



ELCA Foundation
Evangelical Lutheran
Church in America

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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.



ELCA ENDOWMENT FUND POOLED TRUST – FUND A

SECOND QUARTER 2017 REPORT



ELCA Foundation
 Evangelical Lutheran Church in America

FUND A – SECOND QUARTER 2017 SUMMARY

For the second quarter, Fund A returned 3.5 percent, above the benchmark return of 3.1 percent, gross of fees. For the last 12 months, the fund is up 12.8 percent, exceeding the benchmark return of 12.4 percent, gross of fees.

HEADLINES DO NOT EQUAL RETURNS

Kurt Kreienbrink, CFA

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

Second quarter update

The Standard & Poor's 500 Stock index total return was up 3.1 percent for the quarter. Non-U.S. stocks, as measured by the MSCI All Country World ex-U.S. IMI Index, were up 5.9 percent for the quarter. The investment-grade bond market, as measured by the Citigroup Broad Investment-Grade Bond Index, was up 1.5 percent for the quarter.

Foreign stocks lead the way

How often have you seen headlines focusing on negative events and the risks of investing in foreign stocks? Unfortunately, they appear somewhat regularly, and while there certainly are unique risks to investing in foreign markets, the headlines don't always tell the full story. For example, year-to-date foreign stocks have returned 14.3 percent, outpacing the broad U.S. market return of 8.9 percent, as measured by the Russell 3000 Index. Furthermore, headlines are often based on historical events that are already priced into current market values, meaning the headlines are not necessarily indicative of where the markets are headed. On the other hand, investment markets are forward looking and reflect future expectations in the current market values.

Increased diversification and opportunity

It's unknown how long foreign stocks will continue to outperform U.S. stocks, but that's not the point. The point is that foreign stocks offer greater diversification (risk management) benefits than exclusively investing in U.S. stocks. Also, a global perspective is important

since countries' economies and markets are becoming increasingly interdependent. Reaching out beyond just the U.S. makes it possible to choose from a broader universe of investments and can enable better long-term performance.

We use a disciplined strategic asset allocation process to determine an appropriate amount of foreign stock exposure for the ELCA Endowment Fund A. This process ensures the fund includes a foreign stock allocation that supports the fund's investment objective and creates a well-diversified portfolio.

GLOBAL EQUITY MARKET REVIEW

Josh Stieler, CFA

Senior Investment Manager,
 Portico Benefit Services

In what is becoming a familiar refrain, equity markets rose again during the second quarter. International markets broadly continue to outpace the U.S. market, but both segments posted solid gains. Much of the comparative strength in international markets was driven by a weakening U.S. dollar, which boosts the returns of international stocks when measured in dollars.

Fund A's U.S. equity component returned 3.3 percent, ahead of the benchmark return of 3.0 percent. Growth stocks outperformed value stocks for the quarter while large-cap stocks, bolstered by tech giants Amazon, Alphabet (Google's parent) and Microsoft, outpaced small-cap stocks. From a sector perspective, health care, the aforementioned technology sector, and industrials led the overall market, while energy and telecom lagged significantly.

Fund A's non-U.S. equity component returned 6.8 percent in the second quarter, outpacing the benchmark return of 5.9 percent. Outperformance was driven primarily by the large-cap growth and small-cap growth components. Emerging markets again led developed market stocks for the quarter, albeit modestly. As mentioned above, the U.S. dollar weakened, which boosted dollar-based returns by almost 2.5 percent.

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 2.3 percent in the second quarter of 2017, compared to the custom benchmark return of 2.2 percent.

Global real estate securities underperformed U.S. equity (+3.3 percent) and non-U.S. equity markets (+6.8 percent) for the quarter. U.S. real estate investment trusts (REITs) were positive (+1.6 percent), while non-U.S. REITs were up 3 percent in absolute returns for the quarter. U.S. portfolio underweight positioning to regional mall names, and overweights to industrial and manufactured housing helped relative returns. A large underweight to health care related names was the largest detractor from performance. REITs remain attractive to investors with yields around 3.5 percent and generally supportive fundamentals for future cash-flow growth (low supply, strong tenant demand, low financing costs). A few key themes represented in the portfolio today include: overweight to industrials as a result of the broader ecommerce trend, overweight to data centers as the cloud continues to attract more data storage needs, overweight to self-storage coming out of the real estate crisis, and an underweight to health care names due to valuation and interest rate sensitivity.

FIXED-INCOME MARKET REVIEW

Mark Haney, CFA

Senior Investment Manager, Portico Benefit Services

Core investment-grade fixed-income

In the second quarter of 2017, Fund A's fixed-income portfolio returned 1.4 percent, slightly under the return of the custom benchmark.

The Federal Reserve noted in its June statement that the labor market continued to strengthen; job gains have moderated but have been solid. Household spending has picked up in recent months, and business fixed-investment has continued to expand. Though inflation has declined recently, longer-term inflation expectations are little changed. In view of realized and expected labor market conditions and inflation, the committee decided to raise the target range for the federal funds rate to 1.0 percent to 1.25 percent. 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. However, they are currently expected to begin implementing a balance sheet normalization program later this year – assuming the economy evolves broadly as anticipated. This time, the response was felt further out on the curve with three-year to seven-year Treasuries rising by 4 to 12 basis points. For the quarter, the curve flattened with short rates up over 0.2 percent and the 30-year down nearly as much.

Bonds were up 1.5 percent for the quarter as measured by the Citigroup Broad Investment-Grade Index. Credit was the clear leader, up 2.4 percent, followed by governments up 1.2 percent and mortgages up 0.9 percent.

High-yield bonds

High-yield bonds continued to do well. Portico's high-yield portfolio during the second quarter of 2017 returned 2.2 percent. The asset class returned 2.0 percent as measured by the Citigroup High-Yield BB/B Index.

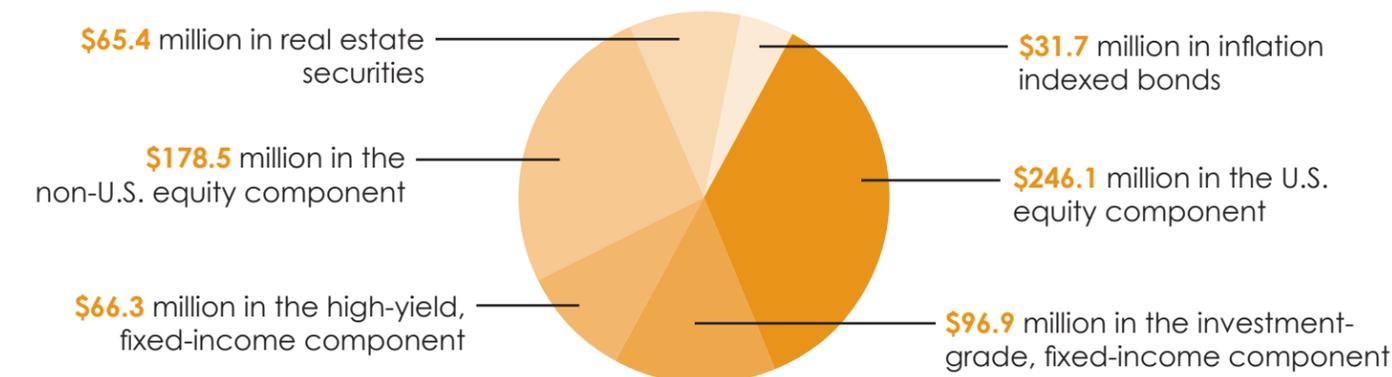
CCC rated bonds finally underperformed higher-quality sectors but finished the quarter with a positive 1.4 percent returned. The highest quality BB sector performed best, posting a 2.2 percent return vs. B rated bonds at just under 2 percent. Industry segment returns ranged from -3.4 percent for oil equipment to 5.6 percent for pharmaceuticals. Fundamentals continue to be quite healthy.

Inflation-indexed bonds

Inflation-indexed bonds underperformed nominal Treasuries in the second quarter. This passively managed (indexed) portfolio's return was in line with that of the benchmark for the quarter, returning -0.4 percent.

FUND A PORTFOLIO MARKET VALUE¹

As of June 30, 2017, Fund A had investments of approximately \$684.9 million.



FUND A INVESTMENT PORTFOLIO PERFORMANCE² AS OF JUNE 30, 2017

	Q2 (%)	YTD (%)	1 YR (%)	3 YRS (%)	5 YRS (%)	10 YRS (%)	SINCE INCEPTION
TOTAL FUND A⁷	3.51	8.46	10.96	5.54	8.32	5.71	5.38
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.	3.14	7.79	11.13	5.36	7.77	5.41	5.29
EQUITIES							
Fund A U.S. Equity portfolio	3.26	8.85	17.06	8.92	13.18	7.58	5.46
U.S. Equity Benchmark (Russell 3000 ³)	3.02	8.93	18.07	9.76	13.18	7.63	5.66
Fund A non-U.S. equity portfolio	6.78	16.61	13.77	2.46	6.33	2.41	N/A
Fund A non-U.S. equity benchmark (MSCI All Country World (Ex-U.S.) Index)	5.85	14.30	13.01	0.82	4.69	1.52	N/A
HIGH-YIELD							
Fund A high-yield portfolio	2.19	4.68	13.89	4.48	6.37	7.47	N/A
High-yield benchmark (Citigroup BB/B Cash Pay Capped Index ⁴)	2.01	4.25	14.21	3.99	5.97	6.82	N/A
FIXED-INCOME							
Fund A fixed-income portfolio	1.42	2.31	0.96	2.87	2.67	4.51	5.21
Fixed-income benchmark (Custom Citigroup Index ⁴)	1.49	2.34	0.82	2.83	2.54	4.57	5.25
GLOBAL REAL ESTATE SECURITIES							
Fund A global real estate securities portfolio	2.32	3.97	0.95	6.82	8.34	3.58	N/A
Real estate securities benchmark (Custom Dow Jones Global Real Estate Securities Index ⁵)	2.22	3.47	0.23	6.82	8.40	3.14	N/A
INFLATION INDEXED							
Inflation indexed bond portfolio	-.36	.93	1.56	2.11	1.00	N/A ⁶	N/A
Inflation indexed benchmark (Citigroup U.S. 1-10 year Inflation-Linked Securities Index)	-.38	.70	1.44	2.08	0.95	N/A	N/A

NOTE: Past performance does not guarantee future results.

- Total market value of Fund A is \$683.9 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: \$1,257.47.
- 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.