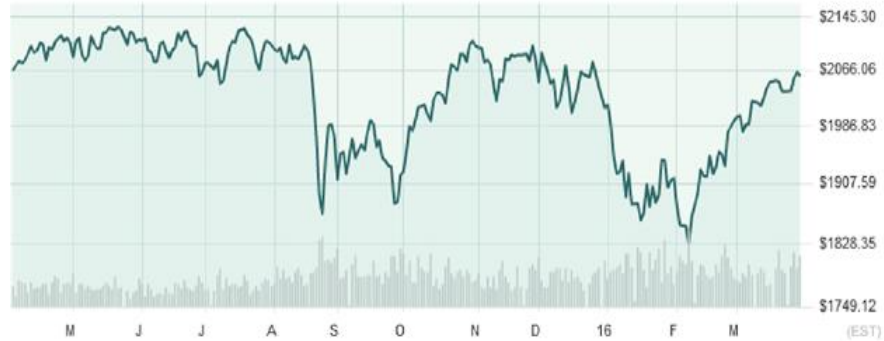


**MENNONITE EDUCATION AGENCY
INVESTMENT COMMITTEE
MARCH 31, 2016 QUARTERLY REPORT**

CAPITAL MARKETS

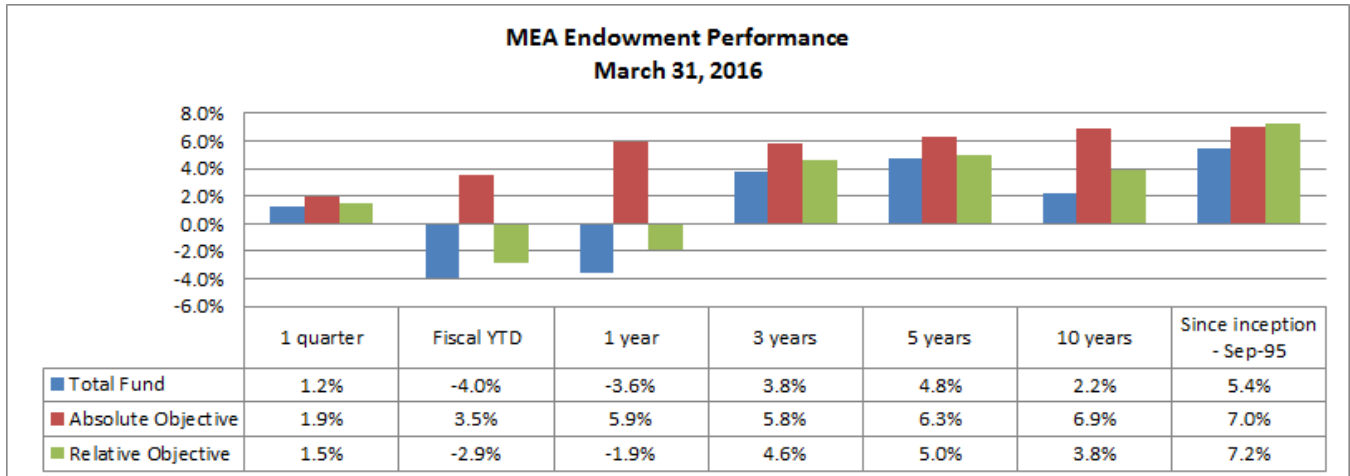
S&P 500 Index 4/1/2015 –3/31/2016

Equities rebounded substantially in March, reversing the earlier 2016 losses for most markets. The rally was supported by the European Central Bank’s announcement to extend its quantitative easing program, a more dovish course for the Fed, a weaker dollar, signs of stabilization in China, and the end of the blackout period for corporate buybacks. Markets looked past the terror attacks in Brussels, the continued pressure on corporate earnings and the fact that IPOs decreased to their lowest level since 2009. (Source: Mercer Market Summary - March 2016)



PERFORMANCE

Fund performance relative to the absolute and relative objectives is illustrated on the graph below. One point of reference is that the committee changed investment consultants (to Mercer Investment Consulting) in the fall of 2009. Note that performance is reported net of fees.



¹ The Absolute Objective consists of an 8% annual return through 6/30/2000, CPI + 3.5% from 7/1/2000 through 12/31/2004 and CPI + 5% from 1/1/2005 through current

²The Relative Objective consists of 25% S&P 500, 20% Russell Mid Cap, 20% Russell 2000, 20% MSCI EAFE, 10% NCREIF, 5% BC Aggregate prior to July 1, 2010; then 22% S&P 500, 8% Russell Mid Cap, 6% Russell 2000, 22% MSCI EAFE, 7% MSCI EM Gross, 5% BoA HY, 6% NCREIF ODCE, 5% Mennonite PE Actual and 19% BC Aggregate between July 1, 2010 and November 1, 2010; then 16.5% S&P 500, 7.5% Russell Mid Cap, 6% Russell 2000, 20% MSCI EAFE, 10% MSCI EM Gross, 5% BoA HY BB-B Constrained, 6% NCREIF ODCE, 16.5% BC Aggregate, 5% Mennonite PE Actual and 7.5% DJ USB Commodities Index between December 1, 2010 and June 2012; then 16.5% S&P 500, 7.5% Russell Mid Cap, 6% Russell 2000, 20% MSCI EAFE, 10% MSCI EM Gross, 5% BOA ML HY BB-B Constrained, 6% NCREIF ODCE, 16.5% BC Aggregate, 5% Mennonite PE Actual, 5% DJ UBS Commodities Index and 2.5% 3 Month-Bill between July 1, 2012 and March 31, 2013; then 16.5% S&P 500, 7.5 Russell Mid Cap, 6% Russell 2000, 20% MSCI EAFE, 10% MSCI EM Gross, 5% BoA ML HY BB-B Constrained, 6% NCREIF ODCE, 11.5% BC Aggregate, 5% Ashmore EM Custom, 5% Mennonite PE Actual, 5% DJ UBS Commodities Index and 2.5% 3 Month T-Bill between April 1, 2013 and June 30, 2013. Effective July 1, 2013 the Relative Objective consists of 15.5% S&P 500, 6.5% Russell Mid Cap, 5% Russell 2000, 17% MSCI EAFE, 10% MSCI EM Gross, 5% BoA ML HY BB-B Constrained, 3% NCREIF ODCE, 7.5% BC Aggregate, 5% Ashmore EM Custom, 10% Mennonite PE Actual, 3% DJ UBS Commodities Index, 10% CPI + 6.5% and 2.5% 3 Month T-Bill.

INVESTMENT COMMITTEE UPDATES

- Meeting: The MEA Investment Committee met February 26-27, 2016 in Orlando, Florida. Following that meeting several of the committee members attended the Commonfund Investment Forum which was also held in Orlando.
- Manager presentation: Gerhard Pries, Khan Huynh and Ted Kanarek from Sarona Asset Management reported on the committee's investment in Sarona Frontier Market Fund 2. Sarona grew out of MEDA (Mennonite Economic Development Association) and is now a privately owned independent investment firm. The objective of the firm is to deliver capital to entrepreneurs in under-served markets and help them develop their companies and their communities profitably and sustainably.
- Climate Change: The issue of climate change and calls for divestment from fossil-fuel companies is being energetically discussed by activists on some of the MEA-related campuses. Mercer checked the portfolio against the "Underground 200" and the "Filthy Fifteen" lists. Groups from Goshen College and Eastern Mennonite University (EMU) wrote a letter with questions, requests and a timeline for responses. The committee continues to work on a climate change position paper. Ultimately, the committee and the students have the same goals, just different means toward addressing climate change. Phil Rich and Lisa Heinz met with the EMU activist group in March.
- Future meetings:
 - May 6, 2016: MEA Investment Committee meeting: Chicago, Illinois
 - September 19, 2016: MEA Investment Committee meeting: St. Louis, Missouri
 - September 20-21, 2016: Mercer client conference: St Louis, Missouri
 - February 24-25, 2017: MEA Investment Committee meeting: Sarasota, Florida
- Constituent meetings: Phil Rich and Lisa Heinz gave updates on the work of the investment committee to the EMU and Anabaptist Mennonite Biblical Seminary finance committees.