National Christian Foundation Investment Pools

New Allocation Report

February 2008

Investment Pool Objectives

The primary goal of NCF's investment pools is capital preservation. We strive to provide investment options that maintain the value of donor funds over time. The different pools exist primarily to accommodate the range of time horizons over which distributions may occur from Donor Advised Funds. The money market pool exists for those donors who may wish to recommend the distribution of their entire Donor Advised Fund at any time. The Growth pool is available for the longest term funds. In between, we provide Balanced, Conservative and Bond pools. The underlying idea behind this range of investment choices is that longer term funds have greater exposure to inflation and must, therefore, generate higher returns than shorter term funds in order to truly preserve capital.

Unfortunately, all investing involves risk. Generally speaking, achieving higher returns requires taking greater risks. Consequently, we expect our Growth pool to generate the highest returns *over time* but to also have the widest swings in values – to have the greatest risk – at any point in time. At the other end of the spectrum, we expect our Money Market pool to be the most stable but to also generate the lowest returns *over time.*

New Pool Allocations

As part of our ongoing investment supervision, we may occasionally change the tactical allocations within the various pools in an effort to improve risk adjusted returns. We can do that by moving funds between asset classes or by adding or removing managers. Since August of last year, we have made two such changes, one temporary and one longer term. The temporary change was in the 3rd quarter of 2007 when we reduced equity allocations in the Growth, Balanced and Conservative pools by 25%. We reduced allocations to all equity managers but intentionally took more funds out of REITS and financial stocks. That change, and the positive impact it had on pool performance in the fourth quarter, is described in our year-end 2007 performance report.

We made the second, longer-term change effective January 1st of this year. At that time, we created pool allocations that reduced our traditional equity positions by 10% and allocated those dollars into a fund of hedge funds. The purpose of this special report is to introduce our first hedge fund manager, Common Sense Investment Management, and to describe in more detail the new pool allocations and the changes that we made to achieve these allocations. Please note, that we have only made changes in the pools with equity allocations (Growth, Balanced and Conservative) and that we are currently maintaining the same strategic allocations. By strategic allocation we mean the overall mix of stocks (equities) and bonds (fixed income). Consequently, the Growth, Balanced and Conservative pools will continue to have 80%, 60% and 40% equity exposure, respectively. For this purpose, however, we are treating the hedge fund allocation as part of our equity allocation which should have the effect of reducing pool risk in bear markets.

Introduction of new Manager

Our newest manager is Common Sense Investment Management LLC, headquartered in Portland, Oregon. Common Sense (CSIM) manages more than $4 billion entirely in funds of hedge funds. Founded in 1991, CSIM has an excellent, long-term track record with a particular emphasis on performing well in down markets. Their approach is very conservative with no leverage at the fund of funds level and only very moderate leverage among their underlying managers. In addition, their primary focus is on long-short equity managers as a result of which they do not have any significant exposure to those areas of the hedge fund industry which have incurred large losses in the recent past. We chose CSIM after nearly two-years of preparation for our first allocation to alternative investments. During that time, we conducted extensive due diligence that included an independent third party evaluation of CSIM, internal analysis of their track record and face to face interviews with key personnel at the CSIM offices in Portland. Ultimately, NCF's board of directors approved the allocation to hedge funds and NCF's internal Investment Management Team approved the selection of CSIM.

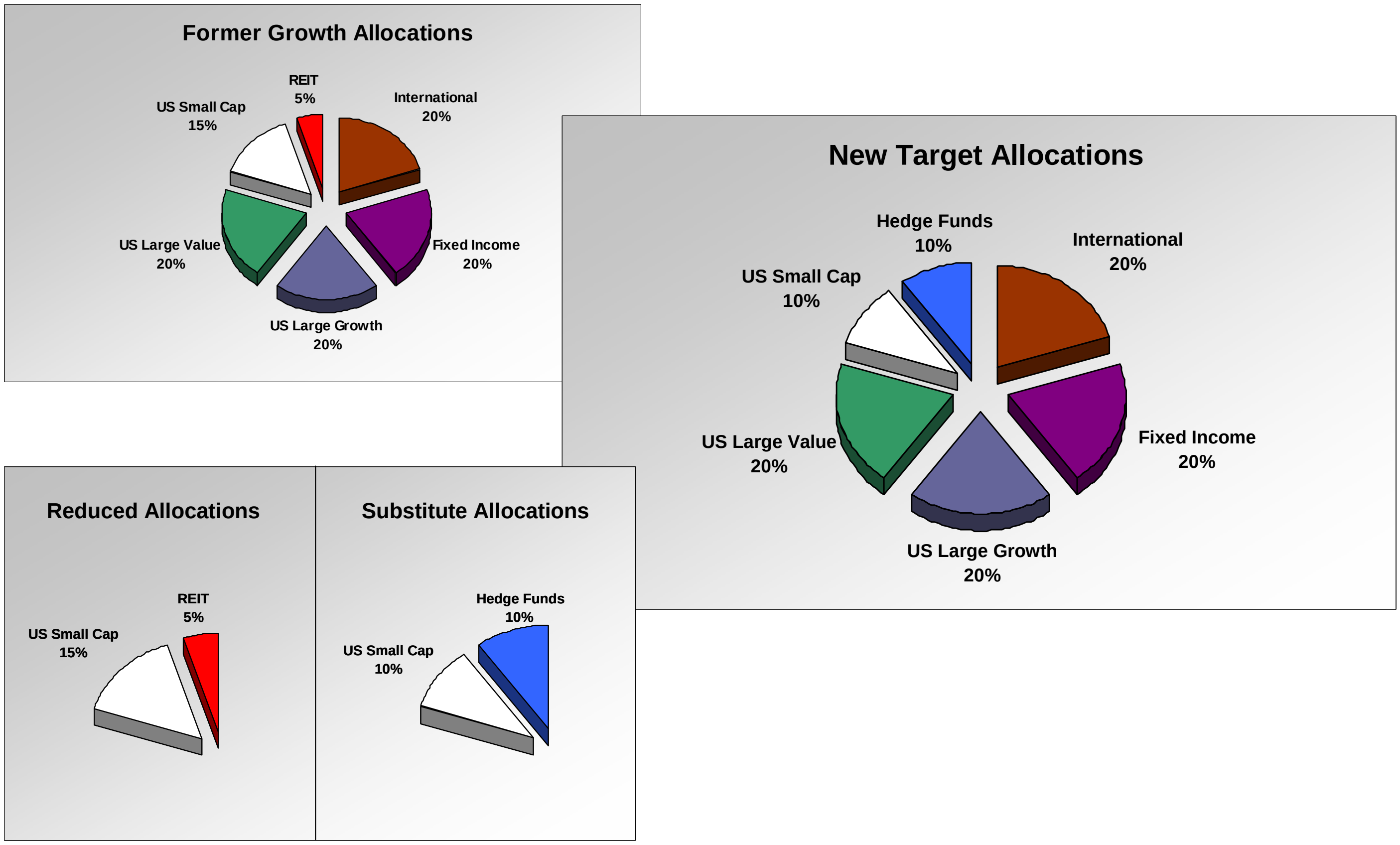
The particular fund in which we are invested is called Common Sense Offshore, Ltd. NCF's allocation is made through this offshore entity as that is the standard way in which all ERISA pension plans, college endowments, foundations and other tax exempt entities invest in hedge funds. It is the legal and well-established method by which tax exempt organizations avoid unnecessary taxes on their hedge fund income. By way of introduction, we are attaching a copy of CSIM's December 2007 investment letter on Common Sense Offshore, Ltd. As you read this, we recommend that you review, in particular, the two charts on the first page which show the fund's performance over different time frames in up and down markets. What you will see is that CSIM's funds tend to lag the market when it is up but tend to significantly outperform the market when it is down. If is for exactly this sort of risk reducing behavior that we have chosen this manager.

While one-month means very little in the investment world, we are nonetheless pleased that our allocation to Common Sense Offshore, Ltd., produced a positive return of 0.83% in January* when the S&P500 was down 6%. All three of our pools with stock market exposure benefited from our allocation to the fund of hedge funds. The balance of this report contains a description of the allocation changes that we made in each of the three pools and the letter from CSIM.

Please contact your relationship manager if you have any additional questions about NCF pool investments.

*(Based on preliminary, unaudited numbers from CSIM)

Growth Pool Update



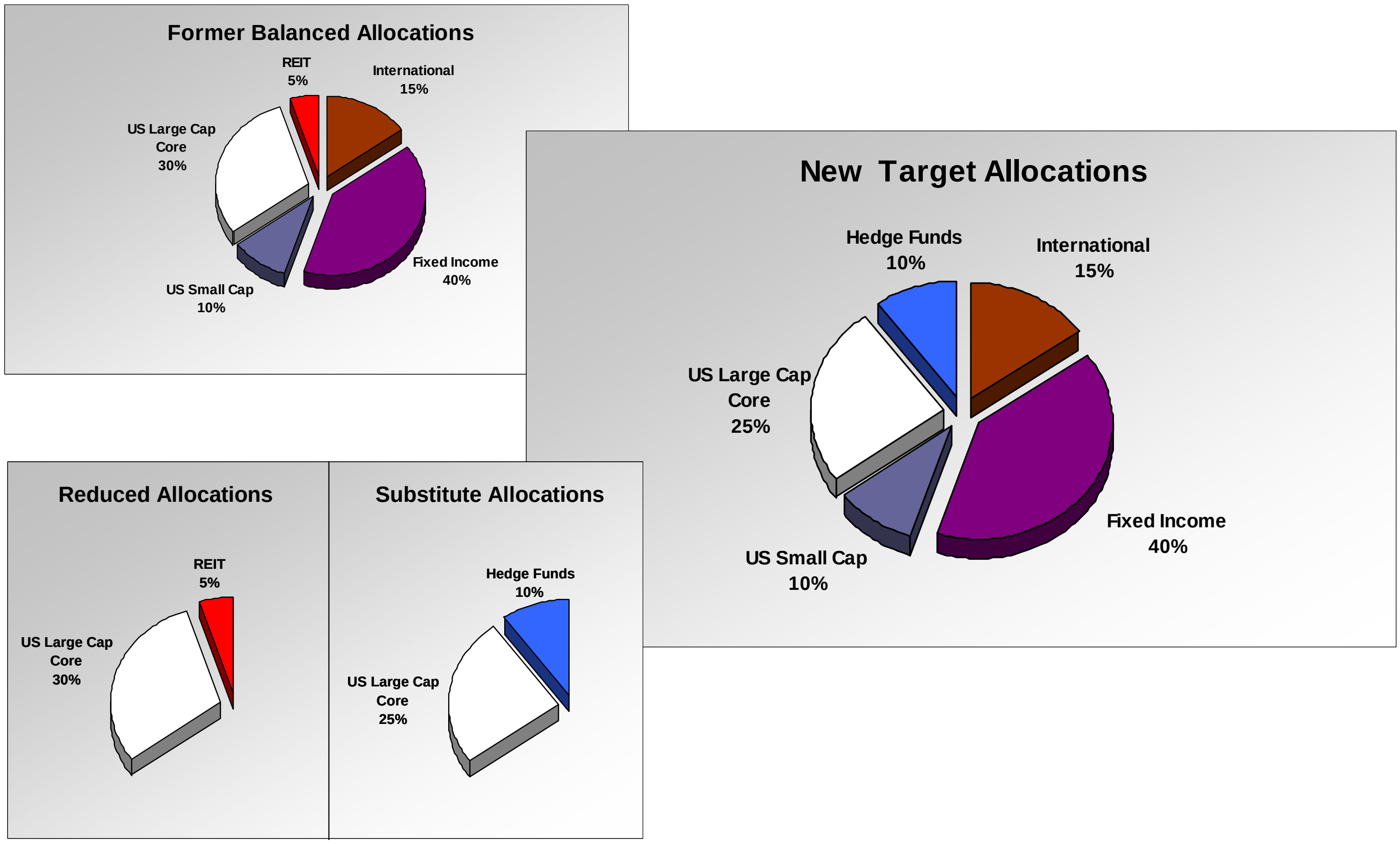
Growth Pool Allocations

For the past 3 ½ years, NCF has maintained the Growth Pool allocation targets shown in the first pie chart above. Those allocations included 5% in REITS and 15% in small and mid-cap stocks, both areas that traditionally perform well in strong economies. And NCF has been rewarded for those allocations with annualized returns through December 31, 2007, of 16.67% and 10.92%, respectively, in comparison to the S&P500 at 10.81% for the same period. But those asset classes are the most likely to suffer in an environment in which a slow down in housing might lead the entire economy into recession. So in order to allow the 10% allocation to our fund of hedge funds, we eliminated our REIT allocation and reduced our small cap target to 10% as shown in the large, New Target Allocations pie chart. Our actual allocations as of January 31, 2008, are shown in the accompanying table.

Actual Allocation as of January 31, 2008

Investment Manager	Asset Class	%
FRIESS ASSOCIATES	Large Cap Growth	19%
OFI GULF INVESTMENT	Large Cap Value	18%
THE BOSTON COMPANY	International	18%
EARNEST	Small Cap	9%
	Traditional Equity Sub-Total:	**64%**
COMMON SENSE OFFSHORE, LTD	Hedge Funds	10%
	Hedge Fund Sub-Total:	**10%**
LEHMAN BROTHERS	Fixed Income	14%
SHORT TERM BOND FUND	Fixed Income	5%
ML INSTITUTIONAL MONEY FUND	Cash	7%
	Cash and Fixed Income Total:	**26%**
Equity with Hedge Fund:	**74%**	
Cash and Fixed Income:	**26%**	
Total:	**100%**	

Balanced Pool Update



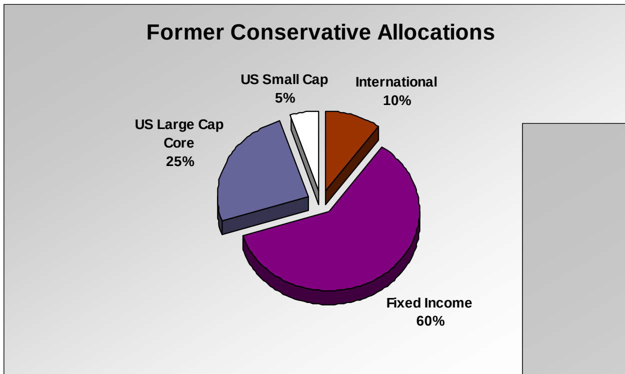
Balanced Pool Allocations

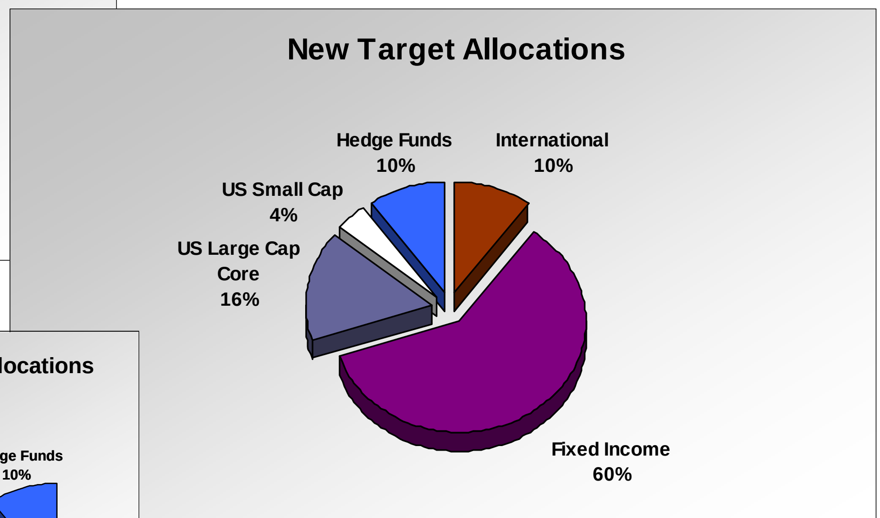
As with the Growth Pool, NCF has maintained the Balanced Pool allocation targets shown in the first pie chart above for the past 3 ½ years. Those allocations included 5% in REITS and 30% in large cap core stocks with that allocation divided between two managers, Stewardship Partners and Blackrock. Stewardship is the only core manager to have an allocation since the inception of the balanced pool during which time it has produced annualized returns of 11.12% in comparison to the S&P500 of 10.81% for the same period. In order to allow a 10% allocation to our fund of hedge funds, we are eliminating the allocation to REITS and reducing our allocation to large cap core from 30% to 25%. Eliminating REITS reflects our belief that it is the asset class most likely to suffer from a slow down in housing and from any subsequent recession. Our actual allocations as of January 31, 2008, are shown in the accompanying table.

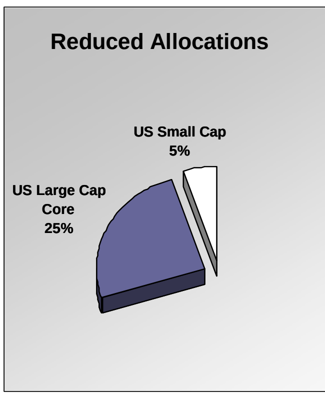
Actual Allocation as of January 31, 2008

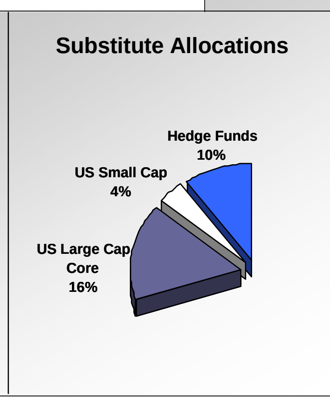
Investment Manager	Asset Class	%
STEWARDSHIP PARTNERS	Large Cap Growth	13%
THE BOSTON COMPANY	International	12%
EARNEST	Small Cap	9%
BLACKROCK LCC	Large Cap Core	8%
	Traditional Equity Sub-Total:	**42%**
COMMON SENSE OFFSHORE, LTD	Hedge Funds	9%
	Hedge Fund Sub-Total:	**9%**
LEHMAN BROTHERS	Fixed Income	24%
SHORT TERM BOND FUND	Fixed Income	11%
ML INSTITUTIONAL MONEY FUND	Cash	14%
	Cash and Fixed Income Total:	**49%**
Equity with Hedge Fund:	**51%**	
Cash and Fixed Income:	**49%**	
Total:	**100%**	

Conservative Pool Update









Conservative Pool Allocations

NCF has maintained the Conservative Pool allocation targets shown in the first pie chart above for the past 3 ½ years. Those allocations included 5% in small cap stocks, 25% in US large cap core stocks and 10% in International stocks. All three allocations have performed well, annualizing at 9.97%, 11.65% and 15.87%, respectively, since inception (July 2004). In comparison, the S&P500 annualized at 10.81% for the same period. In order to allow a 10% allocation to our fund of hedge funds, we are reducing the small cap target allocation from 5% to 4% and the US large cap core allocation from 25% to 16%. We are leaving the international allocation at 10% reflecting our belief in the relative strength of the global economy. Our actual allocations as of January 31, 2008, are shown in the accompanying table.

Actual Allocation as of January 31, 2008

Investment Manager	Asset Class	%
STEWARDSHIP PARTNERS	Large Cap Growth	10%
THE BOSTON COMPANY	International	9%
BLACKROCK LCC	Large Cap Core	6%
EARNEST	Small Cap	4%
	Traditional Equity Sub-Total:	**29%**
COMMON SENSE OFFSHORE, LTD	Hedge Funds	10%
	Hedge Fund Sub-Total:	**10%**
LEHMAN BROTHERS	Fixed Income	20%
SHORT TERM BOND FUND	Fixed Income	41%
	Cash and Fixed Income Total:	**61%**
Equity with Hedge Fund:	**39%**	
Cash and Fixed Income:	**61%**	
Total:	**100%**	

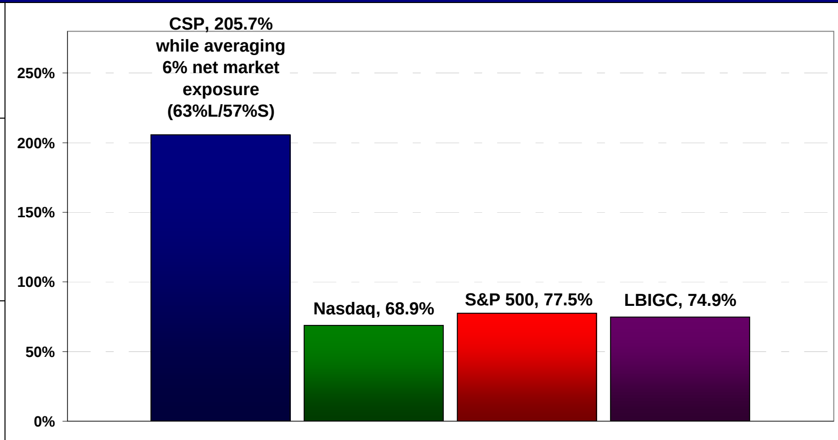
COMMON SENSE INVESTMENT MANAGEMENT, LLC *December-2007*
15350 SW Sequoia Parkway, Suite 250
Portland, OR 97224
503-639-6551 (Fax) 503-639-4243

COMMON SENSE OFFSHORE, LTD.

Annualized Performance Summary

	Dec-07	YTD	5 Year**	10 Year**
CSO	**1.25%**	**21.28%**	**8.21%**	**11.82%**
S&P 500	-0.69%	5.49%	12.83%	5.91%
LBIGC	0.26%	7.39%	4.04%	5.75%
Nasdaq	-0.33%	9.81%	14.71%	5.38%
Gross Long	68%	68%	67%	63%
Gross Short	(71%)	(71%)	(55%)	(57%)
Net (*Average)	(3%)	(3%*)	12%*	6%*

Cumulative Ten Year Returns (January 1998 - December 2007)**



Monthly Commentary

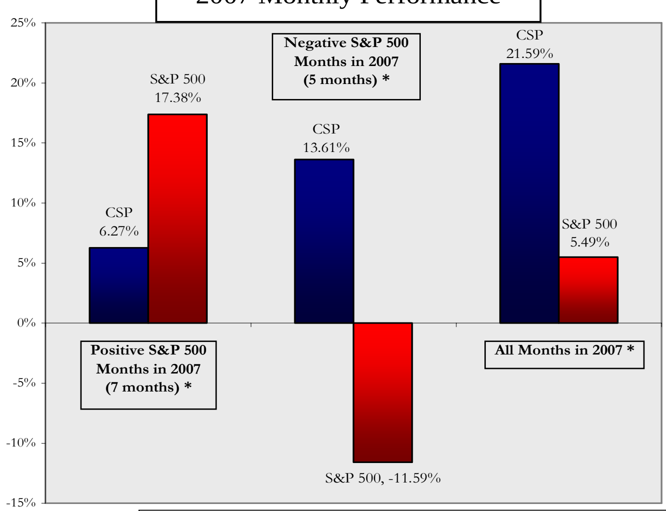
Common Sense Offshore, Ltd (CSO) was up +1.25% (net) in December, bringing full year performance to +21.28%. Comparatively, both the S&P 500 and Nasdaq were down slightly for the month, while finishing 2007 up +5.49% and +9.81%, respectively. Fixed income markets were relatively flat in December, with the Lehman Intermediate US Govt/Credit ending 2007 up +7.39%.

CSO entered December with its capital allocated 69% long, 72% short or 3% net short. Managers slightly decreased both their long and short exposures during the month of December, beginning 2008 allocated 68% long, 71% short and 3% net short exposure.

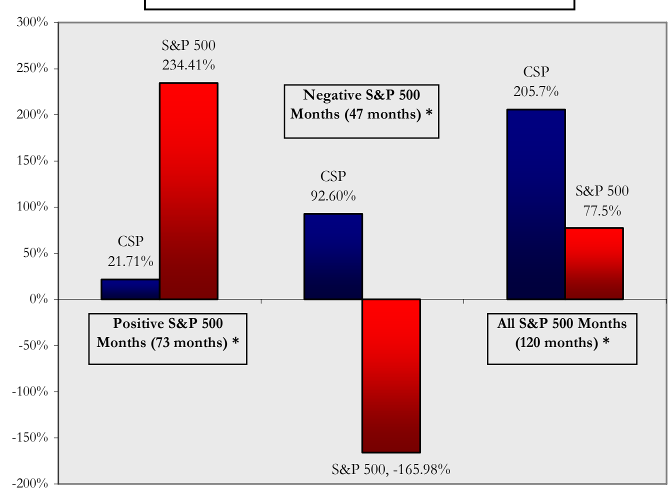
YEAR END REVIEW

The graphs below illustrate CSP's performance in up and down S&P 500 months. In comparing 2007 to the ten-year performance, we see a very consistent pattern. While the absolute return was moderately greater in 2007, CSP continued to produce modest gains in positive S&P 500 months and strong gains in negative S&P 500 months. One of CSIM's founding principles is the protection of capital in all markets. We believe by never taking a large loss you can achieve superior long-term returns. This has been proven over the life of the fund, with 2007 being no exception.

2007 Monthly Performance



Ten Year Monthly Performance



* "Positive" and "Negative" Months are a summation of such months' performance. "All" Months include compounding of performance for time frames presented.

The market's relatively benign performance masked the significant increase in volatility that occurred throughout the year. Our managers flourish in this type of environment – when there is true differentiation among individual company stock prices – and posted our best annual performance since 2000.

Equally as important as our results, however, is how the return was achieved. CSP was fully hedged, used low amounts of leverage, and was broadly diversified, with 32 of our 35 managers contributing positively to our return. Our manager team demonstrated outstanding stock selection, risk management, and flexibility in 2007. We have often discussed our theme of hiring managers who are "small and flexible" and this proved to be a distinct advantage in 2007.

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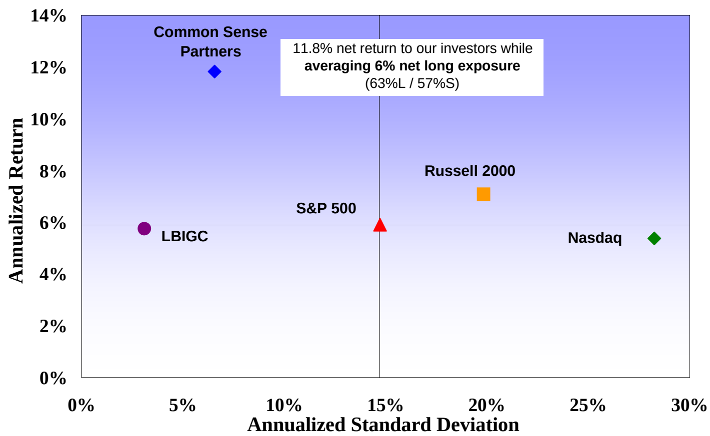
COMMON SENSE OFFSHORE, LTD.

10 Year Risk/Reward **



Portfolio Statistics Since Inception **

	CSP	S&P 500	LBIGC	Nasdaq
Standard Deviation	6.87%	13.44%	3.16%	23.86%
Sharpe Ratio	0.85	0.51	0.50	0.40
Correlation		-0.493	0.105	-0.543

Portfolio Characteristics **

Number of Managers	36
Average Manager Allocation	2.63%
Largest Manager Allocation	8.00%

Monthly Commentary (Con't)

2007 was a year in which risk premiums rose, often dramatically in some areas of the market. The housing market weakened throughout the year, and the deterioration of the sub-prime securitization market provided the catalyst for the credit markets coming to a standstill. Credit spreads widened, financing costs rose, and risk was a concept once again recognized by the market.

Anticipating trends and having the courage to stick with your conviction based on a deep, research-oriented process differentiates the great investors from the crowd. While our managers are fundamental, bottom-up stock pickers, they also are excellent at identifying industry or macro trends on both sides of their portfolios. Our managers are often early, but by sticking with their convictions, they ultimately produce profit for their investors. As we've discussed in previous letters, many of our managers were concerned about the U.S. housing and subprime mortgage market coming into 2007, and it was a major source of profit on the short side during the year. Further, our managers were concerned about the broader ramifications of the U.S. housing market slowdown. As a result, throughout the year they profited from short positions in homebuilders, suppliers to homebuilders, mortgage related financials, and consumer discretionary names. While some of our managers lost money on those themes in 2006, we strategically allocated additional capital to those managers which resulted in solid gains for our investors in 2007.

Our managers generally profited on both the long and short side of their portfolio in 2007, and while the short side profits generally came from themes related to the housing slowdown in the U.S., the long side was less "thematic" and more stock specific. Managers made money on the long side in energy, natural resources, commodities, metals, materials, technology, and industrials. Many of these areas were tied to the expanding Asian markets' appetite for raw materials and goods.

Going into 2008, we continue to hear from our managers there is an increased probability we are heading into a more challenging economic and market environment. Our team is primarily concerned with the impact of any U.S. economic slowdown on corporate earnings and valuations. Additional concerns include the continuation of credit issues working through the system, continued decline in the housing sector, the declining dollar, and the stretched consumer. Paul Carpenter, one of the managers in Common Sense Investors, does a good job articulating many of our managers' concerns in his December investor letter:

> *"If 2007 can be called the year of sub-prime, we suspect 2008 will be a year known for corporate credit contagion. Strategic or financial buyers that gorged on cheap credit to finance overvalued acquisitions or to buy back stock at the market's peak will face a reckoning. This still remains far from the consensus view. Many market participants remain quite positive – claiming that stocks are cheaply valued on a historical basis, that housing-related weakness will remain largely contained, that weak growth can be counteracted by rate cuts and strong exports due to decoupling of the rest of the world's economies from the US.*

(Commentary Continued on Next Page)

COMMON SENSE OFFSHORE, LTD.

Monthly Commentary (Con't)

> *Much like the mortgage crisis was originally deemed to be contained only to reckless mortgage brokers and subprime borrowers, and then only to financials and not to consumer spending more generally, we suspect that this theory of a soft landing will also be exposed as fallacious…We expect a choppy year, with frequent snap-back and short-covering rallies driven by rate cuts, financial bailouts or injections, and real or perceived effects from government action, but ultimately that most policy and corporate actions will be unable to stop the slow train wreck set in motion by residential housing – one that took years to build steam and could well take as long to unwind."*

On the long side, our managers are focused on identifying companies with low downside risk that should perform well regardless of the economic environment. While it is still too early at this point, some managers are looking for bargains in the beaten down housing and financial sectors.

As we enter our 18th year in business, our fundamental tenets remain. Our long-term record has been built on flexible, long/short equity managers who are uniquely gifted at managing portfolios through challenging market environments. Consequently, we are currently in a relatively unique investment period. Our managers are finding outstanding opportunities, which lead to an increase in CSP's capacity. We know these opportunities are finite, which is why we strongly believe this is an ideal time to add to your CSP investment.

As always, please feel free to contact us if you have any questions or concerns.

On behalf of Common Sense Investment Management,

James A. Bisenius

Investment Objective**

Common Sense Partners, L.P. (CSP) commenced operations in January, 1991 as a core investment vehicle for individual and institutional investors. CSP's investment objective is to outperform the equity and bond markets over the long term with substantially less risk.

We believe that the best way to compound capital over time is to never incur a large loss. To achieve its objectives, CSP utilizes a fund of funds approach that allows its investors the opportunity to invest with hedge fund managers that may not otherwise be available to them. CSP managers are typically invested in the U.S. equity markets both long and short and manage a small asset base relative to traditional managers. Contrary to many traditional and "long-biased" hedge fund managers, CSP's "balanced" approach allows it to rely on its underlying managers stock selection skills both long and short (not the direction of the market) to generate returns.

Historically, CSP has achieved its investment objectives by providing superior, positive returns in down market environments, participating in up market environments and never incurring a large loss of capital.

Disclaimer

** Common Sense Offshore, Ltd. (CSO) invests directly in Common Sense Partners, LP (CSP) and Common Sense Partners II, LP (CSPII). Reflected information is for CSP, not CSO, as CSO's inception date was January 1, 2002.

Performance is estimated and unaudited and is presented net of all advisory fees, allocations and expenses, including brokerage commissions. Returns presented include income and loss from new issues as well as the reinvestment of dividends, interest, capital gains and other earnings. The partnership expects, from time to time, to utilize a line of credit at the partnership level. Asset allocation long and short percentages are based on invested capital. Performance is presented on a partnership level. Individual partner performance could differ due to new issue participation and timing of contributions and withdrawals. Past performance does not indicate future results.

The S&P 500 Index is an unmanaged index of 500 widely held common stocks. The Nasdaq Composite Index measures all domestic and non-U.S. common stocks that are listed on Nasdaq. The Russell 2000 Index is an unmanaged index of 2,000 of the smallest companies in the Russell 3000 Index, and represent approximately 8% of the U.S. equity market. The Lehman Intermediate Government Bond Index is an unmanaged index composed of high-quality, investment grade U.S. government and corporate fixed income securities with maturities greater than one year. These indexes, unlike the Partnership, do not utilize leverage or short sales. All dividends are reinvested. The indexes are not available for investment, and the returns do not reflect deductions for management fees or other expenses.

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