

**MENNONITE EDUCATION AGENCY  
INVESTMENT COMMITTEE  
DECEMBER 31, 2018 QUARTERLY REPORT**

**CAPITAL MARKETS**

**S&P 500 January 1 – December 31, 2018**

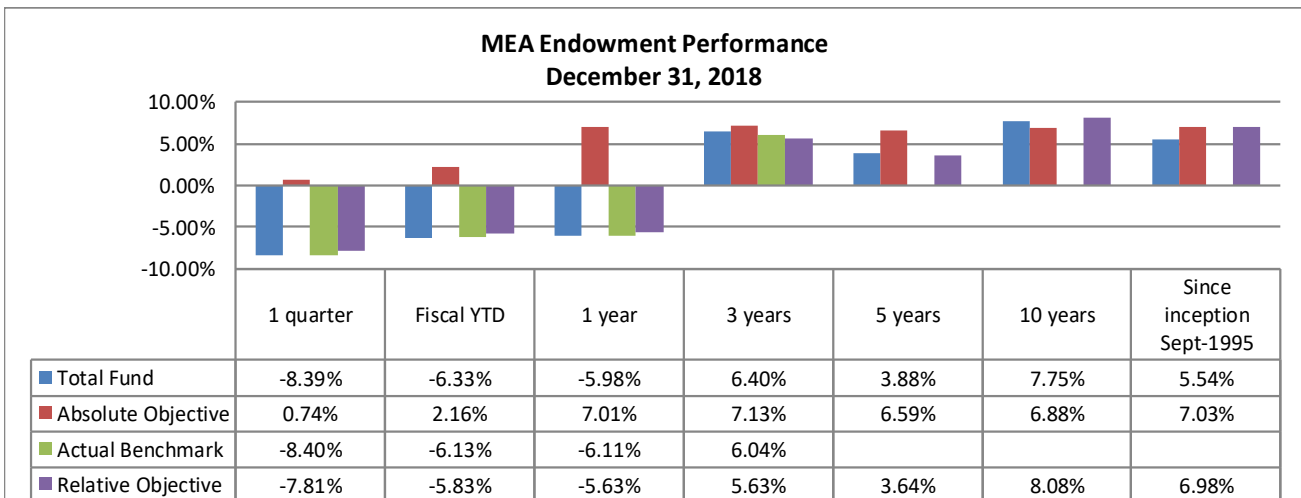
After a difficult October and November, markets remained highly volatile in December. Equities declined sharply across most regions and sectors, finishing the year with losses. US stocks led the selloff, while losses in emerging and European markets were more muted.



Tightening financial conditions, ongoing trade tensions, slowing global growth, cautious forward guidance in corporate earnings reports, falling oil prices, as well as increasing financial vulnerability in the corporate sector have all weighed on market sentiment. Moreover, uncertainty surrounding the passage of the Brexit deal, the protests in France, and the US government shutdown over border security showed that political risks remain elevated. (Source: Mercer Market Summary – December 2018)

**PERFORMANCE**

Fund performance relative to the absolute, actual 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.



<sup>1</sup> 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

<sup>2</sup> The Actual Benchmark measures the Total Fund's return had it been passively invested in the underlying managers' benchmarks at the prior month end weight.

<sup>3</sup> 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% 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 January 25-26, 2019 in Chicago, Illinois (more information on that meeting will be included in the March newsletter).
- Each year the MEA Investment Fund participates in the NACUBO-TIAA\* Study of Endowments. This comprehensive study serves as a principal resource for understanding key trends in endowment management. Results from the 2018 study (for fiscal years ending June 30) revealed the following comparative returns (by endowment size) for the MEA Investment Fund:
  - MEA 1-year returns: 8.82% compared with 7.9% peer average
  - MEA 3-year returns: 6.74% compared with 6.0% peer average
  - MEA 5-year returns: 7.49% compared with 7.1% peer average
  - MEA 10-year returns: 4.26% compared with 5.6% peer average

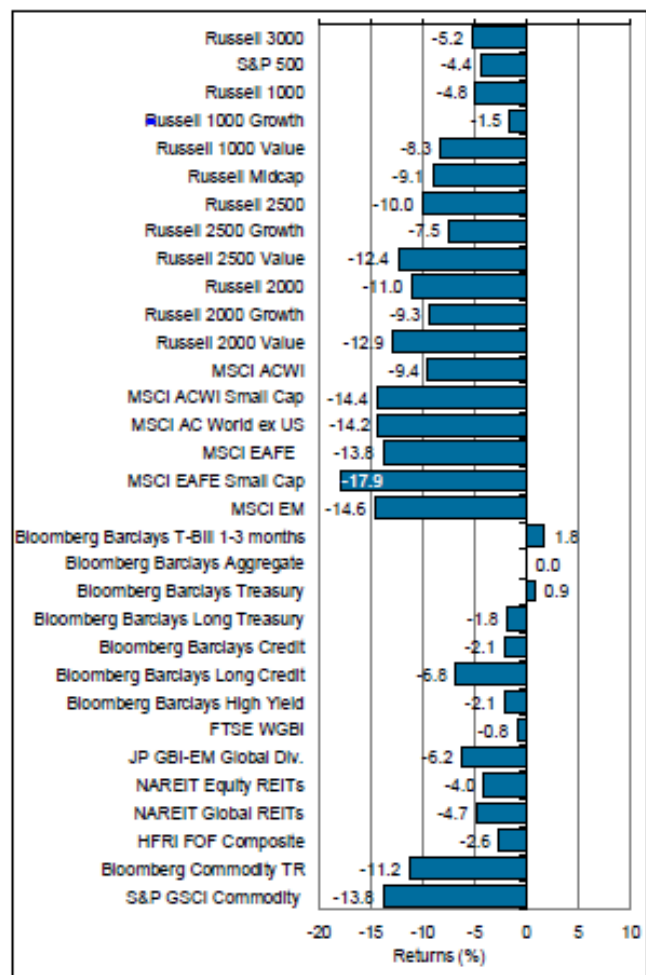
\*NACUBO = National Association of College and University Business Officers; TIAA = Teachers Insurance and Annuity Association

- The graph to the right illustrates the 2018 market challenges. There with losses in every asset class except two, leaving “no place to hide”.

### Future meetings of the MEA Investment Committee

- June 3, 2019 Chicago, Illinois
- September 16, 2019 St Louis, Missouri (in conjunction with the Mercer client conference)
- January 24-25, 2020 Sarasota, Florida

Market Index Returns 2018



Source: Datastream

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