

March 31, 2018

Executive Summary

This Executive Summary presents the National Christian Foundation's investment pool performance for the periods shown and guides the donor toward more detailed information presented elsewhere in the complete report. The performance numbers in the table below are annualized for each period shown. Gross and net performance for the recent quarter is based on December 31, 2017 fees for each pool. The complete performance report includes additional information on each pool.

Pool Performance

	<u>QTR Ended</u> Mar-18	<u>1 YR</u>	<u>2 YRS</u>	<u>3 YRS</u>	<u>5 YRS</u>	<u>Return Since</u>	<u>Inception Date</u>
Growth (70% Equity) Pool Returns Gross	0.1	13.4	NA	NA	NA	12.5	May-16
Growth (70% Equity) Pool Returns Net	-0.2	12.1	NA	NA	NA	11.1	May-16
Growth Benchmark	-0.7	11.5	NA	NA	NA	11.3	May-16
Balanced Growth (50% Equity) Pool Returns Gross	-0.1	10.8	11.0	5.8	5.2	5.0	Jul-04
Balanced Growth (50% Equity) Pool Returns Net of Investment Fees	-0.4	9.4	9.6	4.4	3.7	3.6	Jul-04
Balanced Growth Benchmark	-0.7	9.3	9.3	4.7	6.0	4.5	Jul-04
Balanced Income (35% Equity) Pool Returns Gross	0.4	9.6	9.0	4.7	3.8	4.3	Jul-04
Balanced Income (35% Equity) Pool Returns Net of Investment Fees	0.1	8.2	7.6	3.4	2.4	2.9	Jul-04
Balanced Income Benchmark	-0.7	7.7	7.4	3.5	4.5	3.9	Jul-04
Moderate Income (25% Equity) Pool Returns Gross	0.4	7.7	7.6	4.1	3.0	4.1	Jul-04
Moderate Income (25% Equity) Pool Returns Net of Investment Fees	0.1	6.3	6.2	2.7	1.6	2.7	Jul-04
Moderate Income Benchmark	-0.7	6.2	6.0	2.9	3.7	3.6	Jul-04
Fixed Income Pool Returns Gross	0.4	2.9	2.3	1.6	1.4	2.3	Jul-04
Fixed Income Pool Returns Net of Investment Fees	0.1	1.8	1.2	0.4	0.2	1.0	Jul-04
Fixed Income Benchmark	0.1	2.6	1.1	1.6	1.7	2.6	Jul-04
MSCI AC World Index	-0.8	15.4	15.6	8.7	9.8	7.8	Jul-04
Bibb Barc Global Aggregate	1.4	7.0	2.4	3.1	1.5	3.9	Jul-04
Consumer Price Index	1.2	2.4	2.4	1.9	1.4	2.0	Jul-04

Market Rates

	<u>Current Rate</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Seven Years</u>
Money Market Pool	0.30%	0.14%	0.06%	0.04%	0.04%

The information on this page covers the period from July 27, 2004 (inception) to the report date. 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 5% of each investment pool 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. Benchmark results represent stated policy index for each pool. Money Market Pool rate changed to 0.30% effective March 31, 2018.



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The National Christian Foundation investment pools posted modest results this quarter, each finishing +/-40 bps.

The quarter got off to a strong start, with the markets hitting all-time highs in the first four weeks. However, sentiment turned sharply negative in late January as concerns about the potential increase in inflation, the Fed chair transition, and protectionist political rhetoric overpowered solid economic and earnings data. The Foundation's global public equity portfolio increased 10–50 bps with the return of market volatility. Returns bested the MSCI All Country World Index by 110–150 bps due to overweight exposure to emerging markets, fair value impact, and relative strength from Champlain and Parametric. Emerging markets again outpaced developed equities, with returns (in USD terms) benefiting from currency movements.

Flexible capital returned 0–2% versus a 0.6% gain for the HFRI Fund of Funds Composite Index. Archipelago and Weatherlow boosted segment results. Real assets were hurt by a drop in domestic real estate and ranged from –3% to +1%. Fixed income ended modestly positive, up 10–50 bps. Brandywine strength erased Vanguard Total Bond losses.

One-year gains (gross) reached 2.9% for the Fixed Income Pool and 13.4% for the Growth Pool, outperforming the respective benchmarks by 30 and 190 bps. Net results ranged from –80 to +60 bps ahead of the benchmarks.

Global Economic Highlights: According to data released in the first quarter, U.S. economic growth decelerated to 2.9% from 3.2% in the fourth quarter. Other G3 nations experienced slower growth. The highest increases were in Ireland (+13.3%), China (+6.6%), and India (+6.6%). Activity slowed in Peru (–1.3%), Norway (–1.1%), and South Korea (–0.8%), while Venezuela's economic malaise continued during the quarter.

Monetary Policy: Janet Yellen's term as Fed Chair ended and Jay Powell assumed the role in February. As expected, the Fed hiked rates at its March meeting. The Summary of Economic Projections released during the quarter continued to guide toward a total of three rate hikes in 2018. However, the potential number of hikes in 2019 and 2020 were raised slightly as the Federal Open Market Committee (FOMC) more closely considered the inflationary impact of fiscal stimulus in the form of tax reform and higher spending levels.

Macroeconomic Indicators: Inflation across the Organization for Economic Cooperation and Development (OECD) countries was 2.2% over the 12-month period ended February 2018. The euro area moderated to 1.3% due to disinflationary pressure in Portugal (+0.6%), Italy (+0.5%), Ireland (+0.5%), and Greece (+0.1%). Unemployment across OECD countries was 5.4% at the end of February. The U.S. unemployment rate held steady at 4.1%. The labor participation rate, while still at low levels, has shown ongoing signs of stabilization and many observers pointed to the economy being at or very near full employment.

Uncertainty was elevated during the first quarter as discussions continued surrounding potential tariffs and additional protectionist policies. In early March, President Trump made a surprise announcement that the U.S. would impose tariffs on steel and aluminum imports. Later in the month, details emerged that several countries would be exempt from the tariffs. China retaliated with an announcement of additional duties it would impose on select imports from the U.S. Fears of a deepening trade war grew as rhetoric extended into April; however, much could change as negotiations continue. Furthermore, the ultimate impact of protectionism on trade, global growth, and specific company fundamentals remains unclear.

The U.S. Federal Housing Finance Agency (FHFA) seasonally-adjusted, Purchase-Only House Price Index rose 1.6% in the fourth quarter of 2017, the 25th consecutive quarterly increase. Home prices rose 6.7% in calendar year 2017, with gains in 49 states and the District of Columbia. Rising mortgage rates and changes to tax laws did not halt gains in home prices.

Indices referenced are unmanaged and cannot be invested in directly. Index returns do not reflect any investment management fees or transaction expenses. Past performance is not an indication of future results. This report is intended for informational purposes only; it does not constitute an offer, nor does it invite anyone to make an offer to buy or sell securities. Information herein has been obtained from third-party sources that are believed to be reliable; however, the accuracy of the data is not guaranteed and may not have been independently verified. The content of this report is current as of the date indicated and is subject to change without notice. It does not take into account the specific investment objectives, financial situations, or needs of individual or institutional investors. All commentary contained within is the opinion of Prime Buchholz and intended solely for our clients. Unless otherwise noted, Bloomberg was the source for data used in this report.



March 31, 2018

Trailing-Period Annualized Returns						
	<u>QTR Ended</u> <u>Mar-18</u>	<u>1 YR</u>	<u>3 YRS</u>	<u>5 YRS</u>	<u>Return</u> <u>Since</u>	<u>Inception</u> <u>Date</u>
Growth (70% Equity) Pool Returns Gross	0.1	13.4	NA	NA	12.5	May-16
Growth (70% Equity) Pool Returns Net	-0.2	12.1	NA	NA	11.1	May-16
Growth Benchmark	-0.7	11.5	NA	NA	11.3	May-16
Consumer Price Index	1.2	2.4	NA	NA	2.2	May-16

*Detailed benchmark information available on last page of materials.

Current Asset Allocation	Managers																					
<table border="1"> <caption>Current Asset Allocation Data</caption> <thead> <tr> <th>Category</th> <th>Target Allocation</th> <th>Actual Allocation</th> </tr> </thead> <tbody> <tr> <td>Domestic Equity</td> <td>35.0%</td> <td>35.7%</td> </tr> <tr> <td>International Equity</td> <td>35.0%</td> <td>36.9%</td> </tr> <tr> <td>Flexible Capital</td> <td>5.0%</td> <td>5.2%</td> </tr> <tr> <td>Real Assets</td> <td>5.0%</td> <td>5.3%</td> </tr> <tr> <td>Fixed Income</td> <td>10.0%</td> <td>10.4%</td> </tr> <tr> <td>Liquid Capital</td> <td>10.0%</td> <td>6.5%</td> </tr> </tbody> </table>	Category	Target Allocation	Actual Allocation	Domestic Equity	35.0%	35.7%	International Equity	35.0%	36.9%	Flexible Capital	5.0%	5.2%	Real Assets	5.0%	5.3%	Fixed Income	10.0%	10.4%	Liquid Capital	10.0%	6.5%	<p>Domestic Equity Champlain Mid Cap Core Fund Vanguard Institutional Index Fund</p> <p>International Equity MFS Inst International Equity Fund Vanguard Total Intl Stock Index Fund Parametric Emerging Markets I Fund Vanguard Emerging Mkcs Adm Fund</p> <p>Flexible Capital FPA Crescent Fund BlackRock Strategic Income Opps Instl Fund</p> <p>Real Assets Vanguard REIT Index Fund Vanguard Global ex-U.S. Real Estate Index Fund Vanguard S-T Inflation Protected Sec. Adm. Fund</p> <p>Fixed Income Vanguard Total Bond Market Index Fund Brandywine Global Opportunities Bond Fund</p> <p>Liquid Capital Wilmington US Gov Money Market Fund Distribution Cash</p>
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Fixed Income	10.0%	10.4%																				
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	Expense Ratio 1.27																					

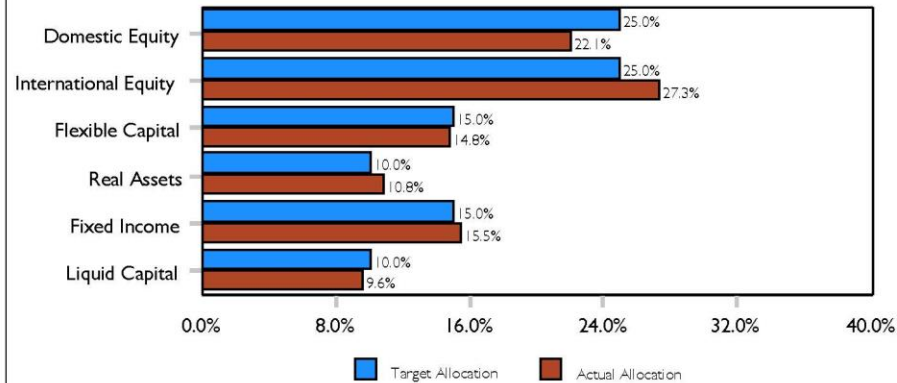
March 31, 2018

Trailing-Period Annualized Returns

	QTR Ended				Return Since	Inception Date
	Mar-18	1 YR	3 YRS	5 YRS		
Balanced Growth (50% Equity) Pool Gross	-0.1	10.8	5.8	5.2	5.0	Jul-04
Balanced Growth (50% Equity) Pool Returns Net of Investment Fees	-0.4	9.4	4.4	3.7	3.6	Jul-04
Balanced Growth Benchmark	-0.7	9.3	4.7	6.0	4.5	Jul-04
Consumer Price Index	1.2	2.4	1.9	1.4	2.0	Jul-04

*Detailed benchmark information available on last page of materials.

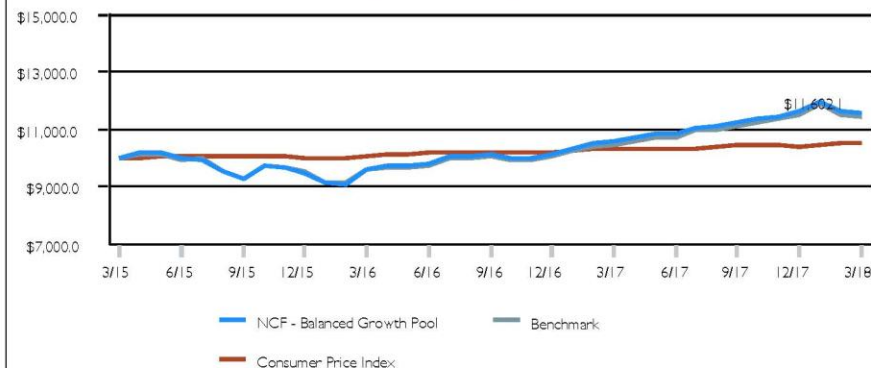
Current Asset Allocation



Managers

Domestic Equity Vanguard Institutional Index Fund Champlain Mid Cap Core Fund	Real Assets Vanguard REIT Index Fund Vanguard Global ex-US Real Estate Index Fund Vanguard Short-Term Infl Prot Sec Fund Vanguard Energy Admiral Class
International Equity Vanguard Total Intl Stock Index Fund Parametric Emerging Markets I Fund Vanguard Emg Mkt Stk Idx Adm Creation Investments Social Ventures Fund I RBT Long-Term Passive Strategy	Fixed Income Vanguard Total Bond Index Fund Brandywine Global Opportunites Bond Fund
Flexible Capital FPA Crescent Fund Blackrock Strategic Income Opps. Inst. Fund John Hancock Seaport Fund R6 Cash in Transit - Weatherlow & Archipelago	Liquid Capital Wilmington US Gov Money Market Fund Distribution Cash

Growth of \$10,000




Historical Data

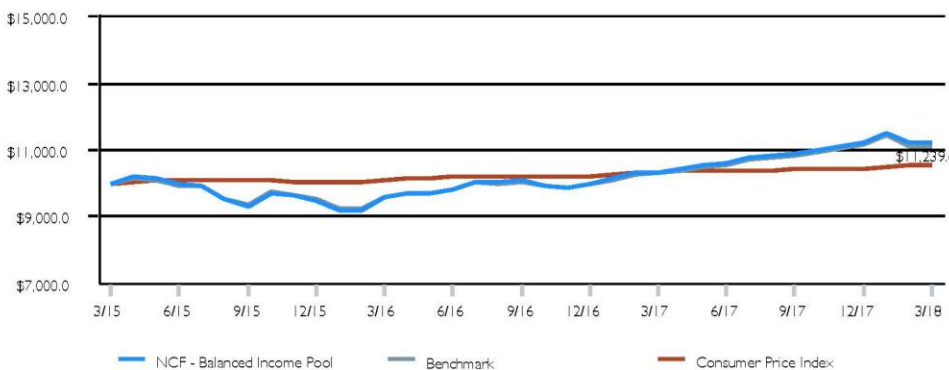
	Jul-04 To Mar-18
Maximum Drawdown	-30.25
Standard Deviation	8.58
vs. Benchmark	
Beta	0.76
Down Market Capture	72.71
Up Market Capture	83.05
vs. 90 Day U.S. Treasury Bill	
Sharpe Ratio	0.46
Expense Ratio	1.25

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Trailing-Period Annualized Returns						
	QTR Ending Mar-18	1 YR	3 YRS	5 YRS	Return Since	Inception Date
Balanced Income (35% Equity) Pool Gross	0.4	9.6	4.7	3.8	4.3	Jul-04
Balanced Income (35% Equity) Pool Net of Investment Fees	0.1	8.2	3.4	2.4	2.9	Jul-04
Balanced Income Benchmark	-0.7	7.7	3.5	4.5	3.9	Jul-04
Consumer Price Index	1.2	2.4	1.9	1.4	2.0	Jul-04

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Growth of \$10,000	Historical Data
 <p>Legend: NCF - Balanced Income Pool (blue), Benchmark (grey), Consumer Price Index (red)</p>	<p>Jul-04 To Mar-18</p> <p>Maximum Drawdown: -21.03 Standard Deviation: 6.78</p> <p>vs. Benchmark Beta: 0.80 Down Market Capture: 80.06 Up Market Capture: 84.37</p> <p>vs. 90 Day U.S. Treasury Bill Sharpe Ratio: 0.38 Expense Ratio: 1.26</p>

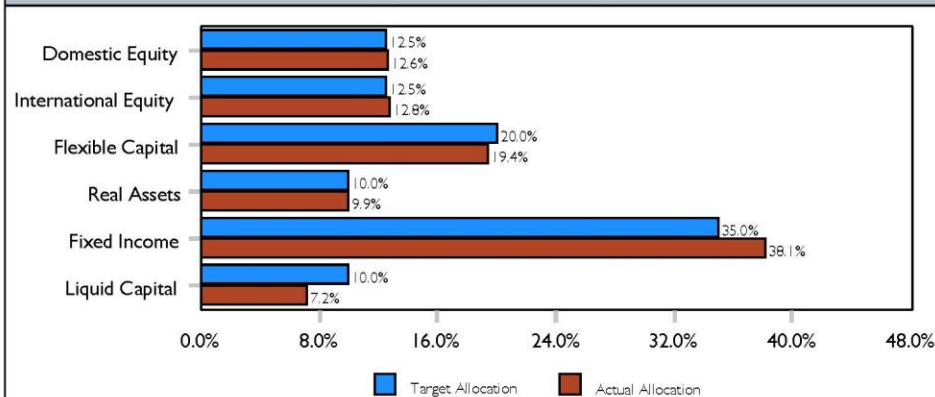
March 31, 2018

Trailing-Period Annualized Returns

	<u>QTR Ending</u> <u>Mar-18</u>	<u>1 YR</u>	<u>3 YRS</u>	<u>5 YRS</u>	<u>Return</u> <u>Since</u>	<u>Inception</u> <u>Date</u>
Moderate Income (25% Income) Pool Gross	0.4	7.7	4.1	3.0	4.1	Jul-04
Moderate Pool Returns (25% Income) Net of Investment Fees	0.1	6.3	2.7	1.6	2.7	Jul-04
Moderate Income Benchmark	-0.7	6.2	2.9	3.7	3.6	Jul-04
Consumer Price Index	1.2	2.4	1.9	1.4	2.0	Jul-04

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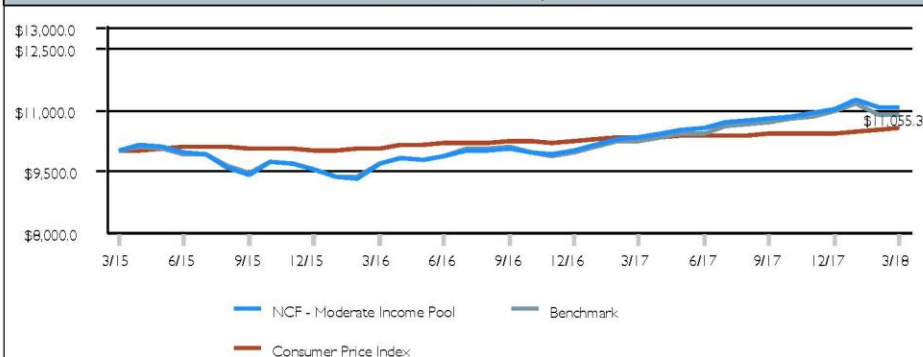
Current Asset Allocation



Managers

Domestic Equity Vanguard Institutional Index Fund Champlain Mid Cap Core Fund	Real Assets Vanguard REIT Index Fund Vanguard Global ex-U.S. Real Estate Index Fund Vanguard Energy Admiral Class Vanguard ST-Inflation Protected Sec Instl Fund
International Equity MFS Inst International Equity Fund Vanguard Total Intl Stock Index Fund Parametric Emerging Markets I Fund Vanguard Emg Mkt Stk Idx Adm Creation Investments Social Ventures Fund I	Fixed Income Vanguard Total Bond Index Fund Vanguard Short Term Bond Inst Fund Brandywine Global Opportunities Bond Fund RBT Intermediate-Term Passive Strategy
Flexible Capital FPA Crescent Fund Weatherlow Offshore Fund I Ltd. Class I Blackrock Strategic Income Opps. Instl. Fund Cash in Transit - Weatherlow & Archipelago	Liquid Capital Wilmington US Gov Money Market Fund Distribution Cash

Growth of \$10,000



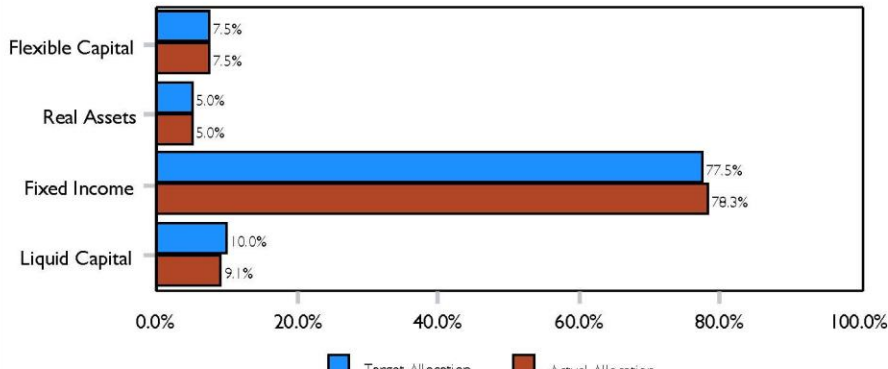
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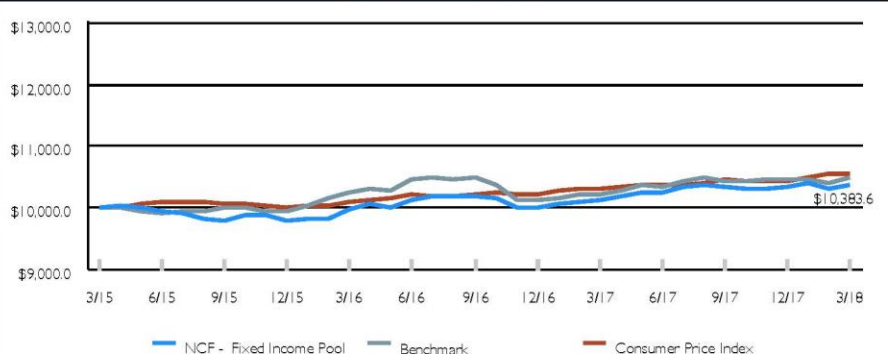
	Jul-04 To Mar-18
Maximum Drawdown	-11.00
Standard Deviation	4.88
vs. Benchmark	
Beta	0.77
Down Market Capture	74.53
Up Market Capture	82.99
vs. 90 Day U.S. Treasury Bill	
Sharpe Ratio	0.47
Expense Ratio	1.29

March 31, 2018

Trailing-Period Annualized Returns						
	<u>QTR Ending</u> <u>Mar-18</u>	<u>1 YR</u>	<u>3 YRS</u>	<u>5 YRS</u>	<u>Return</u> <u>Since</u>	<u>Inception</u> <u>Date</u>
Fixed Income Pool Gross	0.4	2.9	1.6	1.4	2.3	Jul-04
Fixed Income Pool Net of Investment Fees	0.1	1.8	0.4	0.2	1.0	Jul-04
Fixed Income Benchmark	0.1	2.6	1.6	1.7	2.6	Jul-04
Consumer Price Index	1.2	2.4	1.9	1.4	2.0	Jul-04

*Detailed benchmark information available on last page of materials.

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Category	Target Allocation	Actual Allocation														
Flexible Capital	7.5%	7.5%														
Real Assets	5.0%	5.0%														
Fixed Income	77.5%	78.3%														
Liquid Capital	10.0%	9.1%														

Growth of \$10,000	Historical Data
 <p>The chart shows the performance of the Fixed Income Pool (blue line) relative to its benchmark (grey line) and the Consumer Price Index (red line) from March 2015 to March 2018. The y-axis represents the value of \$10,000, ranging from \$9,000.0 to \$13,000.0. The x-axis shows quarterly intervals. The Fixed Income Pool ends at \$10,383.6 in March 2018.</p>	<p>Jul-04 To Mar-18</p> <ul style="list-style-type: none"> Maximum Drawdown: -2.43 Standard Deviation: 1.94 Best Annual Return: 7.55 Worst Annual Return: -2.02 <p>vs. Benchmark</p> <ul style="list-style-type: none"> Beta: 0.86 <p>vs. 90 Day U.S. Treasury Bill</p> <ul style="list-style-type: none"> Sharpe Ratio: 0.34 <p>Expense Ratio: 1.18</p>



March 31, 2018

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Definitions:

Growth Pool Benchmark: 35% Russell 3000 Index / 35% MSCI ACWI ex US Index / 5% HFRI Fund of Funds Composite Index / 5% Real Assets Index / 10% Fixed Income Index / 10% BofA ML 90-Day Treasury Bills.

Balanced Growth Pool Benchmark: 25% Russell 3000 Index / 25% MSCI ACWI ex US Index / 15% HFRI Fund of Funds Composite Index / 10% Real Assets Index / 15% Fixed Income Index / 10% BofA ML 90-Day Treasury Bills.

Balanced Income Pool Benchmark: 17.5% Russell 3000 Index / 17.5% MSCI ACWI ex US Index / 15% HFRI Fund of Funds Composite Index / 12.5% Real Assets Index / 27.5% Fixed Income Index 10% BofA ML 90-Day Treasury Bills.

Moderate Income Pool Benchmark: 12.5% Russell 3000 Index / 12.5% MSCI ACWI ex US Index / 20% HFRI Fund of Funds Composite Index / 10% Inflation Hedging Index / 35% Fixed Income Index / 10% BofA ML 90-Day Treasury Bills.

Fixed Income Pool Benchmark: 30% Barclays U.S. Aggregate Index / 30% Spliced Short Term Bond Index / 25% Citigroup World Government Bond Index / 5% Barclays 0-5 Year TIPS Index/ 10% BofA ML 90-Day Treasury Bills.

Benchmark components may change over time.

Beta defined as the measure of an asset's risk in relation to the market (for example, the S&P 500) or to an alternative benchmark. According to asset pricing theory, beta represents the type of risk, systematic risk, that cannot be diversified away.

Down Market Capture is a measure of portfolio performance relative to a benchmark in down markets.

The **Maximum Drawdown** is as the largest decline in the portfolio value, reflected as a percentage, over the defined period.

The **Risk-Free Rate of Return** is a theoretical rate of return of an investment with zero risk. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time.

Standard Deviation is the square root of the Variance. The most widely used measurement of variation about a mean and, for many purposes, a proxy for risk.

Sharpe Ratio measures the efficiency, or excess return per unit of volatility, of a manager's returns. The Sharpe Ratio evaluates managers' performance on a volatility-adjusted basis. It is a portfolio's Annualized Return less the Annualized Risk-Free Rate (the excess return), divided by the portfolio's Annualized Standard Deviation.

Up Market Capture is a measure of portfolio performance relative to a benchmark in up markets.

Variance is a measure of the volatility of return and is computed as an average squared deviation of return from the mean value of the return.