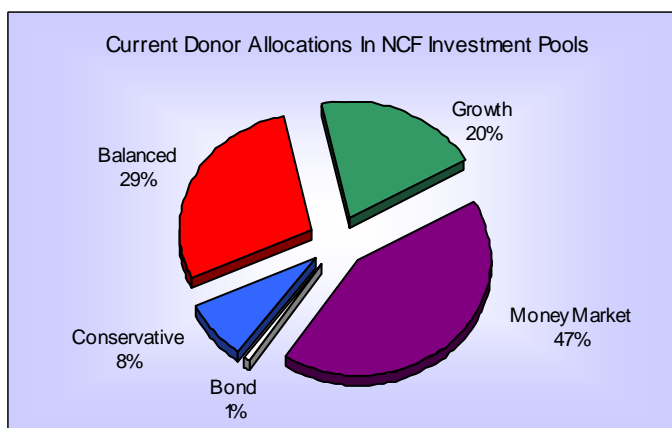


Investment Pool Allocations

The primary goal of NCF's investment pools is capital preservation. We strive to provide investment options that maintain the value of donor funds. The different pools exist to accommodate the varying time horizons over which donor advised fund distributions may occur. The money market pool exists for donor advised funds which may be distributed in their entirety at any time. The Growth pool is available for donor advised funds with a long-term distribution horizon. In between, we provide Balanced, Conservative and Bond pools. Collectively, our investment choices reflect the fact that longer-term funds have greater exposure to inflation and must generally be invested for higher intended returns in order to truly preserve capital over time.



This chart shows the percentages of donor funds that were allocated to each of the five strategies as of June 30, 2008.

Global Markets Overview*

Equities and fixed income in the US and throughout the world mostly declined in the second quarter 2008 due to the lingering impact of the credit crisis, growing inflationary pressures, and slowing economic growth. The S&P 500 declined -2.7% while the fixed income ML Government/Corporate 1-5 Year Bonds fell -1.0%. The MSCI EAFE Index, which represents developed International markets, declined -2.3% in US dollars and 11.0% YTD. Almost all equity indices declined 10% or more YTD.

Equities

The quarter began with strong performance. Encouraged by better-than-expected earnings reports and convinced that the worst of the credit crisis had passed, investors in April and May bid up equities.

The trend reversed, however, when oil prices rose sharply and financial companies reported further write-downs related to the subprime credit crisis. Financial stocks sold off and ended the quarter down -18.3%, the worst performing sector for the period. With housing prices still under pressure, investors grew concerned that declining consumer sentiment and tighter access to credit would undermine future growth and corporate profitability. Equity prices fell, with the declines deepening, bringing the worst June performance of record since the 1930s. By the end of the quarter, some indices had fallen nearly 20%—indicating an official bear market—from their October 2007 peak.

Growth indices outperformed Value, largely because they had less exposure to the Financial sector. In addition, the Growth indices benefited from relatively strong performance in the Information Technology sector. Technology companies were supported by overseas growth, the weakened US dollar, and continued improvements in technology infrastructure by US companies. Higher commodity prices benefited the Energy, Utilities and Materials sectors, providing leading performance for the quarter of 17.3%, 8.0% and 4.4% respectively.

International equities largely declined in the secondary quarter as inflationary pressures (oil and food) rose dramatically, foreign banks tightened access to credit, and global economic growth slowed. Developed markets, with the notable exception of Japan and those with large exposure to commodities (such as Canada) posted losses. The MSCI EAFE Index, as noted above, declined -2.3%.

Fixed Income

In attempts to combat the faltering economy, the Federal Reserve (the Fed) continued to aggressively cut the Fed Funds Rate to 2.00% in the second quarter, a significant decline from the 4.25% rate in Q4 07.

In April, the Fed suggested that it had halted its easing cycle, and interest rates rose across the yield curve, though it also flattened in the quarter as the yields of short term Treasuries rose more than the yields of longer term Treasuries. During June, the curve began to steepen again, consistent with the first quarter. Treasuries rallied, especially on the short end of the curve as investors became more risk averse.

US Bonds, overall, posted negative returns in Q2 08, with the ML US Broad Market Index falling -1.1%. Inflationary concerns slightly raised the rates of long term Treasuries as well—leading to a -2.3% decline in the ML US Treasuries 15+ years Index.

Additional Information

This Market Overview is part of a more complete performance report that is available on-line in the "Forms & Reports" section of the NCF website: www.nationalchristianfoundation.com.

*From the Merrill Lynch Asset Information & Measurement Service