

**MENNONITE EDUCATION AGENCY
INVESTMENT COMMITTEE
MARCH 31, 2017 QUARTERLY REPORT**

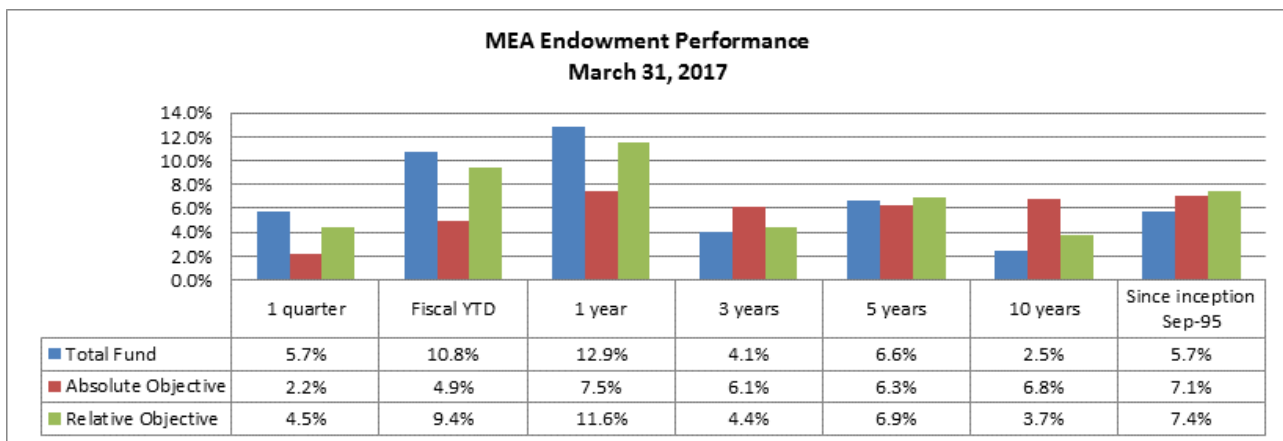
CAPITAL MARKETS

The US equity rally faced some headwinds, although markets outside the US generally posted strong gains. One headwind for equities during the quarter was the idea that the Trump administration’s pro-growth policies could encounter congressional roadblocks. While fundamental growth factors such as GDP growth and positive earnings forecasts still support the post-election rally, valuations are rich and monetary policy is becoming less accommodative. The Fed increased its target rate by 25 bps in March, while the Bank of Japan, the Bank of England, the ECB and the National Bank of Switzerland left rates unchanged. (Source: Mercer Market Summary – March 2017)



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

- The Mennonite Education Agency (MEA) Investment Committee met February 24-25, 2017.
- The committee invited two international equity managers to give presentations to the committee. The committee is considering all its options in this space. It will interview another manager at the May 12, 2017 meeting.
- Chicago Equity Partners (domestic equities, small-, mid- and large-cap) gave a presentation to the committee on its large cap performance. After discussion, the committee affirmed continuing with Chicago Equity Partners.
- Three representatives of the Investment Committee attended the Intentional Endowment Network (IEN) Forum held in Chicago in November, 2016. The IEN is a broad-based, collaborative network advancing intentionally designed endowments through a variety of strategies (e.g., integration of environmental, social and governance (ESG) criteria, impact investing, shareholder engagement) that can make significant and critical contributions to creating a healthy, just, and sustainable society. The IEN engages key leaders and stakeholders in the higher education, business, and non-profit sectors. It provides opportunities for education and training, peer networking, convening, thought leadership and information exchange. The Investment Committee decided to join IEN.
- Following a recommendation from the Investment Committee, the MEA Board of Directors appointed Aaron Ziulkowski to serve on the MEA Investment Committee beginning July 1, 2017. The current members serving on the committee are:
 - Barry Bartel (Golden, Colorado)
 - Tom Bishop (Greenwood Village, Colorado) - Tom's term ends June 30, 2017.
 - Jim Hestand (Goshen, Indiana), secretary
 - John L. Liechty (Goshen, Indiana), vice chair
 - Bart Miller (Oak Park, Illinois)
 - JB Miller (Sarasota, Florida)
 - Phil Rich (Archbold, Ohio), chair
 - Katie Villegas (Durham, North Carolina)
 - Linwood Rush, MEA treasurer, ex officio (Portland, Oregon)
- Future meetings of the MEA Investment Committee:
 - May 12, 2017: Denver, Colorado
 - October 20, 2017 (with Business Officers): Chicago, Illinois