



Community of Christ

CHRIST'S MISSION, OUR MISSION

February 12, 2018

TO: Affiliate Investment Pool Participants

INVESTMENT RETURN INFORMATION

As of today, your Affiliate Investment Pool earnings statement for the period 7/1/2017 –12/31/17 is available online for you to access, download, and print. The six-month return for the Pool A Balanced Pool was +7.22%. The six month return for the Pool B Cash Pool was +.66%.

Returns for Pool A tracked with the financial markets for the last half of 2017, experiencing excellent returns, though less spectacular than those earned in the first half of the year. Because the church is somewhat risk-averse, when we compare our portfolio to the benchmark used by our investment consultant to evaluate its performance, it generally outperforms in down markets but slightly underperforms in up markets. As a reminder, the returns on Pool A will vary year to year but the long-term performance of the portfolio continues to exceed our benchmark.

Pool B returns continue to be low but positive, as expected. As a reminder, Pool B is the appropriate investment pool for funds that are expected to be used within the next three years. This will protect the principal of the investment in the years just before its use.

You can find a complete history of fiscal year returns and the current asset allocation in the enclosed document "Historical Returns & Asset Allocation". This and additional investment information may be found at <http://www.cofchrist.org/investments>. Links are in the "Resources" box on the right.

UPDATE FROM THE INVESTMENT COMMITTEE

The solid and growing global economy fueled a great year for the markets. Global markets continued their path upward and the S&P 500 notched its ninth straight quarterly advance. A rally of this duration has only happened four other times since WWII. International stocks outperformed domestic stocks for the first time since 2012 and the dollar weakened during the year with earnings recovery overseas. Growth stocks continued to trounce value stocks and the Federal Reserve raised interest rates again in December, marking the third increase in 2017. While other asset classes soared, longer term interest rates remained relatively stable.

We believe the asset allocation implemented for our portfolio will keep it as well positioned as possible to respond to the opportunities and uncertainties in the market and meet our goal of balancing long-term performance and risk management. At this time, structuring the portfolio with a long-term perspective while also using tactical asset allocation seems the most prudent way to use the reserves we have to support the mission of the church.

As presented to the Investment Committee in 2015 and reported to AIP investors bi-annually since, the Presiding Bishopric established a loan portfolio as a part of the Pool A investment portfolio representing a loan to the church's post-retirement fund. The loan is considered part of the fixed

income portfolio and pays returns indexed to other Pool A fixed income returns. As of September 18, 2017, the loan has been completely paid off. There could be future borrowings on this loan if needed.

The Investment Committee's next quarterly meeting with our investment consultant, DeMarche Associates, is scheduled for March 2nd.

RECOMMENDED SPEND RATE

The Presiding Bishopric wants to stress the importance of following a disciplined approach in how account stewards use the Affiliate Investment Pool if the intent is to maintain principal. As stated previously, based on a review of market returns over the last ten years, ***the Presiding Bishopric recommends using a Pool A spend rate of no more than 4% for current and future budgets.*** If they have not already, jurisdictions will need to decrease their spend rate to get to the 4% recommended rate for their 2018 and 2019 budgets or they will be reducing their purchasing power in future years.

For more detailed information regarding the selection of Pool A or Pool B as well as the use of investment earnings to support budgeted activities or special projects, please refer to the document entitled "**Affiliate Investment Pool Selected Investment Topics**" that can be found at <http://www.cofchrist.org/investments> in the "Resources" section box.

PAPERLESS ACCOUNT STATEMENTS

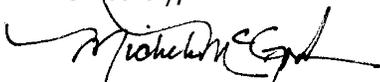
We desire to be good stewards in our use of both materials and staff time. Accordingly, as we shared last August, we no longer mail out paper statements. Account stewards are encouraged to take advantage of our 24/7 online availability to access, download, and print their own statements anytime.

If you have not yet signed up for online access to your AIP statements, please go to <http://www.cofchrist.org/investments> and click on "AIP Account Access" to request online access to your existing AIP account. Please allow up to four weeks for processing time as we still have over 200 accounts that have not yet requested access. In the meanwhile, your MCFO may be able to assist you in providing a statement printout.

We will continue to send this letter to mission centers and congregations via email every six months (February and August) and will continue to make this letter and the Historical Returns and Asset Allocation document available on the church's website.

Thank you for all of the work you do to provide leadership in your congregation, mission center, or related organization. The Affiliate Investment Pool is provided by the Presiding Bishopric to manage the investments of the church in support of mission. If you wish to contact us, please send an e-mail to FiscalServices@CofChrist.org, or you may call us at 1-816-833-1000, ext. 3080. Please let us know if there is anything else we can do to assist you.

Sincerely,



Michele McGrath, CPA

Director of Finance, Member of the Presiding Bishopric

cc: World Church Leadership Council, World Church Investment Committee, Order of Bishops, Field Support Ministers, Mission Center Officers