

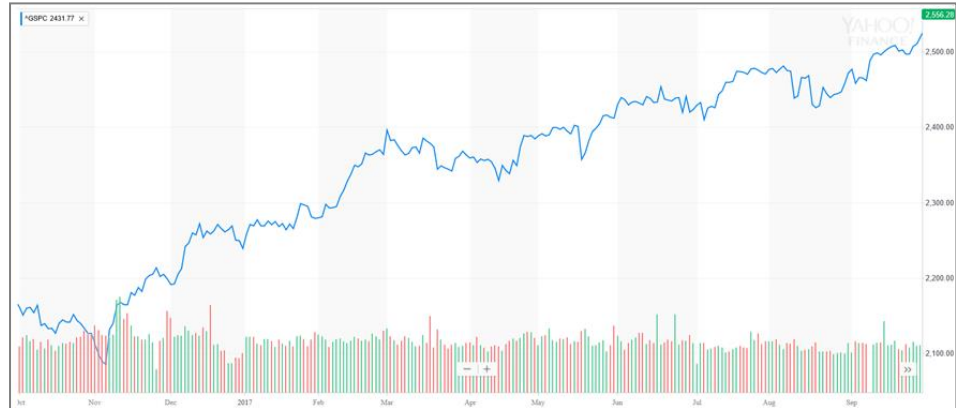
**MENNONITE EDUCATION AGENCY
INVESTMENT COMMITTEE
SEPTEMBER 30, 2017 QUARTERLY REPORT**

CAPITAL MARKETS

Global equities moved modestly higher in September, closing out a solid third quarter and adding to impressive 2017 returns.

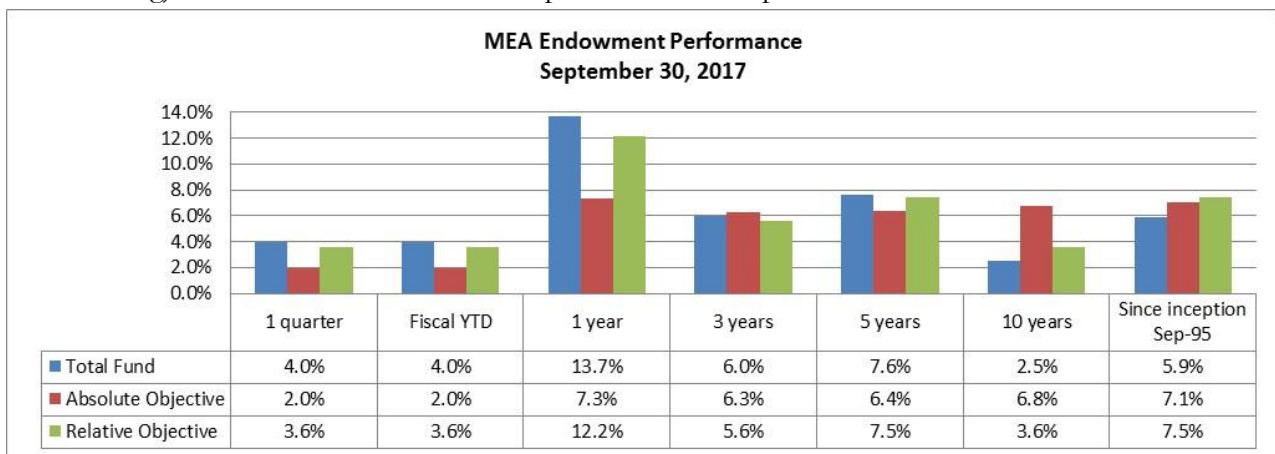
Performance was positive across developed markets, with small-caps and energy stocks leading the way. Emerging market equities, however, declined modestly after the Fed maintained its rate hike outlook following its September meeting. Equity investors continued to favor higher risk and volatile stocks. The global economy continues to firm, reflecting the strongest and most synchronized growth since 2010 among developed and emerging markets. Concerns over fragmentation and increasing protectionism following the UK and US elections have not been realized so far. (Source: Mercer Market Summary – September 2017)

S&P 500 index October 1, 2016 – September 30, 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% BBgBarc Aggregate between July 1, 2010 and November 30, 2010; 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% BBgBarc Aggregate, 5% Mennonite PE Actual and 7.5% Bloomberg 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% BBgBarc Aggregate, 5% Mennonite PE Actual, 5% Bloomberg 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% BBgBarc Aggregate, 5% Ashmore EM Custom, 5% Mennonite PE Actual, 5% Bloomberg 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% BBgBarc Aggregate, 5% Ashmore EM Custom, 10% Mennonite PE Actual, 3% Bloomberg Commodities Index, 10% HFRI Fund of Fund Composite Index and 2.5% 3 Month T-Bill.

MEA INVESTMENT FUND BACKGROUND/UPDATES

Investment Objectives

To develop a portfolio that can balance current spending needs with those of future generations. An emphasis is placed on controlling overall volatility and risk, and being sensitive to cash flow needs.

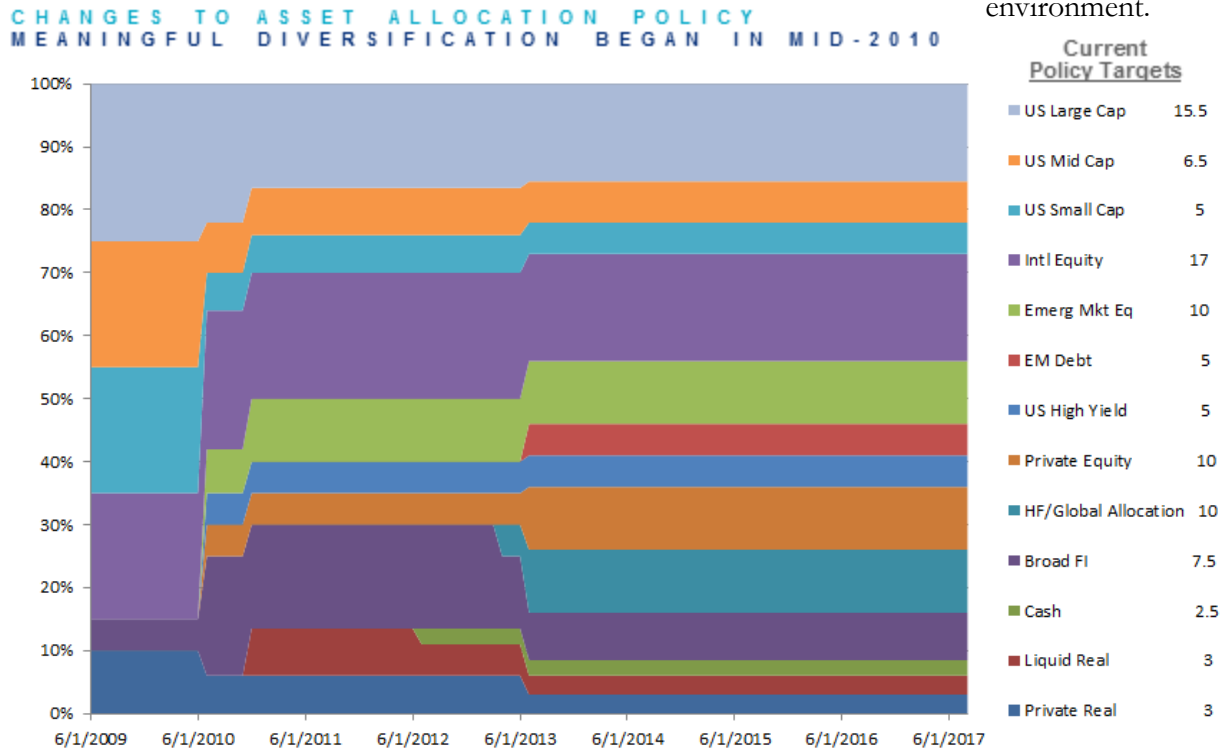
- Controlling current spending is vital to maintaining purchasing power for future generations.
- The MEA spending rate is 5%, distributed quarterly.
- The MEA rate is based on a 10-year average of past market values. This limits the volatility of year-over-year distributions, allowing the portfolio to be more volatile than the average endowment.
- This longer averaging period than the conventional 3-year average keeps distributions from getting ahead of the growth in assets during strong markets.

Role of the Investment Committee

The Investment Committee meets at least three times a year to review investment related topics, including:

- Asset allocation
- Performance results (total portfolio and each individual manager)
- Peer benchmarking
- Responsible investment guidelines
- Fees

The Investment Committee continues to explore and consider additions to the portfolio that will complement the current allocation and assist in achieving long-term objectives in a low-growth environment.



Future meetings of the MEA Investment Committee

- March 2, 2018: Durham, North Carolina
- June 1, 2018: location to be determined
- October 1, 2018 (annual meeting including Business Officers): St Louis, Missouri, followed by Mercer Conference October 1-3.

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