

Quarterly Investment Report

Prepared by NEPC for the National Christian Foundation
June 30, 2019



Overview

June 30, 2019

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 prior quarter-end fees for each pool. The complete performance report includes additional information on each pool.

	Ending June 30, 2019							Inception Date
	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	Inception (%)	
Growth (70% Equity) Pool Returns Gross	3.3	14.0	7.3	8.1	10.3	--	9.8	May-16
Growth (70% Equity) Pool Returns Net of Investment Fees	3.0	13.3	6.0	6.8	8.9	--	8.5	May-16
<i>Growth Benchmark</i>	3.0	12.8	5.0	6.7	8.9	--	8.6	May-16
Balanced Growth (50% Equity) Pool Returns Gross	2.5	11.5	5.4	6.4	8.4	4.5	5.0	Jul-04
Balanced Growth (50% Equity) Pool Returns Net of Investment Fees	2.2	10.9	4.2	5.1	7.0	3.1	3.5	Jul-04
<i>Balanced Growth Benchmark</i>	2.4	10.8	3.9	5.6	7.2	3.8	4.5	Jul-04
Balanced Income (35% Equity) Pool Returns Gross	2.6	10.3	5.2	5.9	6.9	4.0	4.3	Jul-04
Balanced Income (35% Equity) Pool Net of Investment	2.3	9.7	4.0	4.6	5.6	2.6	2.9	Jul-04
<i>Balanced Income Benchmark</i>	2.1	9.3	3.8	4.9	5.8	3.1	3.9	Jul-04
Moderate Income (20% Equity) Pool Returns Gross	2.3	8.6	5.2	5.2	6.0	3.6	4.1	Jul-04
Moderate Income (20% Equity) Pool Returns Net of Investment Fees	2.0	8.0	3.9	3.9	4.7	2.3	2.7	Jul-04
<i>Moderate Income Benchmark</i>	1.9	7.7	3.9	4.4	4.8	2.9	3.6	Jul-04
Fixed Income Pool Returns Gross	2.4	4.6	5.0	2.2	1.9	1.8	2.3	Jul-04
Fixed Income Pool Returns Net of Investment Fees	2.1	4.1	3.8	1.1	0.8	0.6	1.1	Jul-04
<i>Fixed Income Benchmark</i>	2.5	4.5	5.7	3.1	1.7	2.3	2.7	Jul-04
<i>MSCI ACWI</i>	3.6	16.2	5.7	8.2	11.6	6.2	7.0	Jul-04
<i>BBgBarc Global Aggregate TR</i>	3.3	5.6	5.8	3.6	1.6	1.2	3.8	Jul-04
<i>Consumer Price Index</i>	0.8	2.0	1.6	2.3	2.0	1.5	2.0	Jul-04
	Current Rate	1 Yr	3 Yr	5 Yr	7 Yr			
Money Market Pool Interest Rate	0.80%	0.61%	0.30%	0.19%	0.14%			

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.

Overview

National Christian Foundation's investment pools gained 2.4% to 3.3% in the second quarter, as equity markets reached all time highs, despite a selloff in May. A clash in sentiment is evident as investors oscillate between a buoyant stock market and pessimistic economic signals from the bond market. We believe these mixed signals and volatility in the markets are the new normal and find the current investment dynamic to be a common characteristic of the late stage of an economic cycle.

Within equities, the S&P 500 Index, which breached a new high of 3000 points, is far outpacing international stocks with its year-to-date returns of over 18%. In the US, large-cap financials led the charge with returns of 8.4% in the second quarter. In fixed income, spreads for investment-grade credit were little changed, at 119 basis points, amid steady demand. In contrast, spreads on the riskier CCC-rated segment of high-yield debt widened as much as 70 basis points, underscoring investor concerns around credit risk associated with the late stage of an economic cycle.

Despite recent volatility, pool returns remain positive for all trailing periods. While pool performance has largely outperformed the respective benchmarks, the Fixed Income Pool has fallen behind in the bull market of over a decade.

Global Economic Highlights

The global growth outlook was revised downward – reflecting slower growth in major developed economies. Despite lower growth expectations, developed market equities rallied as anticipation for more accommodative global monetary policy flowed through.

In the US, the Fed signaled potential monetary easing amid rising global uncertainties – significantly raising market expectations for a rate cut in July. While in Europe, the ECB indicated additional stimulus may be needed to support the region. In response, global government bond yields continued to with the 10-year German yield declining 26 bps – reaching an all-time low.

Monetary Policy

The Federal Reserve held its benchmark interest rate at 2.25% - 2.50% in June, but signaled possible cuts later this year.

The European Central Bank maintained its current benchmark interest rate and continued with plans to boost commercial lending.

The Bank of Japan will continue its ultra-easy QE program with inflation remaining well below target.

Macroeconomic Indicators

The US inflation outlook weakened to its lowest level since Q3 2016.

The Treasury yield curve spread between the 10-year Treasury Note and the 3-month T-Bill has remained inverted since May 23rd. The spread between the 10-year Treasury Note and 3-month Treasury Bill remained negative through the end of the quarter as yields for longer duration bonds shifted materially lower. Assets with longer duration benefited from the decline of interest rates.

US unemployment fell to 3.6% - marking a fifty-year low, though growth in job openings has started to stall.

China announced it would remove foreign ownership limits on securities, life insurance, and futures. A shift in capital expenditures toward telecommunication infrastructure shows a desire to be more globally competitive in a growth industry.

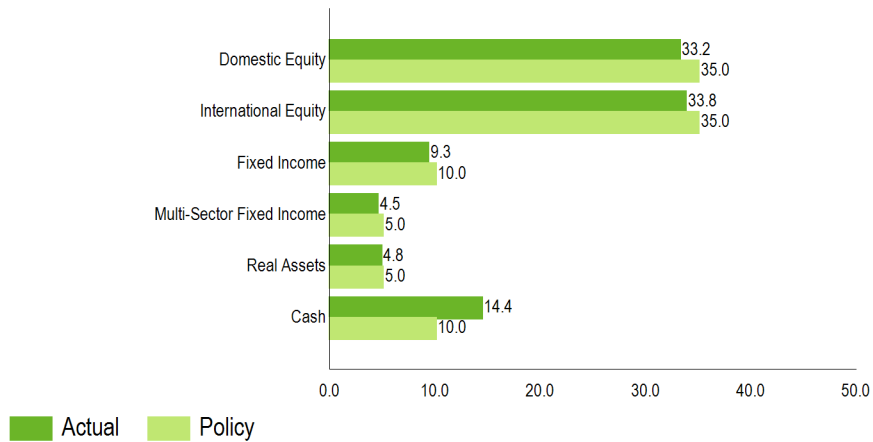
The US and China continued waging trade tariffs and restrictions. Following the G20 summit, they agreed to resume dialogue; assuaging ongoing trade-related fears. Brexit has been delayed to October 31st, 2019.

Growth Pool (70%)

June 30, 2019

	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	Inception	Inception Date
Growth Pool (70% Equity) Pool Returns Gross	3.3%	14.0%	7.3%	10.3%	--	9.8%	May-16
Growth (70% Equity) Pool Returns Net of Investment Fees	3.0%	13.3%	6.0%	8.9%	--	8.5%	May-16
Growth Benchmark	3.0%	12.8%	5.0%	8.9%	--	8.6%	May-16
Consumer Price Index	0.8%	2.0%	1.6%	2.0%	1.5%	2.2%	May-16

Actual vs Target Allocation (%)



Total Plan

Total Global Equity

Total Domestic Equity

Vanguard Institutional Index Fund - VINIX
Champlain Mid Cap Core Fund - CIPIX

Total International Equity

Vanguard Total International Equity Fund - VTSNX
MFS Institutional International Equity Fund - MIEIX
Parametric Emerging Market Fund - EITEX
Vanguard Emerging Market Stock Index Fund - VEMIX

Total Flexible Capital

FPA Crescent Fund - FPACX
BlackRock Strategic Income Opportunities Fund - BSIX

Total Real Assets

Vanguard Real Estate Index Fund -VGSNX
Vanguard Global Except-U.S. Real Estate Index - VNQI
Vanguard Short Term Inflation Protected Secs Fund - VTSPX

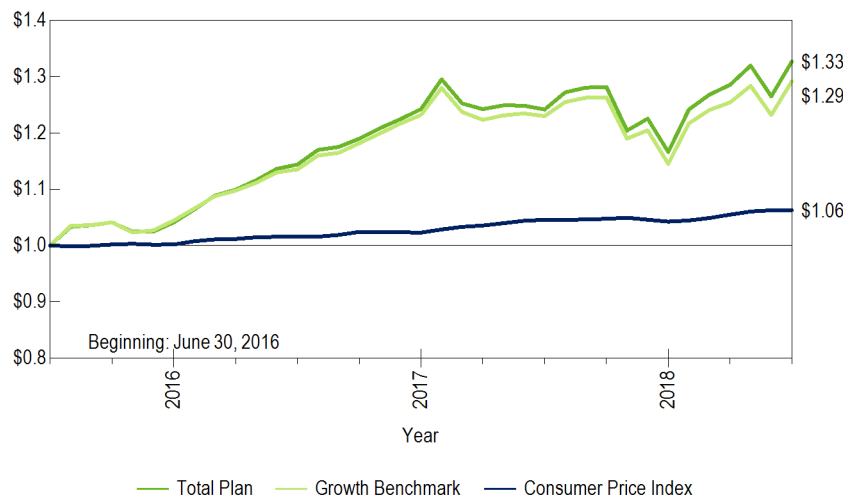
Total Fixed Income

Vanguard Total Bond Market Index Fund - VBTIX
Payden Limited Maturity Fund - PYLMX
Legg Mason Brandywine Global Opportunities Bond Fund - GOBSX
iShares International Treasury Bond - IGOV

Total Cash

Federated Government Obligations Fund - GOIXX
Distribution Cash

Growth of a Dollar



Statistics Summary

3 Years Ending June 30, 2019

	Down Mkt Tot Ret	Anlzd Std Dev	Beta	Down Mkt Cap Ratio	Up Mkt Cap Ratio	Sharpe Ratio
Total Plan E	-19.55%	8.67%	1.05	102.22%	109.00%	0.98

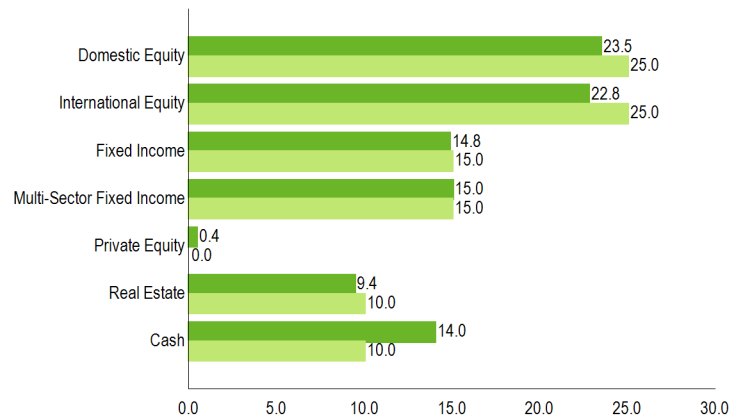
Expense Ratio: 1.21

Balanced Growth Pool (50%)

June 30, 2019

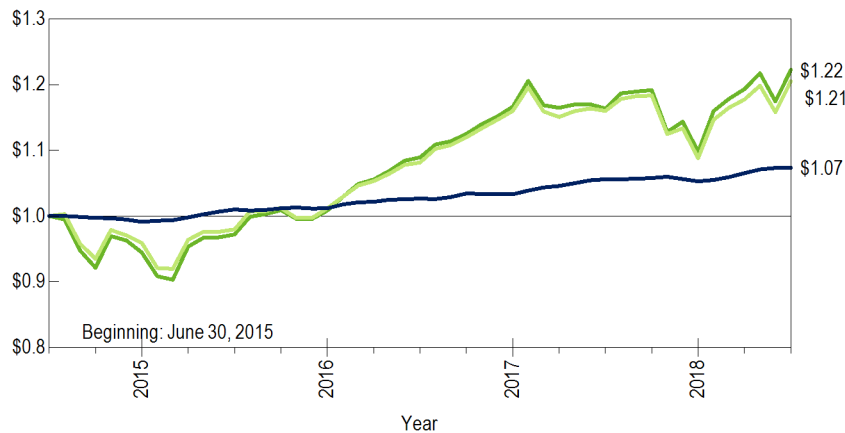
	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	Inception	Inception Date
Balanced Growth (50% Equity) Pool Returns Gross	2.5%	11.5%	5.4%	8.4%	4.5%	5.0%	Jul-04
Balanced Growth (50% Equity) Pool Returns Net of Investment Fees	2.2%	10.9%	4.2%	7.0%	3.1%	3.5%	Jul-04
<i>Balanced Growth Benchmark</i>	2.4%	10.8%	3.9%	7.2%	3.8%	4.5%	Jul-04
<i>Consumer Price Index</i>	0.8%	2.0%	1.6%	2.0%	1.5%	2.0%	Jul-04

Actual vs Target Allocation (%)



Actual Policy

Growth of a Dollar



Total Plan Balanced Growth Benchmark Consumer Price Index

Total Plan

Total Global Equity

Total Domestic Equity

Vanguard Institutional Index Fund - VINIX
Champlain Mid Cap Core Fund - CIPIX

Total International Equity

Vanguard Total International Equity Fund - VTSNX
Parametric Tax-Managed Emerging Fund - EITEX
Vanguard Emerging Market Stock Index Fund - VEMIX

Total Private Equity

Creation Investments Social Ventures Fund I

Total Flexible Capital

FPA Crescent Fund - FPACX
BlackRock Strategic Income Opportunities Fund - BSIIX
John Hancock Seaport Long/Short Fund - JSFRX
Blackrock Event Driven Equity Fund - BILPX
Hatteras Core Alternative TEI Institutional LP

Total Real Assets

Vanguard Energy Fund - VGELX
Vanguard Real Estate Index Fund - VGSNX
Vanguard Global Except-U.S. Real Estate Index - VNQI
Vanguard Short Term Inflation Protected Secs Fund - VTSPX

Total Fixed Income

Vanguard Total Bond Market Index Fund - VBTIX
Payden Limited Maturity Fund - PYLMX
Legg Mason Brandywine Global Opportunities Bond Fund - GOBSX
iShares International Treasury Bond - IGOV

Total Cash

Federated Government Obligations Fund - GOIXX
Distribution Cash
Hatteras Cash Reserves - FDRXX

Statistics Summary

10 Years Ending June 30, 2019

Down Mkt Tot Ret	Anlzd Std Dev	Beta	Down Mkt Cap Ratio	Up Mkt Cap Ratio	Sharpe Ratio
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Total Plan	-52.65%	7.89%	0.81	88.87%	67.82%	0.63
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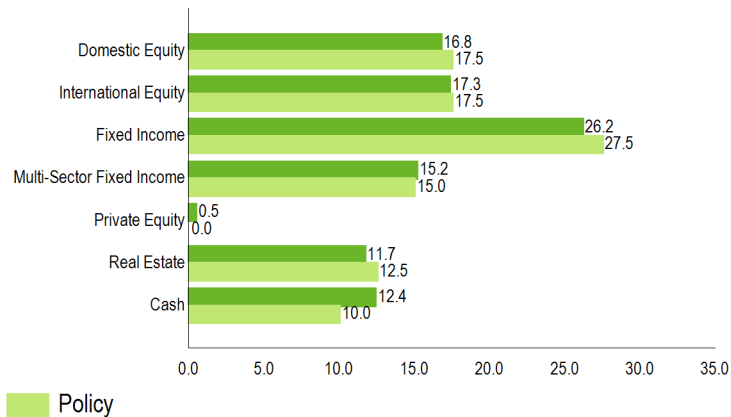
Expense Ratio: 1.23

Balanced Income Pool (35%)

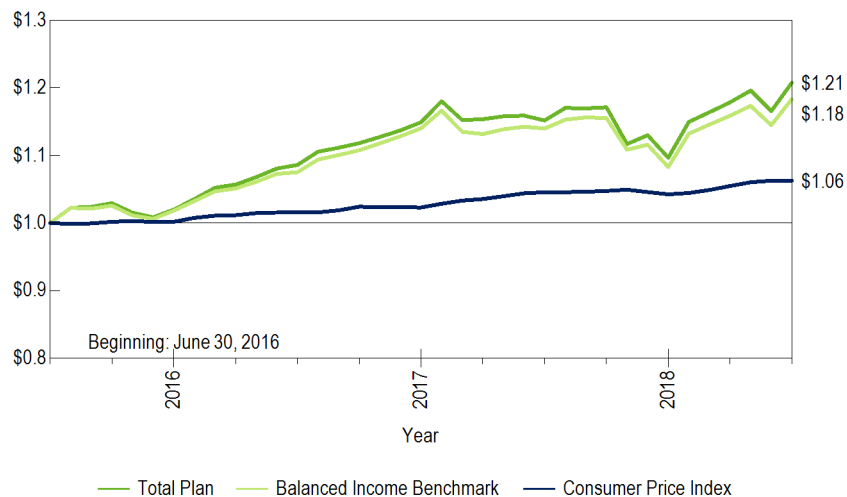
June 30, 2019

	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	Inception	Inception Date
Balanced Income (35% Equity) Pool Returns Gross	2.6%	10.3%	5.2%	6.9%	4.0%	4.3%	Jul-04
Balanced Income (35% Equity) Pool Net of Investment Fees	2.3%	9.7%	4.0%	5.6%	2.6%	2.9%	Jul-04
<i>Balanced Income Benchmark</i>	2.1%	9.3%	3.8%	5.8%	3.1%	3.9%	Jul-04
<i>Consumer Price Index</i>	0.8%	2.0%	1.6%	2.0%	1.5%	2.0%	Jul-04

Actual vs Target Allocation (%)



Growth of a Dollar



Total Plan

Total Global Equity

Total Domestic Equity

- Vanguard Institutional Index Fund - VINIX
- Champlain Mid Cap Core Fund - CIPIX

Total International Equity

- Vanguard Total International Stock Index Fund - VTSNX
- Vanguard Emerging Market Stock Index Fund - VEMIX

Total Private Equity

- Creation Investments Social Ventures Fund I

Total Flexible Capital

- FPA Crescent Fund - FPACX
- BlackRock Strategic Income Opportunities Fund - BSIX
- John Hancock Seaport Long/Short Fund - JSFRX
- Blackrock Event Driven Equity Fund - BILPX
- Hatteras Core Alternative TEI Institutional LP

Total Real Assets

- Vanguard Energy Fund - VGELX
- Vanguard Real Estate Index Fund - VGSNX
- Vanguard Global Except-U.S. Real Estate Index - VNQI
- Vanguard Short Term Inflation Protected Secs Fund - VTSPX

Total Fixed Income

- Vanguard Total Bond Market Index Fund - VBTIX
- Payden Limited Maturity Fund - PYLMX
- Legg Mason Brandywine Global Opportunities Bond Fund - GOBSX
- iShares International Treasury Bond - IGOV

Total Cash

- Federated Government Obligations Fund - GOIXX
- Distribution Cash
- Hatteras Cash Reserves - FDRXX

Statistics Summary

10 Years Ending June 30, 2019

	Down Mkt Tot Ret	Anlzd Std Dev	Beta	Down Mkt Cap Ratio	Up Mkt Cap Ratio	Sharpe Ratio
Total Plan	-46.85%	6.64%	0.84	89.82%	73.66%	0.57

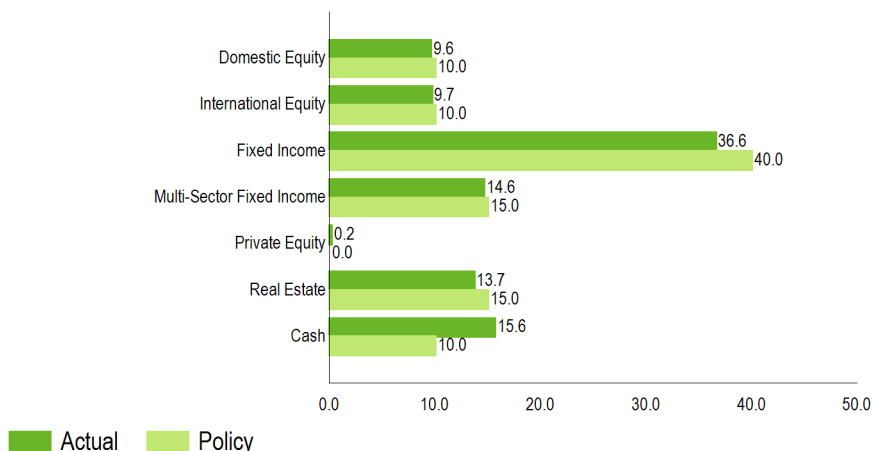
Expense Ratio: 1.22

Moderate Income Pool (20%)

June 30, 2019

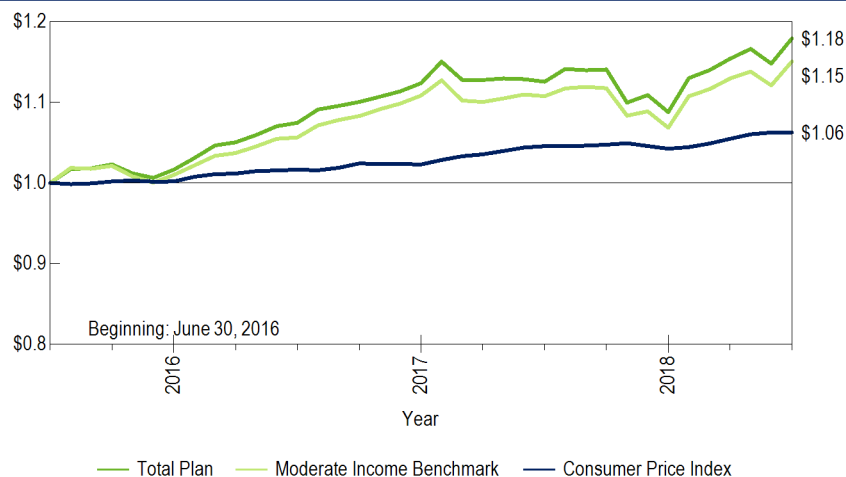
	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	Inception	Inception Date
Moderate Income (20% Equity) Pool Returns Gross	2.3%	8.6%	5.2%	6.0%	3.6%	4.1%	Jul-04
Moderate Income (20% Equity) Pool Returns Net of Investment Fees	2.0%	8.0%	3.9%	4.7%	2.3%	2.7%	Jul-04
Moderate Income Benchmark	1.9%	7.7%	3.9%	4.8%	2.9%	3.6%	Jul-04
Consumer Price Index	0.8%	2.0%	1.6%	2.0%	1.5%	2.0%	Jul-04

Actual vs Target Allocation (%)



Total Plan	
Total Global Equity	
Total Domestic Equity	
Vanguard Institutional Index Fund - VINIX	
Champlain Mid Cap Core Fund - CIPIX	
Total International Equity	
MFS Institutional International Equity Fund - MIEIX	
Vanguard Total International Stock Index Fund - VTSNX	
Parametric Emerging Markets Fund - EITEX	
Vanguard Emerging Market Stock Index Fund - VEMIX	
Total Private Equity	
Creation Investments Social Ventures Fund I	
Total Flexible Capital	
FPA Crescent Fund - FPACX	
BlackRock Strategic Income Opportunities Fund - BSIIIX	
John Hancock Seaport Long/Short Fund - JSFRX	
Blackrock Event Driven Equity Fund - BILPX	
Hatteras Core Alternative TEI Institutional LP	
Total Real Assets	
Vanguard Energy Fund - VGELX	
Vanguard Real Estate Index Fund - VGSNX	
Vanguard Global Except-U.S. Real Estate Index - VNQI	
Vanguard Short Term Inflation Protected Secs Fund - VTSPX	
Total Fixed Income	
Vanguard Total Bond Market Index Fund - VBTIX	
Vanguard Short Term Bond Fund - VBITX	
Payden Limited Maturity Fund - PYLMX	
Legg Mason Brandywine Global Opportunities Bond Fund - GOBSX	
iShares International Treasury Bond - IGOV	
Total Cash	
Federated Government Obligations Fund - GOIXX	
Distribution Cash	
Hatteras Cash Reserves - FDRXX	
Weatherlow Audit Holdback	

Growth of a Dollar



Statistics Summary

10 Years Ending June 30, 2019

	Down Mkt Tot Ret	Anlzd Std Dev	Beta	Down Mkt Cap Ratio	Up Mkt Cap Ratio	Sharpe Ratio
Total Plan	-38.71%	5.25%	0.85	88.24%	75.94%	0.57

Total Plan

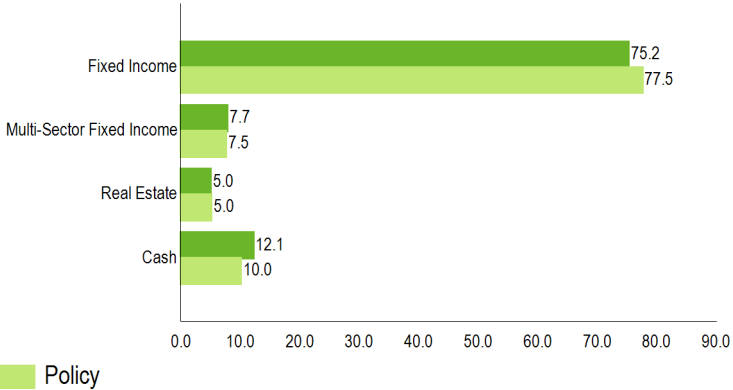
Expense Ratio: 1.25

Fixed Income Pool

June 30, 2019

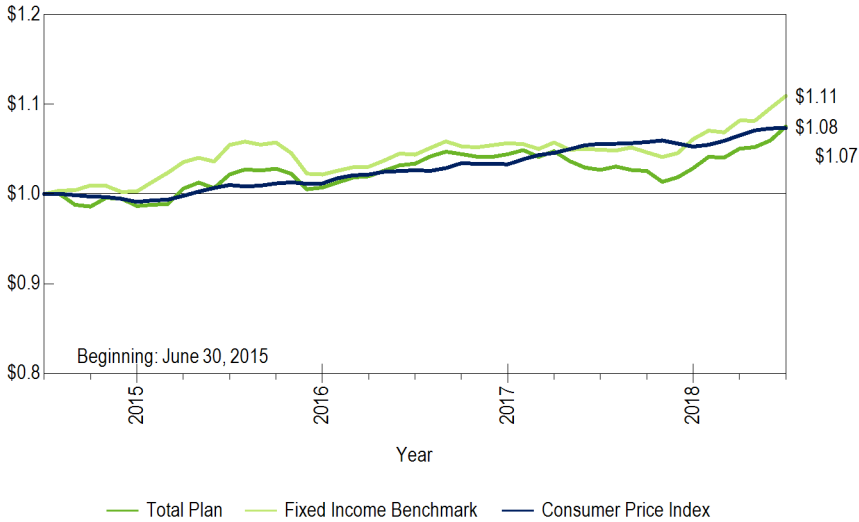
	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	Inception	Inception Date
Fixed Income Pool Returns Gross	2.4%	4.6%	5.0%	1.9%	1.8%	2.3%	Jul-04
Fixed Income Pool Returns Net of Investment Fees	2.1%	4.1%	3.8%	0.8%	0.6%	1.1%	Jul-04
Fixed Income Benchmark	2.5%	4.5%	5.7%	1.7%	2.3%	2.7%	Jul-04
Consumer Price Index	0.8%	2.0%	1.6%	2.0%	1.5%	2.0%	Jul-04

Actual vs Target Allocation (%)



Total Plan
Total Flexible Capital
FPA Crescent Fund - FPACX
BlackRock Strategic Income Opportunities Fund - BSIIX
Total Real Assets
Vanguard Short Term Inflation Protected Secs Fund - VTSPX
Total Fixed Income
Vanguard Total Bond Market Index Fund - VBTIX
Vanguard Short Term Bond Fund - VBITX
Vanguard Intermediate Term Treasury Fund - VFIUX
Payden Limited Maturity Fund - PYLMX
Legg Mason Brandywine Global Opportunities Bond Fund - GOBSX
iShares International Treasury Bond - IGOV
Total Cash
Federated Government Obligations Fund - GOIXX
Distribution Cash

Growth of a Dollar



Statistics Summary						
10 Years Ending June 30, 2019						
	Down Mkt Tot Ret	Anlzd Std Dev	Beta	Down Mkt Cap Ratio	Up Mkt Cap Ratio	Sharpe Ratio

Total Plan	-10.61%	1.99%	0.79	84.91%	76.16%	0.48
Expense Ratio: 1.14						

Disclosures

The information on the previous pages 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.

Definitions

- The portion of the expense ratio attributed to NEPC is calculated as of June 30, 2019
- The Growth Benchmark is made up of 35% Russell 3000 Index/35% MSCI ACWI ex US Index/5% HFRI Fund of Funds Composite Index/5% Real Assets Composite Index/10% Fixed Income Composite Index/10% FTSE 3 Month T-Bill
- The Balanced Growth Benchmark is 25% Russell 3000 Index/25% MSCI ACWI ex US Index/15% HFRI Fund of Funds Composite Index/10% Real Assets Composite Index/15% Fixed Income Composite Index/10% FTSE 3 Month T-Bill
- The Balanced Income Benchmark is 17.5% Russell 3000 Index/17.5% MSCI ACWI ex US Index/15% HFRI Fund of Funds Composite Index/12.5% Real Assets Composite Index/27.5% Fixed Income Composite Index/10% FTSE 3 Month T-Bill
- The Moderate Income Benchmark is made up of 10% Russell 3000 Index/10% MSCI ACWI ex US Index/15% HFRI Fund of Funds Composite Index 15% Real Assets Composite Index/40% Fixed Income Composite Index/10% FTSE 3 Month T-Bill
- The Fixed Income Benchmark is 30% Blbg Barc U.S. Aggregate Index/30% Blbg Barc U.S. 1-5 Year Government/Credit Float Adjusted Index/25% FTSE World Government Bond Index/5% BBgBarc US TIPS 0-5 Yr TR/10% FTSE 3 Month T-Bill
- Beta: A measure of the volatility of an asset in relation to the market.
- Standard Deviation: A statistical term that describes the distribution of results.
- Sharpe Ratio: A measure of the excess return or risk premium per unit of risk in an investment asset or trading strategy
- Up/Down Market Capture Ratio: A measure of what percentage of a market's return is "captured" by a portfolio.

Information Disclaimer

- Past performance is no guarantee of future results.
- All investments carry some level of risk. Diversification and other asset allocation techniques are not guaranteed to ensure profit or protect against losses.
- NEPC's source for portfolio pricing, calculation of accruals, and transaction information is the plan's custodian bank. Information on market indices and security characteristics is received from other sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- Some index returns displayed in this report or used in calculation of a policy, allocation or custom benchmark may be preliminary and subject to change.
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- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

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- The client's custodian bank is NEPC's preferred data source unless otherwise directed. NEPC generally reconciles custodian data to manager data. If the custodian cannot provide accurate data, manager data may be used. All investments carry some level of risk. Diversification and other asset allocation techniques are not guaranteed to ensure profit or protect against losses.
- Trailing time period returns are determined by geometrically linking the holding period returns, from the first full month after inception to the report date. Rates of return are annualized when the time period is longer than a year. Performance is presented gross and/or net of manager fees as indicated on each page. Some index returns displayed in this report or used in calculation of a policy, allocation or custom benchmark may be preliminary and subject to change.
- For managers funded in the middle of a month, the "since inception" return will start with the first full month, although actual inception dates and cash flows are taken into account in all Composite calculations. This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.
- This report may contain forward-looking statements that are based on NEPC's estimates, opinions and beliefs, but NEPC cannot guarantee that any plan will achieve its targeted return or meet other goals.