

ELCA ENDOWMENT FUND POOLED TRUST – FUND A

SECOND QUARTER 2016 REPORT



ELCA Foundation
Evangelical Lutheran Church in America

FUND A – SECOND QUARTER 2016 SUMMARY

For the second quarter, Fund A returned 1.8%, trailing the benchmark return of 2.0%, gross of fees. For the last 12 months, the Fund is down 0.1%, trailing the benchmark return of 0.9%, gross of fees.

ALL ABOUT THE BREXIT

Kurt Kreienbrink, CFA

Manager, Socially Responsible Investing and Investor Advocacy, Portico Benefit Services

Second quarter update

The Standard & Poor's 500 Stock Index (S&P 500) total return was 2.5% for the quarter, and is up 3.8% in 2016. The investment-grade bond market, as measured by the Citigroup Broad Investment-Grade Bond Index, was up 2.3% for the quarter, and is up 5.4% in 2016.

Brexit, Brexit, Brexit

First quarter seemed to be lacking a dominant market news item, but second quarter more than made up for it with Brexit. If you haven't heard by now, on June 23 British voters passed a referendum to exit the European Union (EU). While the initial reaction from the markets was rather negative, and the actual impact of the vote won't be known for years, equity prices in the United Kingdom (UK) actually closed the month up from the pre-vote high and the United States (U.S.) is only down slightly after posting three strong days to end the quarter. Still, the details of the exit process continue to emerge, and as they do, there will likely be more volatility in the region and global markets as well.

What's the next big thing?

The reason Brexit caught so many investors by surprise is most experts thought British voters would reject the referendum, but with its passing, we see once again there's no way to reliably predict the next big thing. Rather than playing a losing game of trying to predict market events, as well as the market's reaction to those events, Portico focuses on providing a solid structure targeting long-term investment success. This includes broad diversification across a variety of asset classes to help manage volatility, assembling an

experienced and deep lineup of investment managers and investment expertise, and diligently managing investment expenses to reduce the drag on overall investment performance.

GLOBAL EQUITY MARKET REVIEW

Josh Stieler, CFA

Senior Investment Manager,
Portico Benefit Services

Global equity markets collectively recorded a modest gain in the second quarter. In late June, markets were caught off guard by the United Kingdom's (UK) decision to leave the European Union (EU). Initial reaction was swift and decidedly negative as equity markets sold off globally. This sell-off was followed by an equally swift recovery in the final days of the quarter. While the market's response to the referendum outcome was a bit erratic, it serves to highlight the uncertainty involved in the situation. The UK's exit from the EU will take years to play out, and because there is little precedent for such an event, will no doubt produce more surprises in the months to come. Amidst this uncertainty, investors favored less volatile stocks. Also, as we've seen throughout the low interest rate environment, stocks that pay healthy dividends also outperformed the broader market.

Fund A's U.S. equity component returned 1.8%, trailing the benchmark return of 2.6%. Underperformance was broad based, with five of the six active managers trailing their benchmark. Value stocks outperformed growth stocks, while smaller companies outperformed their larger counterparts. From a sector standpoint, energy, utilities and telecom stocks led the market while consumer discretionary and technology stocks trailed.



GLOBAL EQUITY MARKET REVIEW (CONT'D)

Fund A's non-U.S. equity component returned -0.3%, outpacing the benchmark return of -0.7%. The value components, both large cap and small cap, generated the bulk of the outperformance. Emerging markets outperformed developed markets for the second consecutive quarter. The dollar strengthened again versus global currencies, reducing returns for U.S.-based investors by 0.45%.

GLOBAL REAL ESTATE SECURITIES MARKET REVIEW

Mike Clancey, CFA, CAIA

Assistant Investment Manager,
Portico Benefit Services

Fund A's global real estate securities component returned 4.4% in the second quarter of 2016, compared to the custom benchmark return of 3.6%.

Global real estate securities outperformed both U.S. equity (+2.6%) and non-U.S. equity markets (-0.7%) for the quarter as the late first quarter rally continued into the second quarter. U.S. REITs outperformed their international counterparts by a wide margin (+5.4% vs. 0.6% USD returns). Foreign exchange volatility had a large impact on the international portion of the portfolio as a result of the Brexit vote in June. The international portion of the portfolio is passively managed, and at the end of the quarter had roughly 5% direct exposure to UK property companies and the pound sterling. Low yields across the globe have continued to benefit REIT prices as their yield spreads compare favorably, but the asset class is still vulnerable to rising interest rates, if they ever materialize.

FIXED-INCOME MARKET REVIEW

Mark Haney, CFA

Senior Investment Manager,
Portico Benefit Services

Core investment-grade fixed-income

In the second quarter of 2016, Fund A's fixed-income portfolio returned 2.2%, the same as the return of the custom benchmark.

The Federal Reserve (the Fed) noted in its June 2016 statement that economic activity continued to expand at a moderate pace during the quarter. Although

the unemployment rate has declined, the pace of improvement in labor market has slowed. The Fed decided to keep the federal funds rate steady at a target range of between 0.25% and 0.50%. All policies of reinvesting maturing principal of government agency and mortgage-backed holdings, as well as rolling over maturing Treasury securities at auction, remain unchanged.

With interest rates lower by as much as 0.3% for the quarter and credit spreads tighter, bonds posted a healthy 2.25% return as measured by the Citigroup Broad Investment-Grade Bond Index. Credit led the way with its 3.55% return; Governments returned 2.06%; and Mortgages lagged at 1.07%.

High-yield bonds

High-yield bonds continued their strong performance in the second quarter of 2016 posting a return of nearly 5% as measured by the Citigroup High-Yield BB/B index. Portico high-yield managers underperformed the index for the quarter, returning 4%.

It was a "risk on" quarter, with CCC rated bonds returning 13.7%, compared to the highest quality BB segment which returned only 4.6%. Energy and metals/mining posted outsized returns of 27.5% and 18.4% respectively; Retail stores struggled to post a positive return, but finished the quarter with a 0.3% return. Fundamentals remained fairly strong, but with spreads about 1.8% lower for the quarter, the high-yield market may be due for a decline or sideways move over the next 3 months. Given this, just earning the 7.3% yield for the rest of the year may be a great result. According to Moody's, the U.S. speculative-grade default rate rose to 4.4% by the end of April, but expects the rate to rise to 6.2% by the end of 2016.

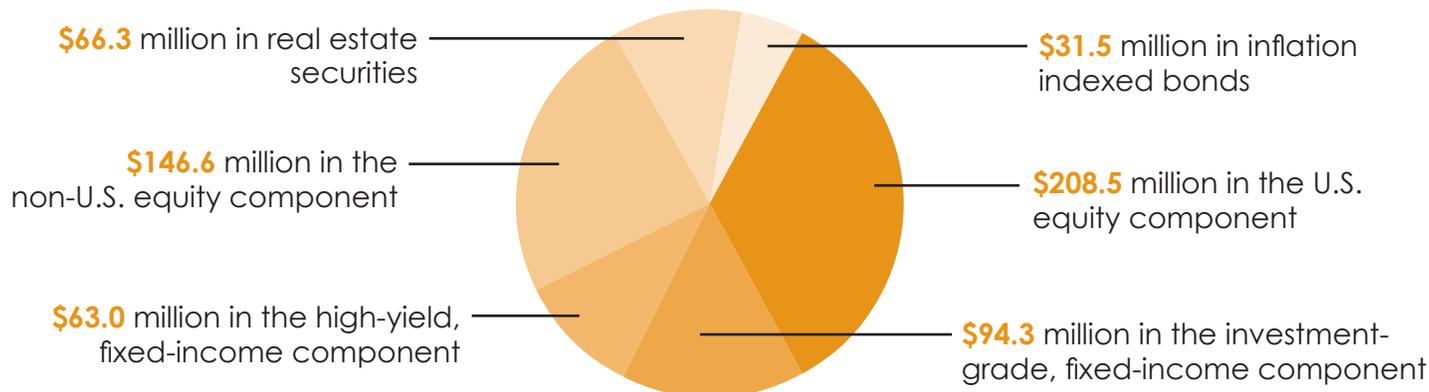
Inflation-indexed bonds

Inflation-indexed bonds slowed from their first quarter pace, but kept pace with nominal Treasuries in the second quarter. The segment ended the quarter with a return of 1.4%. This passively-managed (indexed) portfolio's return was in line with that of the benchmark.



FUND A PORTFOLIO MARKET VALUE¹

As of June 30, 2016, Fund A had investments of approximately \$610.2 million.



FUND A INVESTMENT PORTFOLIO PERFORMANCE² AS OF JUNE 30, 2016

		Q2 (%)	YTD (%)	1 YR (%)	3 YRS (%)	5 YRS (%)	10 YRS (%)	SINCE INCEPTION
TOTAL FUND A⁷		1.83	3.24	-0.08	7.17	6.97	6.12	5.09
FUND A BENCHMARK: Benchmark: 35% Russell 3000 Index, 25% MSCI All Country World ex-U.S. Index, 10% Citigroup High Yield BB/B Cash Pay Capped Index, 15% Custom Citigroup Bond Index, 10% of Custom Dow Jones Global Real Estate Securities Index (60% Dow Jones U.S. Select Real Estate Securities Index and 40% Dow Jones Global ex-U.S. Select Real Estate Securities Index), and 5% Citigroup U.S. 1-10 year Inflation Linked Securities Index.		2.00	3.85	0.87	6.58	6.57	5.79	4.99
EQUITIES	Fund A U.S. Equity portfolio	1.81	1.33	-1.91	10.80	11.60	7.46	4.84
	U.S. Equity Benchmark (Russell 3000 ³)	2.63	3.62	2.14	11.13	11.61	7.48	5.04
	Fund A non-U.S. equity portfolio	-0.32	0.09	-7.56	3.59	1.89	2.96	N/A
	Fund A non-U.S. equity benchmark (MSCI All Country World (Ex-U.S.) Index)	-0.68	-0.91	-9.61	1.65	0.44	2.04	N/A
HIGH-YIELD	Fund A high-yield portfolio	3.98	6.34	0.67	4.27	5.66	7.53	N/A
	High-yield benchmark (Citigroup BB/B Cash Pay Capped Index ⁸)	4.86	7.88	0.69	3.83	5.43	7.00	N/A
FIXED-INCOME	Fund A fixed-income portfolio	2.18	5.13	5.61	4.20	3.91	5.35	5.52
	Fixed-income benchmark (Custom Citigroup Index ⁴)	2.18	5.20	5.84	4.19	3.91	5.39	5.57
GLOBAL REAL ESTATE SECURITIES	Fund A global real estate securities portfolio	4.52	10.64	15.01	10.26	9.23	6.13	N/A
	Real estate securities benchmark (Custom Dow Jones Global Real Estate Securities Index ⁵)	3.57	9.18	14.12	10.25	9.97	5.68	N/A
INFLATION INDEXED	Inflation indexed bond portfolio	1.37	5.04	3.39	2.26	2.64	N/A ⁶	N/A
	Inflation indexed benchmark (Citigroup U.S. 1-10 year Inflation-Linked Securities Index)	1.35	5.00	3.37	2.23	2.62	N/A	N/A

NOTE: Past performance does not guarantee future results.

- Total market value of Fund A is \$611.1 million, including deposits between monthly valuation dates and operating cash on which a total fee of 1/12 of 1% is deducted monthly from Fund A. Unit value: \$1,169.26
- Returns are before the deduction of fees.
- The U.S. equity benchmark changed from the Dow Jones Total Stock Market Index to the Russell 3000 in October 2011.
- The Investment Grade Fixed Income Benchmark changed from the old Custom Citigroup Index (40% Mortgage, 30% Credit, 25% Treasury/Government, 5% Asset-Backed) to the new Custom Citigroup Index (40% Collateralized, 35% Credit, 25% Treasury/Government) in October 2011.
- Late in 2008, the Real Estate Securities benchmark transitioned to 60% Wilshire U.S. Real Estate Securities Index and 40% Wilshire Ex-U.S. Real Estate Securities Index, from 100% Wilshire U.S. Real Estate Securities Index. In April 2013 the Custom Global Real Estate Securities benchmark transitioned to 60% Dow Jones U.S. Real Estate Securities Index and 40% Dow Jones Global Ex-U.S. Real Estate Securities Index with net dividends.
- In June 2011, Inflation Indexed Bonds were added as a component to Fund A's asset allocation. The inflation indexed benchmark changed from the Citigroup Inflation Linked Securities Index to the Citigroup U.S. 1-10 Year Inflation Linked Securities Index as of 12/1/2014.
- Endowment Fund A moved to the SP Investment Grade Fixed Income Pool as of November 2007 and to the SP U.S. Equity Pools as of December 2007 from separately managed accounts.
- The high-yield benchmark changed from the Citigroup High Yield Cash Pay Capped Index to the Citigroup BB/B Cash Pay Capped Index on Sept. 1, 2012.



ELCA Foundation Evangelical Lutheran Church in America

8765 West Higgins Road
Chicago, Illinois 60631-4101

CONTACT US

For more information contact:
Christina Jackson-Skelton
President, Endowment Fund
of the ELCA

Annette C. Shoemaker
Director, ELCA Foundation

800-638-3522 • fax 773-380-2775
elcafoundation@elca.org
ELCA.org/endowmentinvesting

The ELCA Foundation regional gift planners are located throughout the country and are ready to assist you.



AT A GLANCE

ELCA Endowment Fund Pooled Trust – Fund A was established to allow for the collective long-term investment of funds belonging to the Evangelical Lutheran Church in America (ELCA), its congregations, synods, seminaries and other eligible affiliated entities. Fund A is administered by the ELCA. The Board of Pensions of the ELCA, doing business as Portico Benefit Services, is the investment advisor. The ELCA promotes investment in the Endowment Fund Pooled Trust through the ELCA Foundation.

SOCIAL PURPOSE INVESTING

Fund A's assets are selected, where feasible, in accordance with criteria of social responsibility that are consistent with the values and programs of the ELCA. In addition, Fund A seeks positive social investments that provide a proactive way to receive a return while directing capital to underserved markets, such as community development and renewable energy.

ABOUT FUND A

You should carefully consider the target asset allocations, investment objectives, risks, charges and expenses of any fund before investing in it. Fund A is subject to risk. Past performance cannot be used to predict future performance. Portico Benefit Services' funds, in which Fund A is invested, are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Fund assets are invested in multiple sectors of the market. Some sectors, as well as the Fund, may perform below expectations and lose money over short or extended periods.

Neither Portico Benefit Services nor its funds are subject to registration, regulation or reporting under the Investment Company Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940 or state securities laws. Members, therefore, will not be afforded the protections of those provisions of those laws and related regulations.