

ELCA ENDOWMENT FUND POOLED TRUST – FUND A

SECOND QUARTER 2018 REPORT



ELCA Foundation
Evangelical Lutheran Church in America

FUND A – SECOND QUARTER 2018 SUMMARY

Fund A generated a slight gain of 0.23% net return during the second quarter, which performed closely with the 65% equity / 35% fixed income benchmark return of 0.29%. For the trailing 12 months, Fund A posted a 6.70% return net of investment costs, closely in line with the benchmark return of 6.80%.

MARKET SNAPSHOT

After a volatile start to 2018, markets found some relief in the second quarter. However, the environment remains challenging for equities. While economic data continues to be constructive, a protectionist trade policy pursued by the Trump administration has weighed on sentiment as uncertainty over tariffs threatens to overshadow strong corporate earnings and consumer confidence.

U.S. equities generated positive returns in the second quarter, as the S&P 500 rose 3.43% and 7 of the 11 sectors finished in the black. Energy led the way, jumping 13.48% as oil prices rebounded and moved over \$70 per barrel at the end of June. It was followed by Consumer Discretionary and Tech, which increased by 8.17% and 7.09%, respectively. Industrials were the greatest laggards, losing 3.18%. They were followed closely by Financials, which shed 3.16%. Other major U.S. indices were positive on the quarter; the Dow Jones rose 1.26% and the NASDAQ returned 6.61%.

The second quarter was difficult for international markets, as a strengthening U.S. dollar and other geopolitical pressures challenged returns. This could especially be seen in the selloff of emerging market (EM) equities and their underperformance versus developed market stocks. The MSCI EAFE Index (a benchmark for international developed markets) fell 0.80% for U.S.-currency investors. Both European and Japanese returns were positive on a local currency basis, but negative in U.S. dollar terms further reflecting the impact that the dollar had on international stocks. The MSCI Europe Index dropped 0.87% for U.S.-currency investors, while MSCI Japan fell 2.12%. The MSCI Emerging Markets Index dropped 7.73% for U.S.-currency investors as weaknesses in China, Turkey, and Argentina were amplified by the stronger greenback. The MSCI BRIC (Brazil, Russia, India and China) Index fell 6.67% in U.S. dollar terms, while the MSCI EM Asia Index was down 5.06%.

The bond market registered slightly negative returns during the second quarter. The Bloomberg Barclays U.S. Aggregate Bond Index, a general measure of the bond market, fell 0.16%. The Federal Reserve Open Market

Committee raised the target range for the federal funds rate to 1.75-2.0% at its June 13th meeting; sustained expansion of economic activity, continued strength in the labor markets, and inflation approaching the committee's 2.0% objective were reasons for the rate increase.

EQUITY

U.S.

Fund A's U.S. equity component trailed the benchmark, returning 3.68%. The large cap growth component drove much of the underperformance as the portfolio continues to maintain underweight positions in a few of the high-flying names within the technology sector. The small/mid cap value portfolio also struggled during the quarter as value measures (i.e. cheap stocks) continued to struggle versus their growth counterparts. On the positive side, the large cap value component delivered a very solid quarter versus its benchmark, despite the headwind to value stocks.

Non-U.S.

The non-U.S. equity component also trailed its benchmark for the quarter, returning -3.91%. Similar to the U.S. equity program, managers with value-focused investment processes struggled during the quarter, particularly in June. While the growth components each met or exceeded their benchmarks, they were more than offset by the value and core components.

FIXED-INCOME

Investment Grade

In the second quarter of 2018, Fund A's fixed income portfolio returned -0.21%, in line with the custom benchmark return. The Treasury curve flattened with two-year yields rising by 0.26% and the 30-year bond by only 0.02%. The 10-year note ended the quarter at 2.74%, only 0.23% lower than the 30-year. Credit spreads widened by about 0.12%, contributing -0.95% to the benchmark's negative return of -0.20%. Governments and Collateralized securities had positive returns of 0.12% and 0.26% for the quarter. Holding fewer Corporates than the benchmark helped erase earlier underperformance in the last month of the quarter.



High-Yield

High-yield bonds were positive in the second quarter, returning 0.87%. Fund A's high-yield pool slightly underperformed the benchmark, returning 0.70% for the quarter. Low yields and tight spreads made finding value-adding opportunities hard to come by and unattractive to reach down in quality for yield. Two of the three high yield managers in the portfolio underperformed during the quarter. The underperformance was due to negative security selection.

Inflation-Indexed

Inflation-indexed bonds outperformed nominal Treasuries again in the second quarter by about the same 1% point as in the first quarter of the year. The inflation-indexed bond portfolio return was in line with the benchmark due to its full-replication passive approach, returning 0.68%.

GLOBAL REAL ESTATE SECURITIES

Fund A's global real estate securities component returned 4.87% in the second quarter of 2018, compared to the custom benchmark return of 5.79%. U.S. REITs returned 9.99%, while Global Ex U.S. REITs returned -0.38% for the quarter (benchmark returns).

The U.S. REIT portfolio is actively managed by a single investment manager, and this portfolio had a tough quarter on a relative basis (-1.26%). The largest positive contributors of relative performance were security selection within the Office and Industrial sectors. An underweight to healthcare-related REITs and stock selection in the sector were the largest performance detractors, as a couple of index securities experienced what seemed to be a low quality rally.

The Global ex-U.S. REIT portfolio is passively managed by a single manager, whose account showed flat relative returns (-0.01%) for the quarter.

ALTERNATIVE INVESTMENTS

Absolute Return

The second quarter once again exhibited market volatility which many underlying managers were able to capitalize on. Security selection once again came into focus as earnings dispersion widened. Focused catalyst and trading managers were able to capitalize on this trend. Returns in excess of 4% were generated by such idiosyncratic trades.

Fund A's absolute return allocation in total gained a further 1.2% on the quarter, ahead of the peer universe index return of 0.10%.

Global Private Infrastructure

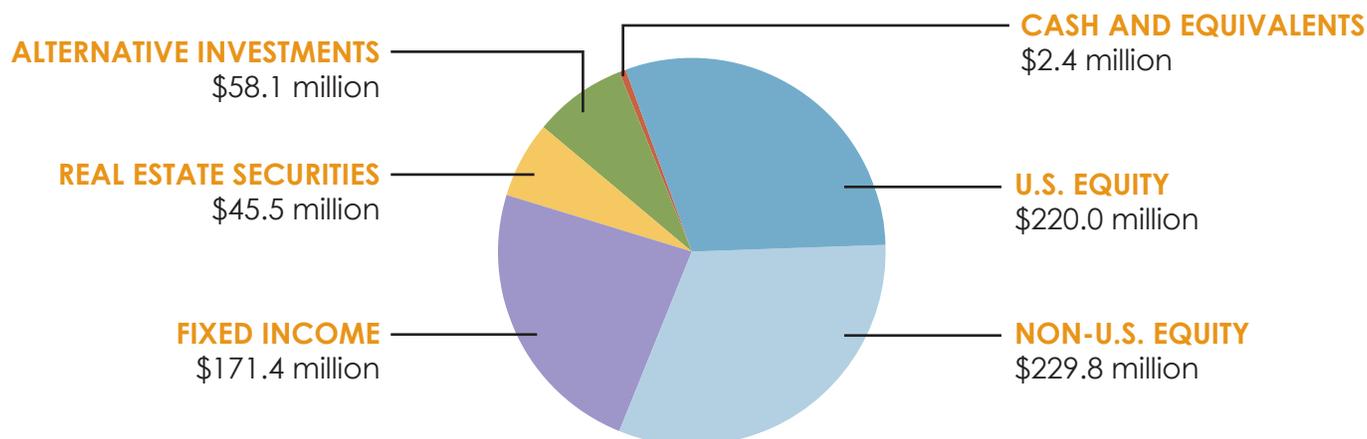
Infrastructure assets generated positive cash flow during the second quarter. The current pool of assets generates a cash yield of circa 7%. Absolute performance was 3.24% versus the Global Infrastructure benchmark of 2.6%.

Private Markets

Fund A's private markets allocation continues to build. Secondary transactions saw re-valuations resulting in a return for the private markets portfolio of 10.71% during Q2. Subsequent to 3/31, the Private Markets fund made one additional commitment, Thoma Bravo Fund XIII, and has one pending commitment, Apollo Hybrid Value Fund.



As of June 30, 2018, Fund A Net Assets totalled \$731.0 million* and Fund A Investments totalled \$727.2 million.**



* Net Assets includes investments, deposits between monthly valuation dates, operating cash and liabilities.

** Pie Chart is representative of Fund A Investment Assets only.

FUND A INVESTMENT PORTFOLIO PERFORMANCE (%) AS OF JUNE 30, 2018

		Q2 (%)	YTD (%)	1 YR (%)	3 YRS (%)	5 YRS (%)	10 YRS (%)	SINCE INCEPTION	INCEPTION DATE
TOTAL FUND A¹		0.23	-0.63	6.70	5.56	7.25	6.01	4.54	07/01/99
65% MSCI ACWI / 35% Bloomberg Barclays U.S. Aggregate Bond Index		0.29	-0.77	6.80	6.02	6.99	5.39	5.10	
EQUITIES	Social Purpose US Equity Portfolio²	3.68	2.44	13.22	9.47	12.57	9.80	5.83	07/01/99
	Portico US Equity Benchmark ³	3.89	3.22	14.78	11.58	13.29	10.31	6.21	
	Social Purpose Non-US Equity Portfolio	-3.91	-3.88	7.00	6.13	7.35	3.08	6.79	04/01/04
	MSCI ACWI ex USA IMI Index ⁹	-2.61	-3.65	7.75	5.46	6.39	2.76	6.16	
FIXED-INCOME	Social Purpose Investment Grade Bond Portfolio²	-0.21	-1.69	-0.39	1.70	2.35	3.86	4.84	07/01/99
	Portico Fixed Income Benchmark ⁴	-0.20	-1.72	-0.36	1.83	2.45	4.00	4.95	
	Inflation Indexed Bond Portfolio	0.68	0.26	1.59	1.57	1.60	-	2.14	06/01/11
	Portico Inflation Index Benchmark ⁵	0.65	0.18	1.45	1.50	1.56	-	2.12	
	Social Purpose High Yield Bond Portfolio	0.70	-0.40	2.06	4.48	4.96	7.32	7.09	07/01/03
	Portico High Yield Benchmark ⁶	0.87	-0.14	2.41	4.64	4.95	7.34	7.16	
REAL ESTATE	Global Real Estate Securities Portfolio	4.87	0.32	6.33	6.30	6.80	6.76	8.38	03/01/04
	Portico Real Estate Securities Benchmark ⁷	5.79	0.50	5.31	5.94	6.90	6.71	7.96	
ALTERNATIVE INVESTMENTS	Absolute Return Fund	1.20	2.32	-	-	-	-	4.83	08/01/17
	HFRI Fund of Funds Index	0.10	0.67	5.12	1.93	3.45	1.40	4.06	
	Private Infrastructure Fund⁸	3.24	5.66	-	-	-	-	5.66	10/01/17
	S&P Global Infrastructure Index	2.60	-3.06	1.82	5.98	7.78	3.44	-1.25	
	Private Markets Fund⁸	10.71	10.71	-	-	-	-	10.71	09/01/17
	Cambridge Private Equity Index	0.00	2.96	12.31	11.04	12.79	10.39	12.31	

- Total Fund A returns are net of investment manager and custodian fees and expenses including the administrative fee of 60 basis points (0.60%). Prior to July 2017, the total fee was 100 basis points (1.00%). Refer to the Disclosure Statement for total fees and expenses. Returns for the sub-asset classes are net of investment manager and custodian fees and expenses as reported by the investment managers.
- 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 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 FTSE Index (40% Mortgage, 30% Credit, 25% Treasury/Government, 5% Asset-Backed) to the new Custom Bond Benchmark (40% Collateralized, 35% Credit, 25% Treasury/Government) in October 2011.
- In June 2011, Inflation Indexed Bonds were added as a component to Fund A's asset allocation. The Inflation Index benchmark change from the FTSE Inflation Linked

- Securities Index to the FTSE U.S. 1-10 Year Inflation Linked Securities Index as of 12/1/2014.
- The high yield benchmark changed from the FTSE High Yield Cash-Pay Capped Index to the FTSE BB/B Cash Pay Capped Index as of 9/1/2012.
- 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.
- Returns for Private Infrastructure and Private Markets will be reported on a quarter lag.
- The Non-US Equity pool has been benchmarked to the MSCI All-Country World xUS IMI since 7/1/2012, prior to that the benchmark was the standard MSCI All-Country World xUS Index.



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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. The ELCA promotes investment in the Endowment Fund Pooled Trust through the ELCA Foundation.

Fund A is administered by the Endowment Fund of the ELCA dba 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. Fund A investments, 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.

The Investment Advisor (Portico Benefit Services), investment managers and/or the investments Fund A directly invested in are not 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.