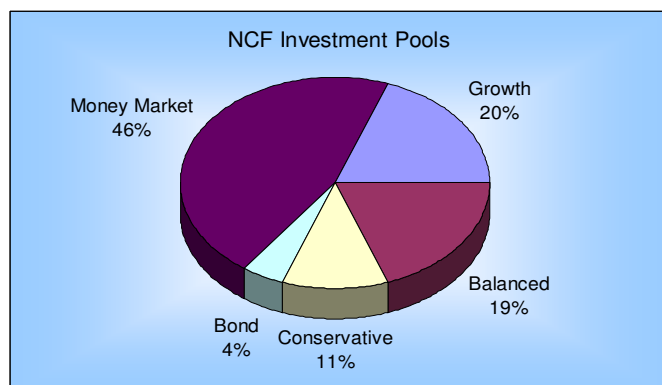


National Christian Foundation Investment Pools



National Christian Foundation maintains five different pooled investment options for its donors which range from a money market option to a growth portfolio which, in the aggregate, is allocated 80% to equities and 20% to fixed income and cash. The table to the left shows the overall percentage choices made by NCF donors as of year-end 2005.

Global Markets Overview

After posting strong returns in the first quarter, equity markets in the US and around the world suffered a turbulent second quarter. Most markets ended the three-month period in negative territory.

The main forces behind the second quarter sell-off were the familiar culprits—Federal Reserve policy and

rising oil prices. The downward pressures began in mid-May, when the Fed expressed a more hawkish tone on inflation than was expected while raising the Fed Fund rate to 5.0%. Rising oil prices, pushed up by the rising geopolitical tensions with Iran and a possible civil war in Iraq, contributed to the slide.

In late June, the Federal Reserve raised the Fed Fund rate once again (for the 17th straight rate hike) to 5.25%, but seemed to signal that its tightening cycle was near an end. Cautious optimism returned to the markets and benchmark numbers improved slightly.

During the second quarter, the S&P 500 Index (with dividends) lost 1.4%, with midyear YTD performance of 2.7%. The Index was driven again by the Energy and Utility sectors, gaining 4.1% and 5.9% respectively in the second quarter. The Energy sector has gained 13.5% year to date. The worst performing sectors in Q2 included Information Technology (down 10.3%) and Health Care (down 4.9%).

Amongst the size and style classes of stocks, Value outperformed Growth across Small, Mid and Large Cap companies in the second quarter. Small Cap companies underperformed Large Caps by 3.7% in the second quarter, but kept the lead in YTD performance numbers.

Outside the US, the developed International Markets, as measured by the MSCI EAFE Index (including dividends) gained 0.7% in Q2. Emerging markets, as measured by the MSCI Emerging Markets Index, lost 4.3%.

The US dollar continued its decline in the second quarter as well, due largely to the persistence of historic US current account deficits. The US dollar fell 6.4% against the pound, lost 5.5% relative to the euro, and dropped 2.8% against the Japanese yen.

Fixed-Income

In the first quarter of 2006, the Merrill Lynch US Broad Market Index posted a loss of 0.6%, its worst performance in a decade. In the second quarter, the loss continued with an additional 0.1% drop, bringing the total YTD loss to 0.7%.

The second quarter marked two more consecutive increases in the Fed Fund rate. By late June, the Federal Reserve had raised this benchmark rate (for the 17th straight time) to 5.25%. Rising interest rates adversely impact the value of outstanding bonds.

The Treasury yield curve ended the second quarter with a slight inversion again. The 10-year Treasury reached 5.25% in late June, but ended the second quarter at 5.15%. The 2-year Treasury ended the second quarter with a higher yield, at 5.16%. The flattened yield curve is also of historic note.

NCF Aggregate Investment Performance

Despite the uncertainties and challenges, NCF's pooled investments performed well relative to various benchmarks. The table shows aggregate NCF equity and fixed income performance across all pools.

Aggregate Returns	Last Quarter	Year to Date	One Year	Since Inception Annualized*
All Equities (Gross)	-2.1%	4.9%	13.8%	13.9%
S&P500	-1.4%	2.7%	8.6%	9.7%
All Fixed Income (Gross)	0.5%	0.4%	0.9%	1.6%
ML Corp & Govt (1-5 Years)	0.5%	0.7%	1.1%	1.8%
<i>*Inception for the current management strategies in all pools is July 27, 2004.</i>				

The pages that follow described specific pool performance in greater detail.