



EBD #13.4
BARC #13.4
ALA CD #16.1
2019 - 2020 Virtual AC Meeting

Endowment Trustee's Report at the Information Session to the ALA Executive Board, ALA Council and the Membership

Patricia Wand – Senior Endowment Trustee

Virtual Meeting – Chicago, IL
Saturday – June 13, 2020
Monday – June 22, 2020

Event Impacting Investment Markets I

Pandemic (Covid-19)

- “The Covid-19 crisis is a grim reminder that economics is a dismal science whereby policymakers face the painful trade-off between saving lives and saving the economy.”¹
- US accounts for 30% (1.8 million) of the world’s (6.2 million) infected population and 28% (105,1470) of the world’s (376,077) recorded deaths*
- 39 million jobs lost since the beginning of the year
- States phasing in stay-at-home orders earlier than healthcare professions prefer, increasing chance of second wave of infections

1 – Article: “How much exactly have Covid-19 lockdowns affected the economy?” by Rove Jacobs of the Chicago Booth Review 5-28-20.

*Healthcare statistics as of 6/3/20.

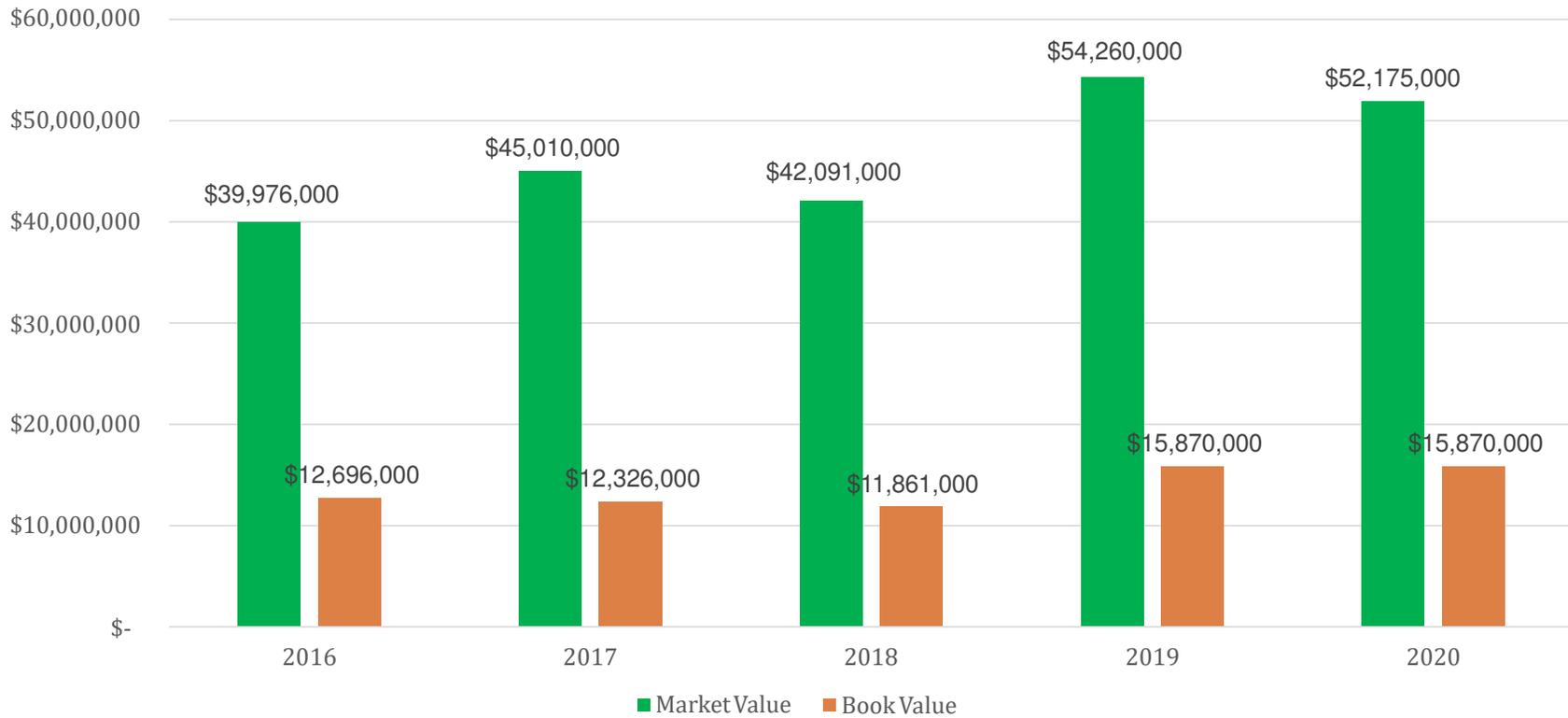
Event Impacting Investment Markets II

Racial and Social Injustice - The George Floyd Affect

- Triggered major peaceful protests in the US and around the world
- Provided the impetus for open discussions about
 - Systemic Racism
 - Policing techniques
 - Major economic inequality
 - Unheard and under-represented voices
- Peaceful protests provided cover for “Opportunistic Criminality”
- Small businesses disproportionately affected, once again
- Unrest further delayed opening of economy

Market and Book Value @ 5-31-20*

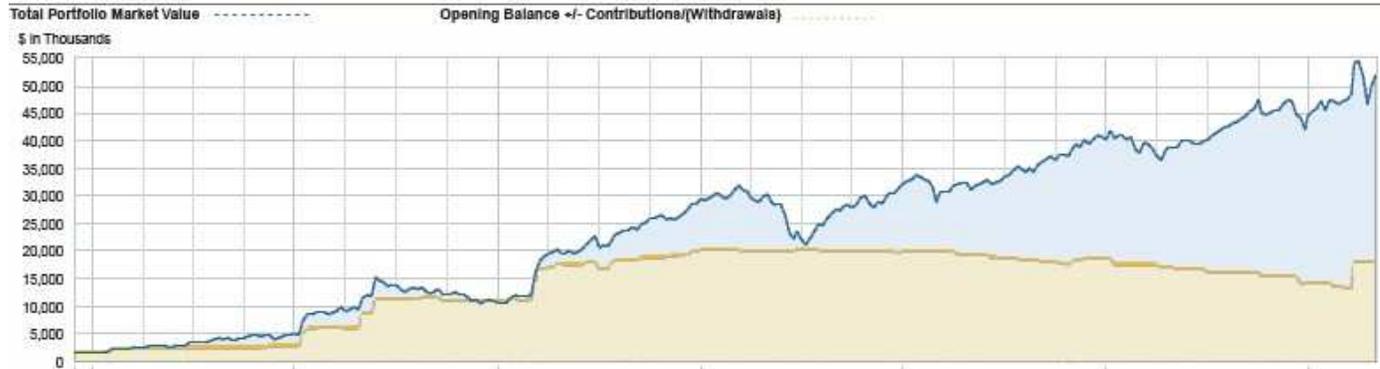
\$52,175,000



*Calendar year to date (five months) through 5-31-20

Endowment historical cash flows as of 5.29.20

Performance period: 10/17/1994 to 05/31/2020



Categories	1999	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Entire Period
Opening Balance (\$)		31,369,478	30,958,281	32,633,466	37,288,932	40,735,091	38,724,962	40,016,349	45,900,664	42,091,092	54,260,268	1,623,562
Contributions/(Withdrawals) (\$)		336,758	(1,307,336)	(732,294)	519,511	(877,651)	(991,964)	(369,494)	(2,053,057)	4,009,133	0	15,870,190
Interest/Dividends (\$)		923,317	1,219,543	1,213,067	1,396,836	1,497,064	1,252,452	1,214,040	1,528,605	1,190,682	470,563	20,110,501
Appreciation/(Depreciation) (\$)		(1,671,272)	1,762,978	4,174,694	1,529,812	(2,629,543)	1,030,899	5,039,768	(3,285,121)	6,969,361	(2,555,657)	13,967,037
Closing Balance (\$)		30,958,281	32,633,466	37,288,932	40,735,091	38,724,962	40,016,349	45,900,664	42,091,092	54,260,268	52,175,175	52,175,175

Book Value = \$15.9 million

Investment Earnings = \$34 million

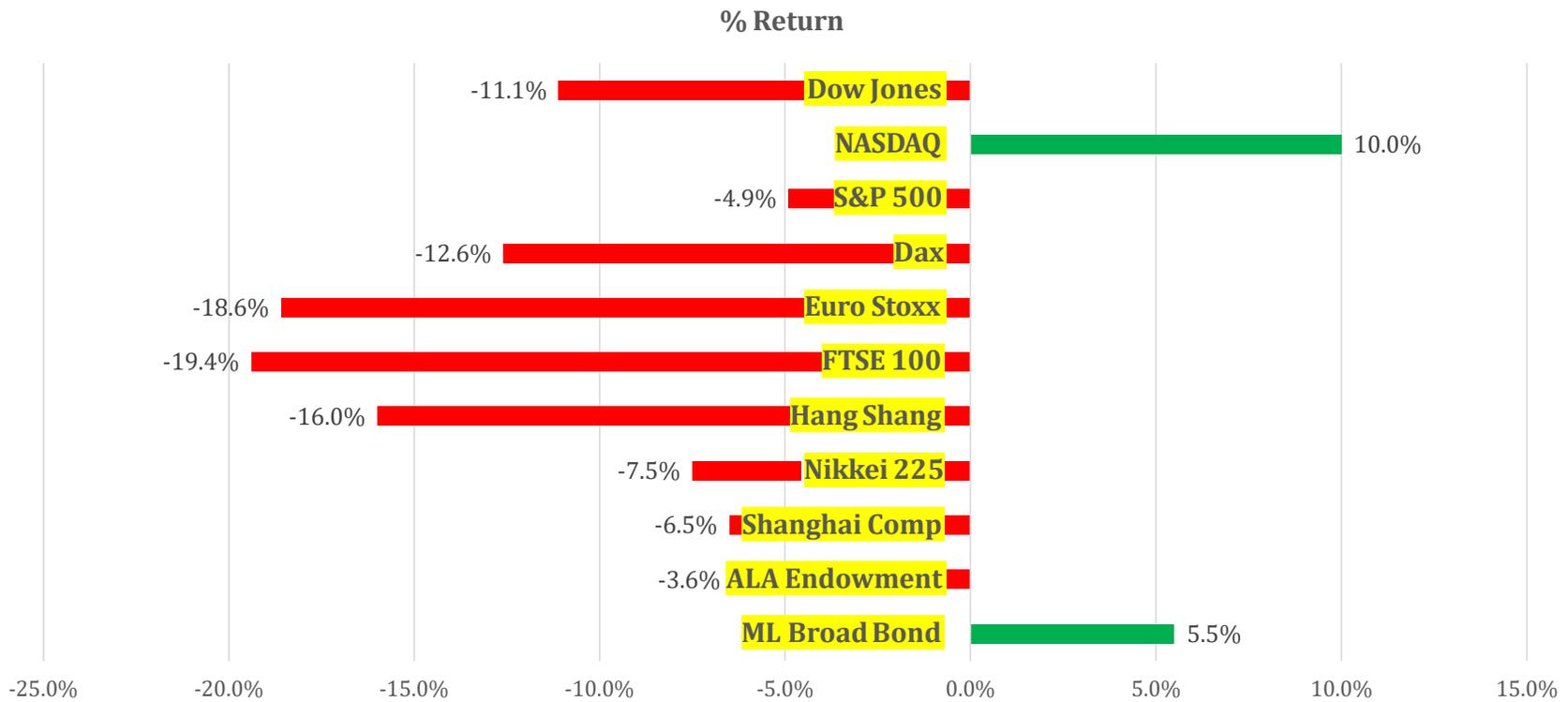
World Market Performance

Calendar Year Market Returns @ 2-29-20



World Market Performance

Calendar Year Market Returns @ 5-31-20



Time Weighted Rate of Return

- YTD 5-31-20 -

Period	Opening				Closing Balance	ROR	ROR
	Balance	Contributions (Withdrawals)	Interest / Dividends	Appreciation / Depreciation		Period	Cumulative
May - 2020	\$ 50,302,858	\$ -	\$ 54,564	\$ 1,817,753	\$ 52,175,175	3.72%	-3.84%
April - 2020	\$ 46,643,258	\$ -	\$ 106,088	\$ 3,533,512	\$ 50,302,858	7.85%	-7.29%
March - 2020	\$ 51,845,525	\$ -	\$ 121,199	\$ (5,323,466)	\$ 46,643,258	-10.03%	-14.04%
February - 2020	\$ 54,425,965	\$ -	\$ 59,490	\$ (2,639,931)	\$ 51,845,525	-4.74%	-4.45%
January - 2020	\$ 54,260,268	\$ -	\$ 129,222	\$ 36,475	\$ 54,425,965	0.31%	0.31%
Total	<u>\$ 54,260,268</u>	<u>\$ -</u>	<u>\$ 470,563</u>	<u>\$ (2,555,657)</u>	<u>\$ 52,175,175</u>	<u>NA</u>	<u>-3.84%</u>

Managers, Styles, and Allocations

<u>Manager</u>	<u>Value</u>	<u>%</u>
Equity Income & Growth - ETF	\$ 4,642,250	8.9%
Clearbridge ESG - Large Cap Core	\$ 13,494,436	25.9%
Merrill Lynch Personal Advisor* - (MLPA)	\$ 26,872,121	51.5%
The Endowment Fund/KKR/Blackstone – Alternatives**	\$ 4,697,165	9.0%
Capital Group - International	\$ 2,469,203	<u>4.7%</u>
Total	<u>\$ 52,175,175</u>	<u>100.0%</u>

*MLPA is a platform under which ALA can access different managers of various investing styles in the form of mutual funds and ETF's - 12 managers – detail on next slide.

**JLL (2.0%), Endowment Fund (0.9%), KKR (2.4%), /Blackstone (3.7%) & the Partners Group TBD (0.0%)

Merrill Lynch Personal Advisor

Managers, Style, and Allocations

<u>Manager</u>	<u>Value</u>	<u>%</u>
Principal Midcap Fund	\$ 2,677,090	10.0%
Calvert Short Duration - ESG	\$ 2,712,602	10.1%
Doubleline Total Return	\$ 2,557,274	9.5%
Guggenheim Total Return	\$ 2,671,335	9.9%
Lord Abbett Short	\$ 2,451,812	9.1%
Domini Impact Int'l - ESG	\$ 988,368	3.7%
Lazard International Strategic	\$ 1,104,752	4.1%
Nuveen Small Cap - ESG	\$ 1,413,943	5.3%
Nuveen Real Asset Income	\$ 1,139,354	4.2%
SPDR S&P 500		
Fossil Fuel Reserve Free* - ESG	\$ 4,755,333	17.7%
Oakmark International	\$ 925,697	3.4%
Pimco Income Fund	\$ 2,296,064	8.5%
Vanguard Real Estate	\$ 1,178,496	<u>4.4%</u>
Total	\$ 26,872,121	<u>100.0%</u>

*Recently added to portfolio.

Endowment Trustee Activity

- Closely monitoring investment market during pandemic
 - Four update calls with Merrill Lynch advisors, March 18 & 26, April 21 and June 17. Receive regular investment reports.
 - Each Trustee is monitoring an asset class, looking for trends
- Working closely with ALA Treasurer and ALA senior management to support a healthy financial outcome for ALA
 - Reviewing loan request to support the FY21 and FY22 operating budgets
 - Alert to possible changes in payout for FY22
- In April, added S&P 500 Fossil Fuel Reserve Free Fund, raising ESG funds to 44.4% of the portfolio
- Keeping alert for optimal time to rebalance portfolio as needed
- Continuing to address member concerns regarding fund management fees and overall endowment cost structure
- Continuing to educate ourselves and members



ALA Endowment Trustees

CONTACT: patwand@american.edu

Patricia A. Wand, Senior Trustee, 2015 – 2021

Mario Gonzalez 2017 - 2020

James G. Neal 2019 - 2022

Robert Newlen 2013 – 2020

Brian E. C. Schottlaender 2015 - 2021

Janice Welburn 2019-2022

Maggie Farrell, Treasurer

Supported by ALA Finance Office staff and Merrill Lynch Investment Advisers



Charge

To hold, invest, reinvest and disburse endowment funds as directed by the Executive Board; recommend endowment operating procedures and assumptions to the Executive Board; select endowment investment managers; report endowment status to the Executive Board, Council and Membership.