



# The National Christian Foundation

## Investment Performance Report

For the periods ending December 31, 2009

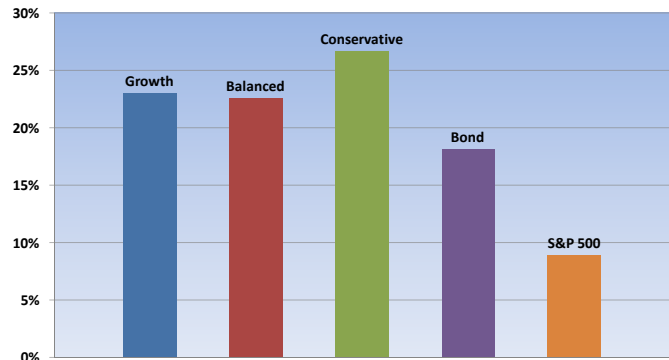
### Executive Summary

This Executive Summary presents the National Christian Foundation's investment pool performance for the periods shown and guides the reader toward more detailed information presented elsewhere in the complete report. The performance numbers in both the bar chart and the table below are cumulative for each period shown. The complete performance report, which includes additional information about each pool, is available in the "Forms & Reports" section of the NCF's website ([www.nationalchristian.com](http://www.nationalchristian.com)) or through one of our Local Christian Foundation Affiliate websites (find your local Affiliate at [www.nationalchristian.com/lcf](http://www.nationalchristian.com/lcf)).

### Positive Investment Pool Returns

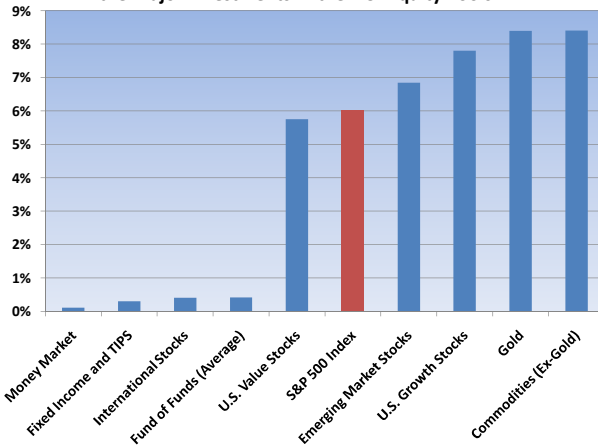
NCF's investment pools all produced positive returns for 2009. Furthermore, over all intermediate and long-term performance periods, all three of the NCF equity pools have delivered superior returns relative to their respective benchmarks. Since the reformation of the equity pools in July, 2004, the Growth, Balanced and Conservative Pools have delivered an average cumulative net return of 24.0 percent which is 9.8 percentage points higher than the average of the respective pool benchmarks. In addition, our cautious approach to investing has led all of the pools to far outperform the S&P 500 as shown in the chart to the right. Importantly, the equity pools have produced their returns with portfolios that subject donor accounts to lower-than-benchmark levels of price volatility and risk. Please see the individual report page that describes the pool in which your donor advised fund is invested for additional performance information.

Cumulative Growth of Investment Pools since Inception



Inception is July 2004

The Fourth Quarter Investment Performance for Each of the Major Investments in the NCF Equity Pools



### Strategic Asset Allocation

The Growth, Balanced and Conservative Pools are now broadly diversified across a wide range of asset classes, including alternative investments like hedge funds, commodities and TIPS. Collectively, these alternative investments – in combination with allocations to traditional equity strategies - provide a genuine diversification that can deliver consistent total returns throughout a complete market cycle. The chart to the left, showing pool returns by asset class for the 4th quarter, illustrates the benefits, with gold and commodities out-performing all other allocations including US and Emerging Market stocks.

### Investment Strategy Report

The last component of our quarterly reporting is our Investment Strategy Report in which we discuss both the overall economy and the ways in which our investment strategies are attempting to produce stable, long-term growth across all market environments. That report is also available in the "Forms & Reports" section of the NCF websites at the addresses shown above.

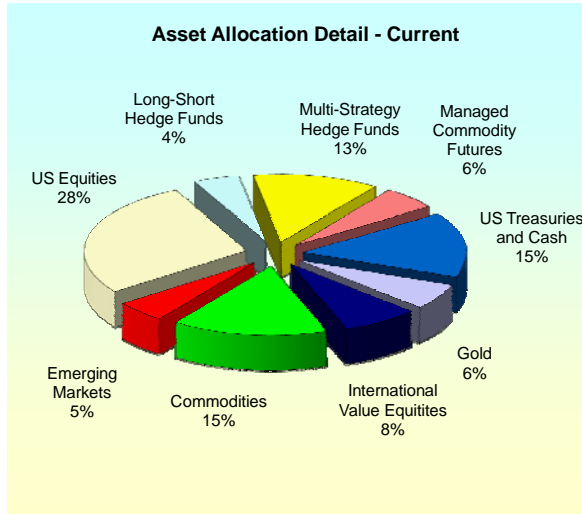
Pool Performance	Last Quarter	One Year	Three Years	Five Years	Since Inception
<b>Cumulative - Net of Fees</b>					
Growth Pool	3.68%	15.01%	-5.39%	12.92%	22.99%
Balanced Pool	2.79%	11.58%	-3.21%	11.81%	22.55%
Conservative Pool	1.83%	9.37%	7.83%	20.28%	26.61%
Bond Pool	-0.04%	1.15%	14.09%	17.62%	18.10%
<b>Money Market Rates</b>	<b>Current Rate</b>	<b>4th Quarter</b>	<b>One Year</b>	<b>Two Years</b>	<b>Three Years</b>
<b>Annualized Numbers</b>	<b>0.10%</b>	<b>0.10%</b>	<b>0.16%</b>	<b>1.11%</b>	<b>2.24%</b>

\*\*"Pool Performance, Cumulative - Net of Fees" is based upon time weighted returns for each pool after all investment expenses and fees, including NCF's investment supervisory allocation but before NCF's administrative allocation. In addition, NCF typically holds up to 5% of each donor advised fund in a non-interest bearing cash account for distribution and liquidity purposes; this cash is not reflected in the pool performance numbers. "Money Market Rates" equal the actual rates paid on donor funds in the Money Market pool.

## Growth Strategy Pool

### Additional Performance Information

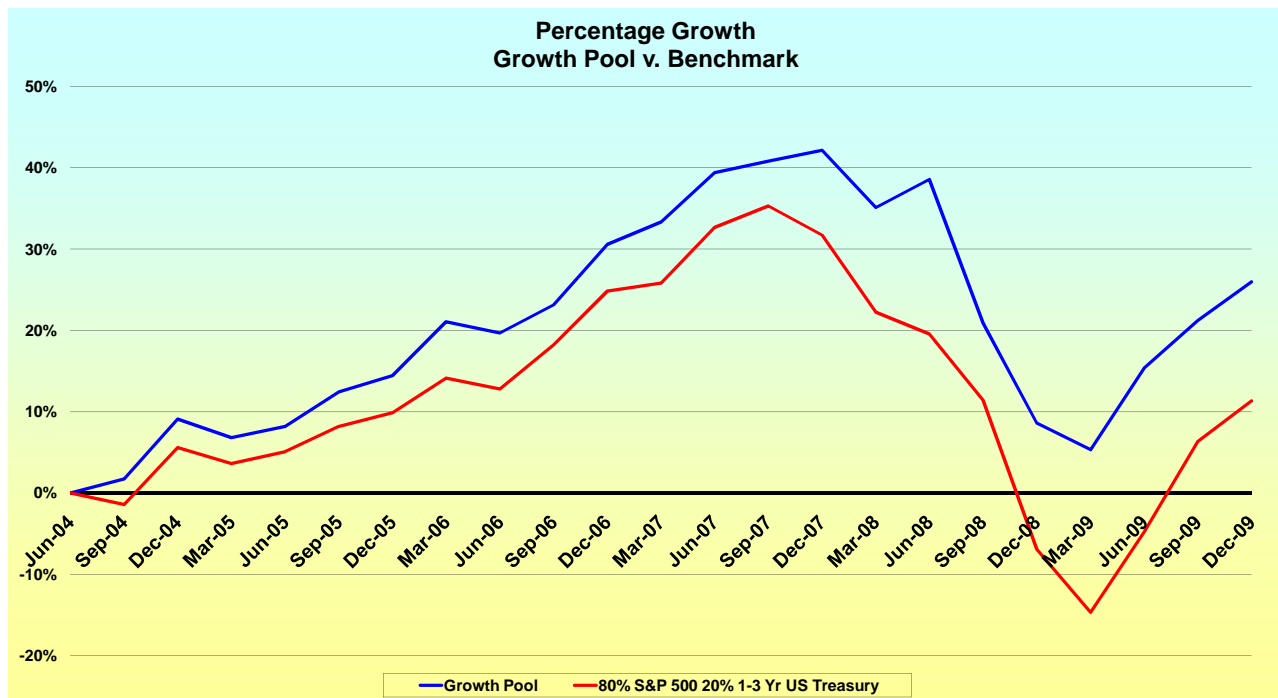
For the periods ending December 31, 2009



The NCF Growth Pool produced positive returns for the current quarter and for calendar 2009. The Growth Pool's 5-year cumulative return number, net of all costs and fees, is now 12.9% versus a blended benchmark return of 5.8%. The pool's superior long-term performance results from its "safety first" asset allocation, which includes assets like commodities and fund of funds. These alternative assets are performing as expected, by dampening overall portfolio volatility and contributing returns that do not correlate with the stock market. This cautious investment approach has enabled the Growth Pool to perform much better than its benchmark over every intermediate and long-term timeframe. The flip side of caution, however, is that it does not perform as well as aggressive risk-taking when markets are rallying strongly. Therefore, during the robust market rally of 2009 – in which the S&P 500 soared more than 60% off the early March lows – the Growth Pool's performance trailed behind the benchmark. But this performance is also "as expected." So we are pleased with the Growth Pool's performance and intend to maintain course and speed with an allocation that emphasizes capital preservation over maximizing investment returns at any cost. We believe the current allocations, as shown in the pie chart, will provide significant protection against adverse stock market trends, without inordinately sacrificing potential growth. Please see our Global Investment Commentary for additional information.

	Prior 3 Months Return (%)	1 Year Return (%)	3 Year Return (%)	5 Year Return (%)	Return Since Inception (%)
<b>Pool Performance Net of Fees</b>					
Total Portfolio	3.68%	15.01%	-5.39%	12.92%	22.99%
Blended Benchmark*	4.86%	21.14%	-9.87%	5.81%	11.56%
<b>Benchmark Components</b>					
S&P 500 Total Return	6.10%	26.33%	-16.04%	1.99%	8.90%
US 1-3 Year Treasury	-0.11%	0.36%	14.82%	21.09%	22.21%

\*80% S&P500 (SPY) and 20% US Treasury 1-3 (SHY)



The information on this page covers the period from July 27, 2004, (inception) to December 31, 2009. The investment pool performance reported in the table above is time-weighted and net of all investment management fees and expenses. Actual returns in a donor's fund may vary slightly from reported performance as a result of additions and withdrawals at either the individual account or overall pool level. In addition, NCF typically holds up to 5% of each donor advised fund in a non-interest bearing cash account for liquidity and distribution purposes. This cash is not reflected in the pool performance numbers. Additional information is available upon request.

## Balanced Strategy Pool

### Additional Performance Information

For the periods ending December 31, 2009

#### Asset Allocation Detail - Current



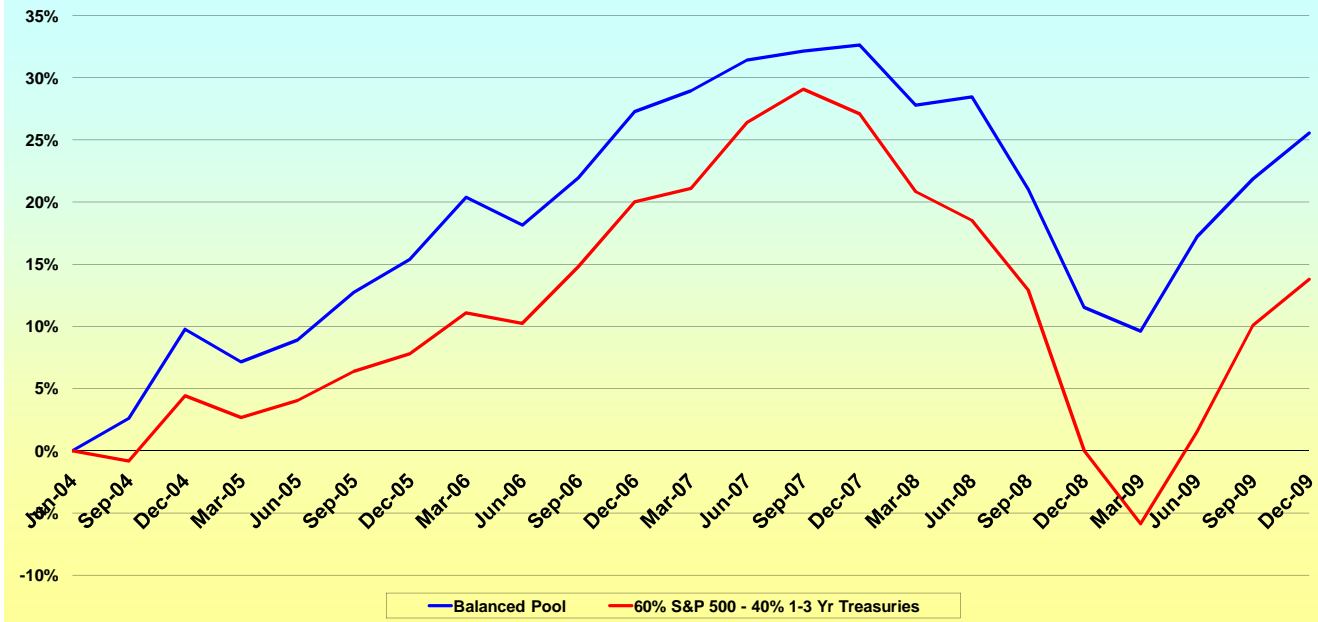
The NCF Balanced Pool produced positive returns for the current quarter and year-to-date. The Balanced Pool's 5-year cumulative return number, net of all costs and fees, is now 11.8% vs. a blended benchmark of 9.6%. The Balanced Pool's investments in alternative assets like commodities and fund of funds are performing as expected, by dampening overall portfolio volatility and contributing returns that do not correlate with the stock market. As a result, the Balanced Pool has shepherded assets very well throughout the market turmoil of the last 15 months – having produced a gain of 3.8% (net of fees) since the end of September 2008.

Despite the Balanced Pool's defensive allocation, it has kept pace with its benchmark over 3- and 5-year timeframes, and has done so with a lower degree of price volatility and market risk. So we are pleased with the Pool's performance and intend to maintain course with an allocation that emphasizes capital preservation. We believe the current allocations, as shown in the pie chart, will provide an optimal balance between preserving capital and generating a meaningful return on investment. Please see our Global Investment Commentary for additional information.

	Prior 3 Months Return (%)	1 Year Return (%)	3 Year Return (%)	5 Year Return (%)	Return Since Inception (%)
<b>Pool Performance Net of Fees</b>					
Total Portfolio	2.79%	11.58%	-3.21%	11.81%	22.55%
Blended Benchmark*	3.62%	15.94%	-3.70%	9.63%	14.22%
<b>Benchmark Components</b>					
S&P 500 Total Return	6.10%	26.33%	-16.04%	1.99%	8.90%
US 1-3 Year Treasury	-0.11%	0.36%	14.82%	21.09%	22.21%

\*60% S&P500 (SPY) and 40% US Treasury 1-3 (SHY)

#### Percentage Growth Balanced Pool vs. Benchmark



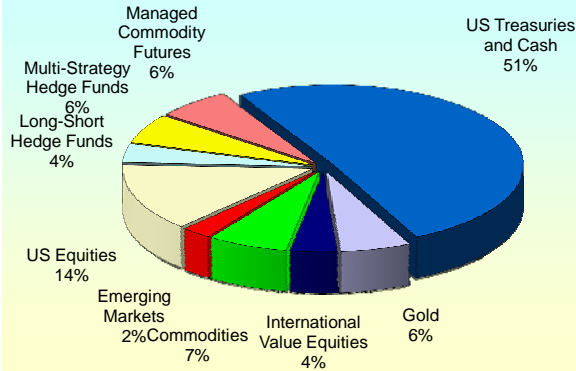
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## Conservative Strategy Pool

### Additional Performance Information

For the periods ending December 31, 2009

#### Asset Allocation Detail - Current

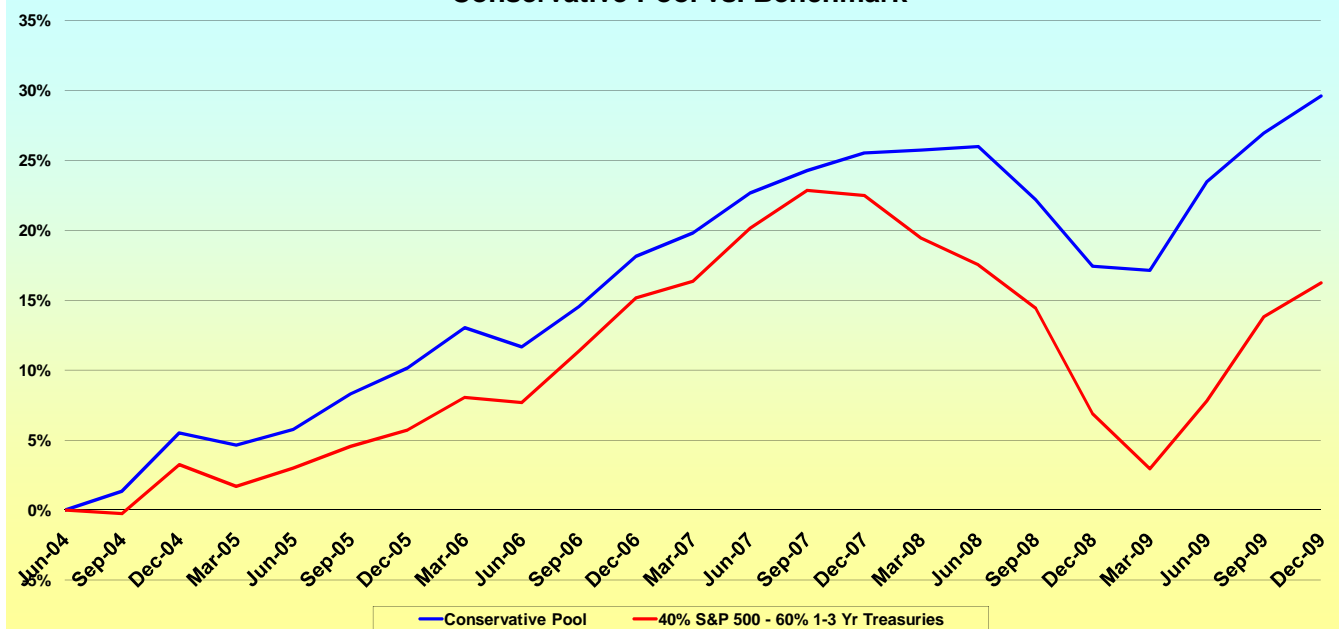


The NCF Conservative Pool produced positive returns for the current quarter and year-to-date - capping a very solid two-year run through some of the worst market conditions in a generation. The NCF Conservative Pool has produced strongly positive returns net of costs and fees across all measuring periods. Ironically, therefore, the Conservative Pool's performance throughout the last five years has substantially outdistanced that of traditional "growth" strategies. Since the end of 2004, the Conservative Pool has produced a net return of 20.3%, compared to a net return of 12.9% for the NCF Growth Pool and only 2.0% for the S&P 500 Index. Obviously, if the equity markets continue to rally, the Conservative Pool's allocation would lag behind its aggressive counterparts. But so far, this tortoise is performing very well against the stock market hares. In fact, the Conservative Pool finished 2009 at its highest performance level ever, even though the S&P 500 Index remains 25 percent below its all-time high from October 2007. So we are pleased with the Conservative Pool's performance and intend to maintain an allocation that emphasizes capital preservation. We believe the current allocations, as shown in the pie chart, will provide significant protection against adverse stock market trends without inordinately sacrificing potential growth. Please see our Global Investment Commentary for additional information.

	Prior 3 Months Return (%)	1 Year Return (%)	3 Year Return (%)	5 Year Return (%)	Return Since Inception (%)
<b>Pool Performance Net of Fees</b>					
Total Portfolio	1.83%	9.37%	7.83%	20.28%	26.61%
Blended Benchmark*	2.37%	10.75%	2.48%	13.45%	16.89%
<b>Benchmark Components</b>					
S&P 500 Total Return	6.10%	26.33%	-16.04%	1.99%	8.90%
US 1-3 Year Treasury	-0.11%	0.36%	14.82%	21.09%	22.21%

\*40% S&P500 (SPY) and 60% US Treasury 1-3 (SHY)

#### Percentage Growth Conservative Pool vs. Benchmark



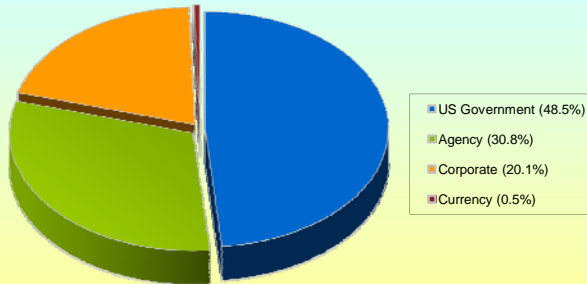
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## Bond Strategy Pool

Additional Performance Information  
For the periods ending December 31, 2009

**Bond Pool by Security Type**

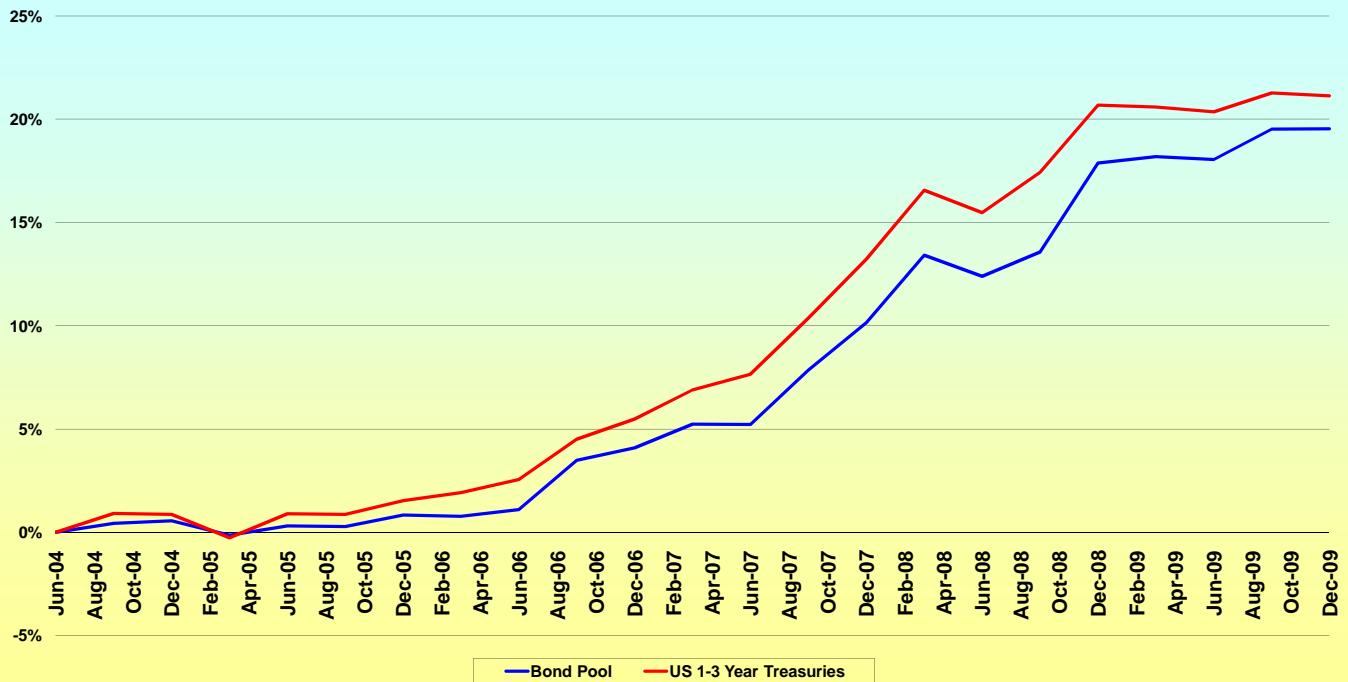


The NCF Bond Pool continues to provide safety and stability for those NCF donors who do not want any exposure to the equity markets. The Bond Pool decreased slightly during the fourth quarter, but produced a return of 1.15% for the year. The steep selloff of long-dated Treasuries during 2009 produced relatively large losses for holders of any maturities beyond five years. "TLT", for example, the exchange-traded fund that holds Treasury securities with 20- to 30-year maturities, produced an alarming loss of nearly 20% in 2009. Short maturities suffered no losses. Thus, the Bond Pool avoided large losses by holding bonds with a very short average maturity. That's the good news. The bad news is that short maturities are yielding next to nothing. Yields on short-term Treasuries have collapsed to generational lows. The 90-day T-bill yields 0.01%! Despite these unsatisfying yields, they are preferable to the risk of large losses that a cycle of rising interest rates would produce for holders of long-dated bonds. Therefore, the Bond Pool will continue to emphasize bonds of short maturities. By taking this approach, the Bond Pool is well positioned to re-invest assets at higher rates if/as/when inflation returns. The pie chart to the left shows the Pool's actual, year-end asset allocation, while the table and chart below compare a gross Pool performance to various indices. We remain very comfortable maintaining the Bond Pool as a refuge of long-term safety and stability.

	Prior 3 Months Return (%)	1 Year Return (%)	3 Year Return (%)	5 Year Return (%)	Return Since Inception (%)
<b>Pool Performance Net of Fees</b>					
Total Portfolio	-0.04%	1.15%	14.09%	17.62%	18.10%
<b>Benchmark</b>					
US 1-3 Year Treasury*	-0.11%	0.36%	14.82%	21.09%	22.21%

\* SHY

**Percentage Growth  
Bond Pool vs. U.S. 1-3 Year Treasuries**



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