Global equity markets continued to advance in December, pushing stocks to new highs and finishing 2016 with solid gains. A changing political landscape with the Brexit vote in June and the US elections in November kept investors’ attention high during the year while oil, currency and interest rate volatility added to uncertainty. (Source: Mercer Market Summary – December 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

2 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 16.5% DJ USB Commodities Index between December 1, 2010 and June 30, 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 T-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, 5% DJ UBS Commodities Index, 10% CPI + 6.5% and 2.5% 3 Month T-Bill.
INVESTMENT COMMITTEE UPDATES

- **Mercer market outlook:** The global economy is starting to reflate while monetary policy will likely become less supportive for economic activities and financial markets. The changing political landscape adds a new layer of uncertainty.

  **Equities:** After three years of relatively stable equity markets, 2017 offers the prospect of more material moves in both directions. Improved profits and reduced deflationary fears should support equities, although less accommodating monetary policies and any moves by the US to restrict trade with Mexico or China would undermine them.

  **Bonds:** While equities have been relatively stable over the past few years, the same cannot be said of bonds. Government bond yields in all developed markets reduced sharply, reaching their lowest yields of all time in mid-2016. The fund’s fixed income investments in high yield and emerging market debt provided strong returns for 2016. Developed government bond markets are expected to remain weak in 2017, with yields rising further.

  **Emerging market equities:** The outlook on emerging market equities is becoming more positive. If their economies continue to recover, then profits could rise for the first time in many years. The key risk comes from the new US administration, which on the campaign trail promised to impose tariffs on Mexico and China. Such measures would be hugely damaging to the global economy as a whole and to emerging economies such as Mexico in particular.

  (Source: Mercer Economic and Market Outlook: 2017 and Beyond)

- **Future meetings of the MEA Investment Committee:**
  - February 24-25, 2017: Tampa, Florida
  - May 12, 2017: Denver, Colorado
  - Fall 2017 (with Business Officers): Date to be determined: Chicago, Illinois