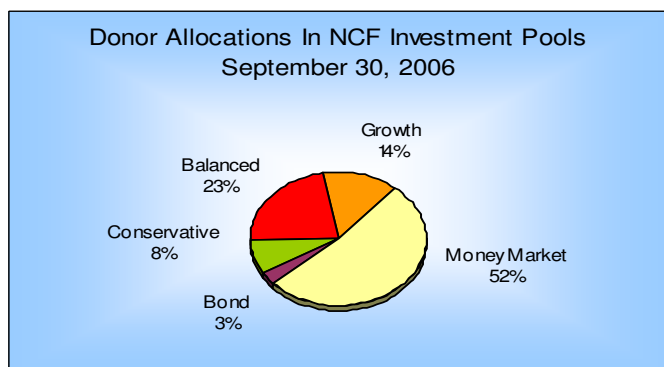


**National Christian Foundation Investment Pools**



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 currently made by NCF donors.

**Global Markets Overview**

After a challenging second quarter, equity and bond markets rose strongly in the third quarter 2006, driven by falling oil prices and the Federal Reserve's decision to halt its interest rate tightening schedule.

The third quarter did not begin so optimistically. The housing market was visibly weakening and consumer sentiment polls showed that confidence was waning.

The equity markets slid in the first part of the quarter, continuing a downward trend that dated to May.

Oil prices, however, peaked in mid-summer and began to decline, ending the quarter down 20% from the mid-July high. This, along with clear evidence that the economy was slowing, convinced the Fed to hold the Fed Funds Rate steady at its August meeting. The S&P 500 Index rallied and gained momentum as the summer weather and hurricane season proved to be mild, and posted its best quarterly performance of 5.7% since 2004.

Equity sector performance in the third quarter reflected these shifting macroeconomic forces. Sectors that had previously led market performance now became the laggards—Energy, Materials and Industrials all declined. Health Care (10.2%) and Information Technology (8.6%) were among the top performers in Q3. Telecom ended the quarter as the lead sector year to date (22.9%). In addition, falling gasoline prices helped maintain consumer spending, with the Consumer Discretionary (5.0%) and Consumer Staples (5.3%) sectors posting respectable gains in the quarter.

Investors mostly favored larger companies in the quarter, which may reflect market uncertainty over interest rates, energy prices, home values, and the direction of the economy. Larger companies, with more diversified product offerings and stronger balance sheets, offer investors greater defensive characteristics. Value stocks outperformed Growth stocks across the capitalization spectrum within the Russell universe.

In the international markets, Developed International Markets and Emerging Markets mostly performed well during the quarter but lagged the S&P 500 Index in U.S. dollar terms. In currency markets, the euro and British pound were relatively flat versus the U.S. dollar. The Japanese yen fell 3.3% versus the U.S. dollar. The MSCI EAFE Index returned 3.9% for the quarter, and is still one of the leading indices with a 14.5% return YTD.

**Fixed Income**

At the start of the third quarter 2006, the fixed income environment was dominated by inflation concerns and hawkish commentary from the Fed. During the quarter, however, evidence grew that the economy was slowing, which would have a deflationary effect. When the Fed left the Federal Funds rate unchanged at 5.25% at its August and September meetings, the market was reassured that the Fed tightening cycle—which consisted of 17 consecutive rate hikes over more than two years—was coming to an end.

Treasury yields fell further (and thus prices of outstanding bonds increased) as a struggling housing market convinced some investors that the Fed had tightened too much, potentially leading to a sharper economic downturn than intended. The Treasury yield curve grew more inverted in the third quarter. The 10-year Treasury yield fell to 4.64%, a decline from the previous quarter end of 5.15%. The 2-year Treasury ended the quarter at 4.71%, down from last quarter's 5.16%.

All of the major domestic bond indices showed relatively good performance, compared to Q1 and Q2. The Merrill Lynch US Corporate and Government 1-5 Year Index returned 2.48% for the quarter, resulting in 3.2% total return year to date.

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

**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*
<b>All Equities (Gross)</b>	<b>3.50%</b>	<b>8.59%</b>	<b>11.61%</b>	<b>14.07%</b>
S&P500	5.67%	8.53%	10.78%	11.33%
<b>All Fixed Income (Gross)</b>	<b>2.54%</b>	<b>2.91%</b>	<b>3.47%</b>	<b>2.60%</b>
ML Corp & Govt (1-5 Years)	2.48%	3.20%	3.79%	2.73%
<i>*Inception for the current management strategies in all pools is July 27, 2004.</i>				

*\* From AIM Market Focus, Merrill Lynch GPS Investment Management and Guidance*