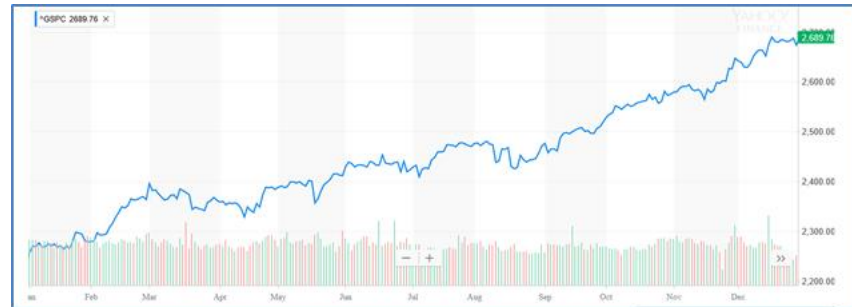


**MENNONITE EDUCATION AGENCY
INVESTMENT COMMITTEE
DECEMBER 31, 2017 QUARTERLY REPORT**

CAPITAL MARKETS

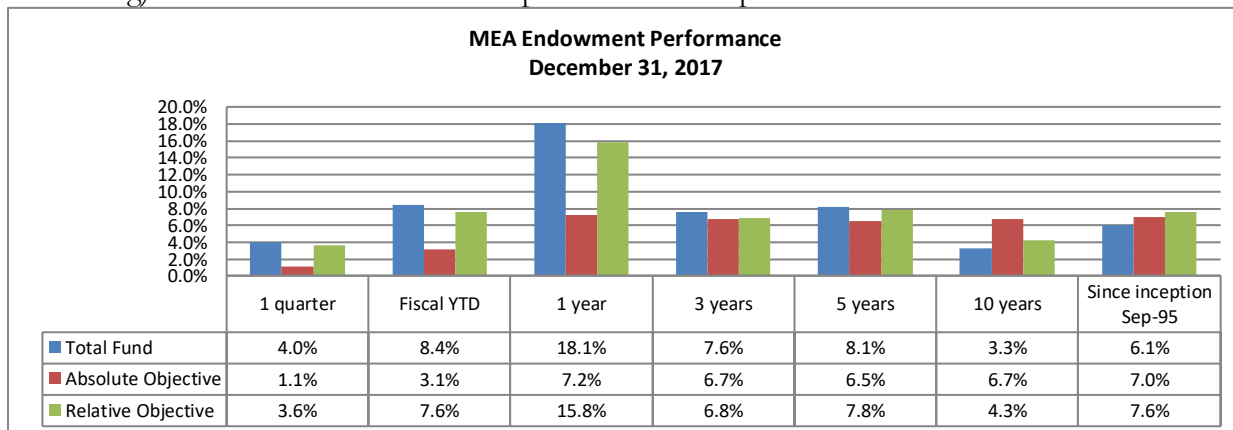
S&P 500 index January 1, 2017 – December 31, 2017

Global equity markets moved higher in December and finished the year with very strong gains. While geopolitical risks remained elevated due to Brexit uncertainty, North Korean tensions and the risk of protectionism, these concerns were largely ignored by markets. Instead the focus was on the global economy and corporate earnings, which helped propel US stocks to record highs. As we end 2017, the global economy is the healthiest that it has been since the financial crisis, with all major regions experiencing solid expansions. Globally, monetary policy has started to turn less stimulative as the world's major central banks are moving gradually to a more hawkish tone. Source: Mercer Market Summary – December 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.

INVESTMENT COMMITTEE UPDATES

- The Mennonite Education Agency (MEA) Investment Committee (Committee) met October 20, 2017 in Chicago, Illinois. The business officers of institutions with at least \$1 million in the MEA Investment Fund were invited to attend. Representatives from Bluffton University, Eastern Mennonite University and Goshen College were present and provided updates from their institutions.
- The Committee also welcomed Vyron Schmidt as minute-taker, replacing Ruth Schrock who retired September.
- The total fund experienced a strong one-year period ending June 30, 2017, with assets of \$151.5 million, and a one-year return of 14.1%; this surpassed the Absolute Objective benchmark of 6.7% and the Relative Objective benchmark of 12.9%. The Total Fund outperformed several of the larger, well known educational endowment funds for the one-year period, including Harvard (8.1%), Yale (11.3), Princeton (12.5), Norte Dame (12.6), Duke (12.7), and Stanford (13.1).
- Two of our investment managers gave presentations: First State (Stewart Investors), emerging markets equity and PIMCO, global asset allocation.
- The MEA investment committee has desired a better, market-related benchmark for PIMCO AAAA (All Asset All Authority). When added to the MEA portfolio in June 2013, Mercer set the performance benchmark to the fund's long-term target objective of CPI+6.5%. However, this is not a market related benchmark. After considerable discussion, the MEA committee decided to use the HFRI FOF Composite Index for the MEA Total Fund relative objective benchmark retroactive to the inception of MEA's relationship with PIMCO AAAA.
- Mercer staff Reid Smith reviewed the performance of our private equity holdings, noting the total internal rate of return of 8.52% compared to MSCI ACWI benchmark of 7.18% for an over performance of 1.36%.
- Mark Regier, Everence, presented a stewardship investing update. He summarized the number of companies excluded by the SRI screens: 39 or 10.5% excluded from the S/P growth index; 47 or 22.6% excluded from S/P value; and 70 or 11.9 % excluded from S/P 600 Small Cap index. Mark shared some advocacy highlights, proxy voting updates (MEA voted at 461 meetings, on 5,064 resolutions), and an update on Israel-Palestine issues.

Future meetings of the MEA Investment Committee

- March 2, 2018: Durham, North Carolina
- June 1, 2018: location to be determined