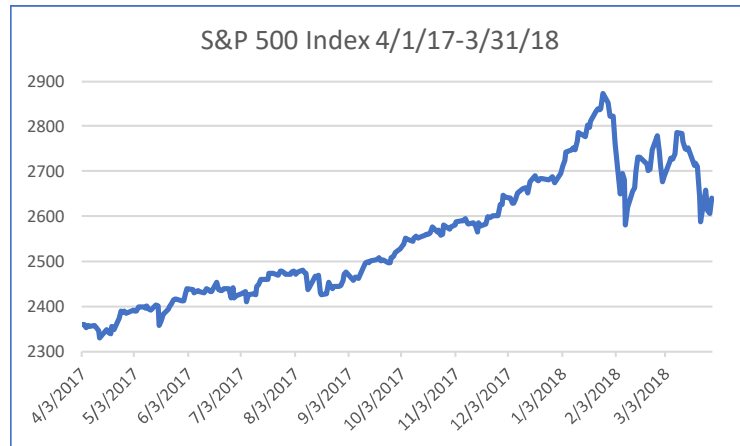


MENNONITE EDUCATION AGENCY INVESTMENT COMMITTEE MARCH 31, 2018 QUARTERLY REPORT

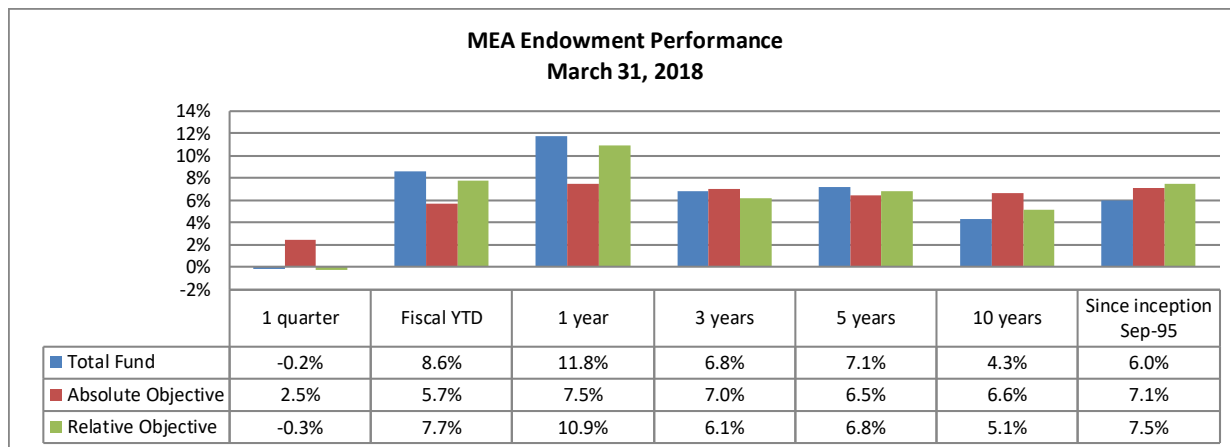
CAPITAL MARKETS

Global equity markets continued to trade lower in March closing out the turbulent quarter, ending the MSCI ACWI's streak of positive quarterly returns at nine. Volatility remained elevated over possible growth impacts of the trade tariffs, geopolitical turmoil with respect to North Korea and Russia, pressure on tech stocks following Facebook's data scandal and higher oil prices. (Source: Mercer Market Summary – March 2018)



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 March 2, 2018 in Durham, North Carolina.
- The MEA Total Fund experienced a strong one-year period ending December 31, 2017 with assets of \$163.4 million and a one-year return of 18.1%; this outperformed our Relative Objective Benchmark of 15.8% and our Absolute Objective of 7.2%. This one-year performance places the MEA Total Fund in the top decile (9th percentile) of its peers in the InvestorForce All Endowment Net Universe.
- For the three-year annualized period, the Total Fund advanced 7.6% per annum, beating our Relative Objective benchmark of 6.8% and ranking the fund in the first quartile (22nd percentile) of its endowment peers. Over the five-year period the Total Fund ranked slightly below median (54th percentile) gaining 8.1% per annum and outperformed our Relative Objective benchmark of 7.8%.
- SJF Ventures gave a presentation to the committee. SJF is a venture capital firm with a deep commitment to social and environmental impact along with financial growth. They focus on clean energy, recycling, sustainable agriculture, education, health & wellness, and workforce & economic access. It is one of nine MEA Total Fund investments in Private Equity and the most recent.
- Ashmore emerging market bond fund also gave a presentation. Based in London, Ashmore uses an active management, team-based investment process with 80 global investment staff. The MEA Total Fund has \$7,916,459 or 4.8% of our portfolio invested with Ashmore as of Dec. 31, 2017. This represents slightly less than 1/3 of our Total Fixed Income portfolio. Our current returns from Ashmore (after fees) were 13.69% for one year and 7.85% for three years, still well above our benchmark. The fund considers environmental and social impacts.
- The Committee is aware of the importance of maintaining strong communication links with pool participants. Therefore, the committee spent time brainstorming how that might be improved.
- The committee affirmed its response to the Mennonite Church USA resolution on Israel/Palestine investments that will be shared with the delegate body at the 2019 MC USA convention in Kansas City: to continue to make a sincere effort to incorporate the spirit and substance of the resolution into our investment decisions wherever possible.
- The committee recommended Susan Taylor who was subsequently appointed as member of the Investment Committee by the MEA Board. Susan brings strong investment expertise to the committee. She is partner with Just Money Advisors which specializes in socially responsible and community investing options.

Future meetings of the MEA Investment Committee

- June 1, 2018: Goshen, Indiana
- September 30, 2018: Chicago, Illinois
- March 1, 2019 Sarasota, Florida

For additional information please contact: Lisa Heinz, Mennonite Education Agency
Email: LisaH@MennoniteEducation.org Telephone: (574) 343-1307