate relief and a plan for recapitalizing the company's financing emerged, the market's confidence in the bond was restored.
National Rural Utilities	+9.03	As concerns over a possible loan default were allayed, this bond's spread tightened in. It was also helped when Moody's and Standard & Poor's stabilized their credit rating.
Losers	% loss	Reason
MCI	-31.14	When parent company Worldcom announced large downward earnings revisions, the price of MCI's bonds in turn dropped sharply. We sold out of our position as our concerns about its viability grew, limiting possible losses.
Intermedia	-22.51	Worldcom is also the parent company of Intermedia and, likewise, their bond price dropped sharply after the earnings misstatement announcement. We sold out of this position as quickly as possible.
Sierra Pacific Resources	-18.35	The Nevada Power subsidiary had filed for rate relief and was given a punitive settlement by the Nevada Public Service Commission. In turn, the major rating agencies downgraded its credit rating to below investment grade.

Investment adviser—MMA Capital Management

Distributor—BISYS Fund Services