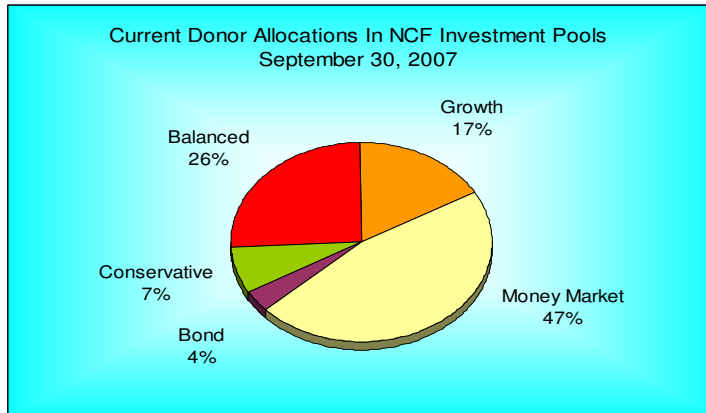


National Christian Foundation Investment Pools



Third Quarter Performance

NCF's investment pools all generated positive returns in the quarter ending September 30, 2007, despite tremendous problems in the world financial markets. Net quarterly returns ranged from 1.0% in the Balanced Pool to 2.7% in the Bond Pool. Both year to date and one year numbers were solid and consistent with the target allocations. The three-year annualized numbers are very good and range from 3.8% per year in the Bond Pool to 12% per year in the Growth Pool, again net of fees. The table to the left shows the percentage of donor funds that are currently allocated to each strategy.

US Financial Markets*

The three months ending September 30, 2007, were characterized by tremendous volatility as concern about investments with exposure to risky subprime loans spread through the financial system. The uncertainty roiled equity prices and triggered a crisis in the credit markets. As the crisis spread, companies having the most potential exposure to subprime loans, such as Financials, suffered the most. However, broad equity indices also fell dramatically as the tightening access to credit threatened consumer spending and overall economic growth. By mid-August, equity prices were off more than 10% from their July highs.

In response to the credit crisis, the Federal Reserve (the Fed) lowered the Fed Funds Rate on September 18th, by 50 basis points to 4.75% from 5.25%. Equity prices, which had risen in anticipation of the Fed cut, rose further because the cut was larger than generally expected. Even with the Fed's action, however, most major equity and fixed income indices were flat to only moderately higher in the third quarter, with the S&P 500 Index up 2.0% and the ML US Broad Market Bond Index rising 2.9%.

International Markets

The impact of the liquidity crisis in the U.S. was also strongly felt throughout the global equity markets, causing broad-based declines in July and August. Volatility rose and investors re-priced risk. The declines were reversed after the Fed and other central banks intervened, and most major equity indices ended the quarter in positive territory in U.S. dollar terms. The developed International markets, as measured by the MSCI EAFE Index, returned 2.2% (-2.5% in local currency terms).

Emerging market equity performance was extremely volatile. The index hit a record high in the second half of July, plunged in the following weeks, and rebounded by the end of the quarter, with several markets hitting record highs. The sudden recovery was driven by gains in the largest emerging markets, China, Brazil and India, as these economies are considered to be the most able to withstand a slowdown in the U.S. economy.

NCF Actions

In response to the wide-spread credit problems discussed above, NCF took a number of actions to reduce risk in its pool investments. We first held extensive conversations during the quarter with the managers of our money market mutual funds during which we carefully reviewed the current holdings of the funds. As a result of those conversations, we made some modest changes to eliminate any exposure to sub-prime mortgaged back securities and to assure that we were holding only AAA rated paper.

In our longer-term fixed investments, we reduced our exposure to the financial sector. Consequently, our fixed income holdings now have a larger proportion of US government bonds and less exposure to corporate bonds. As major US banks have now reported more than \$25 billion dollars in losses associated with their own sub-prime investments, reducing exposure to that sector seemed prudent.

Finally, we also temporarily reduced equity allocations in the Growth, Balanced and Conservative pools. While we have taken all of these actions in the context of heightened market volatility and risk, we do not intend to "time markets" or to begin using cash as a strategic asset class. Rather, we have moved a portion of the pools to cash either to reduce exposure to particularly troubled sectors, such as financial services, or to prepare for new allocations to investments that offer more attractive risk-reward profiles in turbulent markets. We are working with our advisors on those potential allocations at the present time and expect to make further changes in the pools by year-end or shortly thereafter.

*From *AIM Market Focus*, Merrill Lynch GPC Investment Management & Guidance