ELCA ENDOWMENT FUND POOLED TRUST – FUND A

FOURTH QUARTER 2016 REPORT

ELCA Foundation
Evangelical Lutheran Church in America

FUND A – FOURTH QUARTER 2016 SUMMARY

For the fourth quarter, Fund A returned 0.0%, below the benchmark return of 0.3%, gross of fees. For the last 12 months, the Fund is up 7.4%, trailing the benchmark return of 8.3%, gross of fees.

A YEAR OF UNEXPECTED RESULTS

Kurt Kreienbrink, CFA
Manager, Socially Responsible Investing and Investor Advocacy, Portico Benefit Services

Fourth quarter update

- The S&P 500 Stock Index total return was 3.8% for the quarter, and was up 12.0% in 2016.
- The investment-grade bond market, as measured by the Citigroup Broad Investment-Grade Bond Index, was down 3.0% for the quarter, but up 2.7% in 2016.

2016 highlights

On June 23rd, British voters passed a referendum to exit the European Union. Then, on Nov. 8th, Donald Trump was elected the next president of the United States. In both cases, the results were unexpected, the initial reaction of the equity markets was negative, and they quickly turned around and rallied into year-end.

What Can We Learn?

First of all, don't overreact when unexpected results present themselves because markets are inherently unpredictable. Second, this reinforces that staying the course over the long-term is typically the best reaction to market upheaval, as long as your current investing approach and asset allocation are aligned with your long-term investment objectives and circumstances. Periodically review your investment objectives and circumstances so you're better able to determine if staying the course is appropriate for you when the next market upheaval occurs.

As 2017 unfolds, count on Portico for support. Our investment team draws on the decades of experience to monitor the investment landscape closely on your behalf, looking for opportunities to fine-tune our investment strategies.

GLOBAL EQUITY MARKET REVIEW

Josh Stieler, CFA
Senior Investment Manager,
Portico Benefit Services

The past year proved to be a year of unexpected results at the polls, including the EU referendum in the United Kingdom and the U.S. presidential election, which took center stage in the fourth quarter. While the impact of the new administration continues to be debated, history has shown that the immediate connection between presidential elections and equity markets returns are tenuous as best.

Fund A's U.S. equity component trailed the benchmark for both the quarter and the year. The quarterly return of 3.9% trailed the benchmark return of 4.2% while the annual return of 10.5% trailed the benchmark return of 12.7%. The weak relative returns for the year were driven almost entirely by the large cap growth component. For the year, small and mid-cap stocks outpaced large cap while value stocks outperformed growth.

Fund A's non-U.S. equity component returned -2.5% during the fourth quarter, trailing the benchmark return of -1.6%. For the year the non-U.S. equity component returned 4.6%, beating the

benchmark return of 4.4%. At the investment manager level, relative returns were mixed with the large cap growth and small cap value managers outperforming while the large cap core, large cap value and small cap growth managers trailed their respective benchmarks. Developed markets outperformed emerging markets in 2016. The U.S. dollar strengthened during 2016, reducing returns for U.S. dollar-based investors by approximately 2.5%.

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 -4.3% in Q4 2016, compared to the custom benchmark return of -4.3%. And the portfolio returned 5.2% while the benchmark returned 4.4% for the year.

Global real estate securities underperformed U.S. equity (+12.7%) and outperformed non-U.S. equity markets (+4.4%) for the year. Non-U.S. real estate investment trusts (REITs) were slightly positive (+.7%), while U.S. REITs were up just over 6.6% in absolute returns for the year. Fair value pricing on the non-U.S. portion of the portfolio hurt relative returns, along with U.S. portfolio underweights to hotels and multifamily, but overweights to healthcare and malls helped relative returns. After reaching intra-year high prices in August, REITs had a very volatile time heading into the U.S. election. Post-election, the sector has rallied on the expectation of pro-growth initiatives that will impact real estate values, although the August peaks have not been revisited.

FIXED-INCOME MARKET REVIEW

Mark Haney, CFA
Senior Investment Manager,
Portico Benefit Services

Core investment-grade fixed-income

In the fourth quarter of 2016, Fund A's fixed-income portfolio returned -2.6%, roughly the return of the custom benchmark.

The Federal Reserve noted in its Dec. 14th statement that the labor market continued to strengthen during the fourth quarter and that economic activity has been expanding at a moderate pace. In addition, since the election, market-based measures of inflation have moved up considerably, and in view of these events the Committee decided to raise the target rate for federal funds to 0.50% to 0.75%. 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.

Interest rates rose considerably after the election, pushing the benchmark 10-year Treasury up more than 0.80% for the quarter. Bonds were down -3.0% for the quarter, as measured by the Citigroup Broad Investment-Grade Index. Credit beat Governments by about .50%, but Mortgages were down just under 2.0% for the quarter.

High-yield bonds

High-yield bonds continued their strong performance through the end of 2016. Performance slowed a bit in the fourth quarter posting 1.5% vs about 15% for the year, as measured by the Citigroup High-Yield BB/B index. Portico high-yield managers had a hard time keeping up for the year posting a return of 13.7% – for the quarter performance was 1.6% in line with the benchmark.

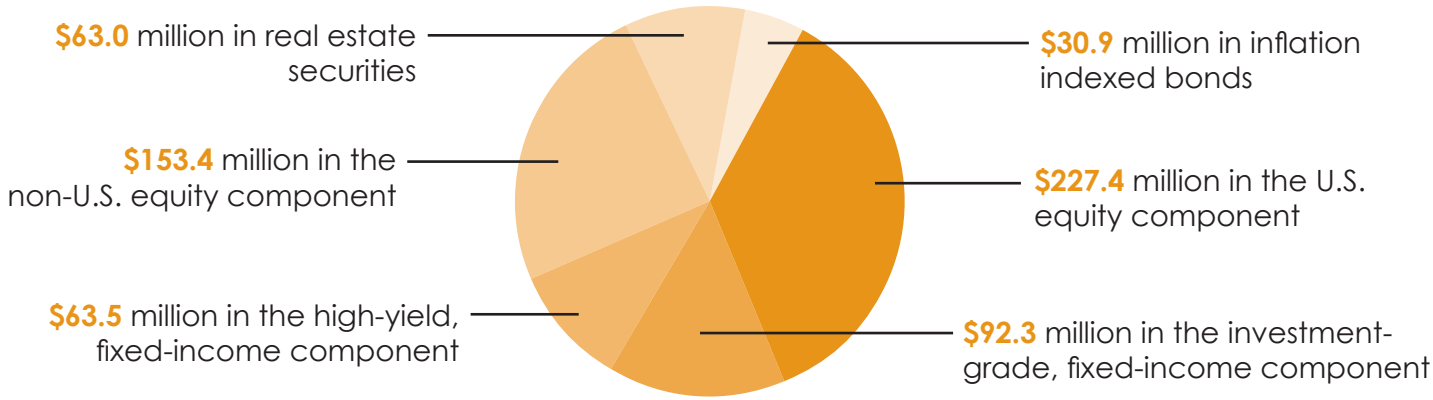
It was another "risk on" quarter, with CCC rated bonds returning about 4% points more than BB's. Industry segment returns varied widely again during the fourth quarter with Oil Equipment up 9.5% and Pharmaceuticals down over -7%. Fundamentals remained fairly strong, though debt levels have risen. According to Moody's, the U.S. speculative-grade 12-month default rate remained at 4.5% at Sept. 30 – still ahead of the long-term average of 4.2%.

Inflation-indexed bonds

Inflation-indexed bonds once again outperformed nominal Treasuries in the fourth quarter. This passively-managed (indexed) portfolio's return was in line with that of the benchmark for the year, returning about 3.9%.

FUND A PORTFOLIO MARKET VALUE[1]

As of December 31, 2016, Fund A had investments of approximately $630.5 million.



FUND A INVESTMENT PORTFOLIO PERFORMANCE[2] AS OF DECEMBER 31, 2016

		Q4 (%)	YTD (%)	1 YR (%)	3 YRS (%)	5 YRS (%)	10 YRS (%)	SINCE INCEPTION
TOTAL FUND A[7]		-0.04	7.38	7.38	4.76	9.26	5.40	5.18
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.		0.32	8.25	8.25	4.61	8.73	5.14	5.10
EQUITIES	Fund A U.S. Equity portfolio	3.85	10.52	10.52	7.87	15.03	7.13	5.22
	U.S. Equity Benchmark (Russell 3000[3])	4.21	12.74	12.74	8.43	14.67	7.16	5.40
	Fund A non-U.S. equity portfolio	-2.46	4.61	4.61	-0.07	6.75	1.87	N/A
	Fund A non-U.S. equity benchmark (MSCI All Country World (Ex-U.S.) Index)	-1.57	4.41	4.41	-1.44	5.32	1.11	N/A
HIGH-YIELD	Fund A high-yield portfolio	1.59	13.70	13.70	4.67	6.79	7.52	N/A
	High-yield benchmark (Citigroup BB/B Cash Pay Capped Index[8])	1.50	14.98	14.98	4.25	6.57	6.87	N/A
FIXED-INCOME	Fund A fixed-income portfolio	-2.64	3.09	3.09	3.31	2.68	4.61	5.24
	Fixed-income benchmark (Custom Citigroup Index[4])	-2.79	2.94	2.94	3.21	2.51	4.64	5.27
GLOBAL REAL ESTATE SECURITIES	Fund A global real estate securities portfolio	-4.28	5.17	5.17	8.40	10.40	3.66	N/A
	Real estate securities benchmark (Custom Dow Jones Global Real Estate Securities Index[5])	-4.32	4.39	4.39	8.70	10.83	3.38	N/A
INFLATION INDEXED	Inflation indexed bond portfolio	-1.89	3.91	3.91	2.42	0.89	N/A[6]	N/A
	Inflation indexed benchmark (Citigroup U.S. 1-10 year Inflation-Linked Securities Index)	-1.55	3.96	3.96	2.46	0.88	N/A	N/A

NOTE: Past performance does not guarantee future results.

1. Total market value of Fund A is $632.95 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: $1,187.32
2. Returns are before the deduction of fees.
3. The U.S. equity benchmark changed from the Dow Jones Total Stock Market Index to the Russell 3000 in October 2011.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.

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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.