

**CAPITAL MARKETS**

S&P 500 Index 7/1/2015–6/30/2016

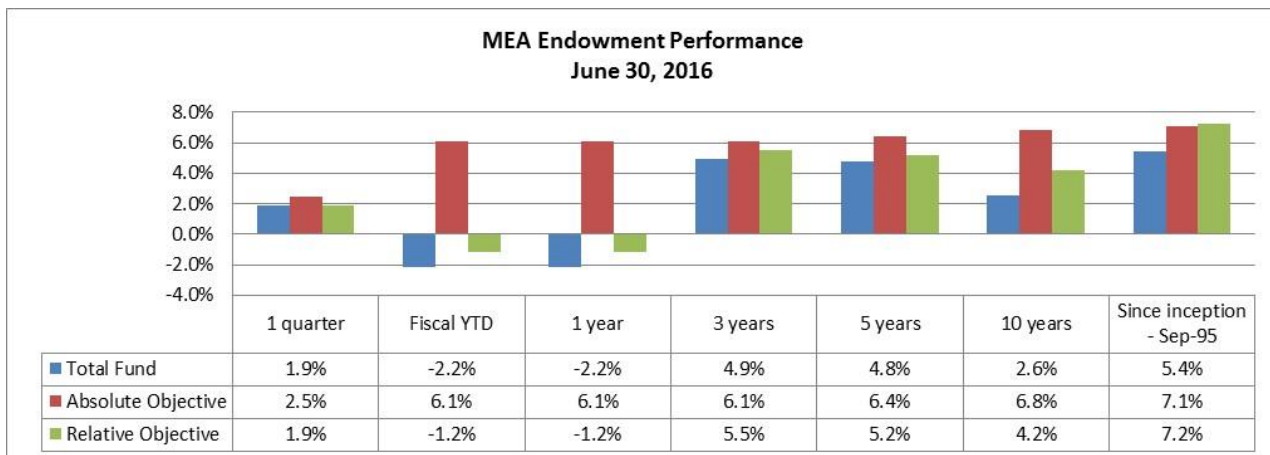
Equity markets drifted higher in the first week of June. However, volatility surged and a flight to safety ensued when sentiment



turned towards a potential Brexit. The final vote on June 23 in favor of the UK leaving the EU sent a shockwave through financial markets, with European and UK equities suffering immediate and heavy losses. Central banks were on standby with liquidity and the promise of monetary policy stimulus, which helped to diffuse the shock and helped markets recoup most of the losses surprisingly quickly. (Source: Mercer Market Summary - June 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.



<sup>1</sup> 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

<sup>2</sup>The 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 May 6, 2016 in Chicago, Illinois.
- Investment Review: Returns (relative to benchmarks) have not been as encouraging as they were a couple of years ago; however, the committee recognizes the importance of maintaining a long-term focus for the fund. The committee remains confident with the current asset allocation.
- Values + ESG: Mark Regier, Everence Vice President of Stewardship Investing, outlined Everence's plan to integrate its socially responsible investing (SRI) index with environmental, social, governance (ESG) criteria for assessing sustainability and ethical impacts of investments. He also introduced the Intentional Endowment Network as a network that the MEA Investment Committee could consider joining.
- Praxis Impact Bond Fund: Benji Bailey, Everence Senior Fixed Income Manager, reported that the name of the Praxis Intermediate Fund had been changed recently to reflect a more positive impact on the community. The fund includes four kinds of green bonds: green use of proceeds bond (recourse to issuer), green use of proceeds revenue bond (non-recourse to issuer, but exposure to cash flows), green project bond (direct exposure to the product), and green securitized bond (bond collateralized by one or more specific projects.)
- Climate change position paper: The committee has completed work on a paper describing its role as an investor, its position, its approaches to addressing climate change and examples of shareholder advocacy success stories. The paper will be available on the MEA website. A copy is attached.
- Climate change conference: There have been conversations with student groups at EMU and Goshen College about the possibility holding climate change conferences on their campuses. (A side note following the meeting: Plans are underway for a conference to be held at Goshen College October 2-4, 2016 with Mark Campanale, founder of the Carbon Tracker Initiative, as guest speaker.)
- Future meetings:
  - 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
  - May 12, 2017: Denver, Colorado