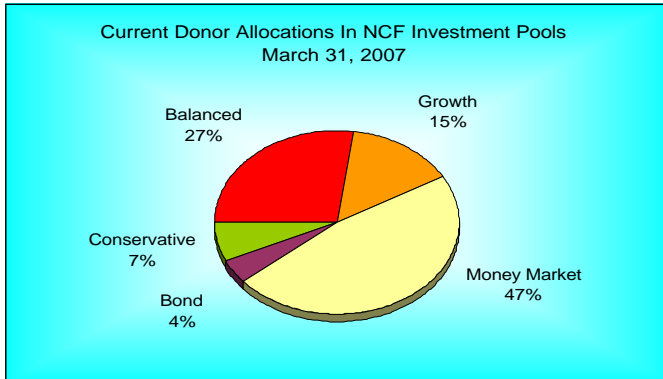


National Christian Foundation Investment Pools



NCF First Quarter 2007—Year in Review

Global Markets Overview*

The year 2007 opened positively for US equity and fixed income markets. Stocks generated strong returns and the Dow Jones Industrial Average reached an all-time high.

Little more than halfway through the quarter, however, sentiment shifted as investors grew increasingly concerned about the US housing market, economic and earnings growth, and the Federal Reserve (the Fed) interest rate policy.

At the end of February and in early March, the US equity markets fell dramatically, eliminating most of the gains from the first half of the quarter. After the decline, the equity markets stabilized, and the equity indices finished the quarter in positive territory. The immediate cause for the equity market turmoil in February was a 9% decline in the Chinese Shanghai stock market. In addition, former Federal Reserve Chairman Alan Greenspan spoke publicly about the increased possibility of a US recession before the end of the year.

Concerns about sub-prime mortgages especially impacted the Financials sector, the worst performing sector in the S&P 500 Index at -2.9%. Concerns that a declining real estate market could negatively impact consumer spending led to underperformance (-0.6%) in the Consumer Discretionary sector as well. On the other hand, areas of the market with little exposure to Financials—such as Small Cap Growth—generated strong performance of 2.5%.

In International markets, the sell-off in Chinese equities was mostly recouped by the end of the quarter, and International equities were among the lead performers in the first quarter of 2007. In the developed world, almost all markets were up, including those in Germany, Japan, and the UK. Some major Asian markets, however, declined, such as India, China and Taiwan. Latin American stock markets were significantly higher, led by Brazil and Mexico. There was no major movement in leading world currencies versus the US dollar.

Fixed Income

The bond market generated positive return in the first quarter, with nearly all major bond indices outperforming fourth quarter 2006 returns.

The underlying reasons for the equity pullback in February and early March also led many bond investors to conclude that the Fed was more likely to ease its rate policy in 2007 (though many doubt this as well.) As a result, the short end of the yield curve declined, causing the yield curve between the 2-year and 10-year Treasury issues to steepen and become positively sloped.

Treasury issues benefited from the increase in equity volatility and speculation over future rate cuts. The ML 1-5 Year US Corp. & Govt. 1-5 Yr. Index returned 1.6% for the first quarter of 2007. The issues in the sub-prime market did not impact the Mortgage Based Securities (MBS) sector, though this was the only sector of all the broad indices that did not perform as well as in the previous quarter.

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

NCF Aggregate Investment Performance

NCF's pooled investments, aided in part by significantly broader diversification than is found in the S&P500, performed well relative to benchmarks. The table shows aggregate NCF equity and fixed income performance across all pools.

Aggregate Returns*	Last Quarter	One Year	Two Years	Since Inception Annualized
All Equities (Gross)	1.95%	10.81%	14.26%	14.30%
S&P500	0.64%	11.83%	11.77%	12.07%
All Fixed Income (Gross)	1.48%	5.66%	4.09%	3.70%
ML Corp & Govt (1-5 Years)	1.56%	5.68%	3.97%	3.20%

**Dollar-weighted returns (IRR), gross of fees, across all pools. Inception for the current management strategies is July 27, 2004.*