

INVESTMENT REPORT AND POLICIES MARCH 31, 2008

Annualized Performance as of March 31, 2008*

	Growth Portfolio 75% Equities/25% Fixed Income	Growth/Income Portfolio 50% Equities/50% Fixed Income	Income Portfolio 20% Equities/80% Fixed Income
Quarterly return	-5.3%	-4.4%	-2.6%
1-year return	0.0%	-0.4%	-1.5%
3-year annualized return	7.0%	6.0%	3.8%
5-year annualized return	10.7%	n/a	n/a
10-year annualized return	2.1%	n/a	n/a

Historic One-Year Performance of Growth Portfolio

1-year return as of 12/31/07	8.1%	1-year return as of 12/31/01	-10.1%
1-year return as of 12/31/06	11.8%	1-year return as of 12/31/00	-3.07%
1-year return as of 12/31/05	7.3%	1-year return as of 12/31/99	15.3%
1-year return as of 12/31/04	10.5%	1-year return as of 12/31/98	13.16%
1-year return as of 12/31/03	24.52%	1-year return as of 12/31/97	14.07%
1-year return as of 12/31/02	-14.3%	1-year return as of 12/31/96	10.94%

Investment Objective and Strategy

The investment policies and guidelines of the Foundation reflect its desire to obtain the highest investment return possible within acceptable levels of risk. The Foundation recognizes that over the long term the risk of owning equities has been, and should continue to be, rewarded with somewhat greater returns relative to that available from fixed income investments, but with significantly greater volatility over the short term. The role of fixed income investments is to reduce the portfolio volatility associated with equity investments over the short term and to provide access to assets that are less volatile. Guidelines for diversification are established to control volatility and to provide a reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio.

** The investment returns of individual funds at the Lutheran Community Foundation vary based on actual transaction dates and investments in each asset class. This report reflects target allocation information and objectives of the Growth Portfolio, the Foundation's standard investment option. The two alternate portfolios – the Growth/Income Portfolio and Income Portfolio – were introduced in June of 2003, and as a result, long-term performance numbers are not yet available. These alternative portfolios are available for Organizational Funds and Donor Advised Dynamic Funds only. For more information about the Lutheran Community Foundation's investment policies, please contact the Foundation.*



Long-Term Target Allocation of Growth Portfolio*

The following target and range for each asset class is expected to produce patterns of returns and fluctuation levels that correspond to the overall return objectives, liquidity objectives and risk tolerance of the Foundation:

Asset Class	Target Allocation
Large Capitalization U.S. Equity	15%
Medium Capitalization U.S. Equity	5%
Small Capitalization U.S. Equity	5%
Global (non-U.S.) Equity	22%
Emerging Markets Equity	7%
Marketable Alternatives	10%
Real Assets	11%
Fixed Income	25%
Total	100%

Return Objectives

The Foundation's investments should earn a rate of return that allows the Foundation to satisfy its payment obligations to income beneficiaries, support the Foundation's annual grantmaking, and achieve long-term growth of the Foundation's assets. Short-term liquidity needs (to cover grant distributions, payments to income beneficiaries and operating expenses) are expected to be supported by ongoing contributions.

Review of Policy

The Investment Committee of the LCF Board will review the investment policies, objectives and guidelines set forth in this document at least annually. The Investment Committee will monitor the performance of the Foundation's assets at least quarterly with the assistance of the Foundation's investment consultants.

At least annually, each investment manager or mutual fund will be evaluated for compliance with the guidelines. The Investment Committee will meet with each investment manager as deemed necessary to review and confirm investment strategy and performance.

LONG-TERM ALLOCATION OF FOUNDATION INVESTMENTS

The investment policies and guidelines of the Foundation reflect its desire to obtain the highest investment return possible within acceptable levels of risk. Guidelines for diversification are established to control volatility and to provide a reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio.

The following target allocation of each asset class is expected to produce patterns of returns and fluctuations that correspond to the overall return and liquidity objectives, and risk tolerance of the Lutheran Community Foundation.

Asset Class	Target Allocation		
	Growth Portfolio	Growth/Income*	Income*
Large Capitalization U.S. Equity			
Thrivent Large-cap Value Fund	5.2%	4.02%	1.61%
American Washington Fund	2.3%	1.78%	0.71%
Thrivent Large-cap Growth Fund	7.5%	5.8%	2.32%
Medium Capitalization U.S. Equity			
Thrivent Mid-cap Stock Fund	5%	3.87%	1.55%
Small Capitalization U.S. Equity			
Thrivent Small-cap Stock Fund	5%	3.87%	1.55%
Global (non-U.S.) Equity			
Europacific Growth Fund	4.6%	3.56%	1.42%
Sanderson International Value Equity Fund	8.5%	6.58%	2.63%
MFS International Growth Equity Fund	8.5%	6.58%	2.63%
Emerging Markets Equity			
Aberdeen Emerging Markets Equity Fund	7%	5.42%	2.17%
Marketable Alternatives			
Nyes Ledge Horizon Hedge Fund	10.2%	0%	0%
Real Assets			
Wellington Diversified Inflation Hedge Fund	7%	5.42%	2.17%
Thrivent REIT	4%	3.1%	1.24%
Fixed Income			
Thrivent Core Bond Fund	25.2%	50%	80%
Total	100%	100%	100%

**The Growth/Income Portfolio and Income Portfolio are available to Donor Advised Dynamic Fund donors and Organizational Funds only.*