

## Accessible Endowment Trustees Report

Endowment Trustees Report ET #6.0, BARC #13.0 and EBD #13.0

Presented by Rod Hersberger - Senior Endowment Trustee and Patricia Wand - Endowment Trustee

Date: Thursday - October 25, 2018 and Saturday - October 27, 2018

### Exhibit #1 Salient Points Impacting the Market

- Bull market isn't over but concern is warranted
  - Spanish bank exposure to Turkey
  - Uncertain Brexit negotiations
  - Concern over the new Italian government
- US economy continues to grow, but at a slower pace
- US Corporate earnings still strong
- Federal Reserve poised to increase the Fed Funds rate at their December Federal Open Market Committee meeting
- Asia-Pacific has been hit hard by concerns around potential trade wars, strengthening the US dollar - makes exports more expensive
- Trade war concerns have been heightened as a result of an additional \$200 billion in tariffs against China for a total of \$467 billion. This total equals all Chinese exports to the US
- S&P 500 remains the most expensive regional equity market by a wide margin
- The treasury yield curve has flattened, but is still positively sloped

### Exhibit #2 Market/Book Value and Return @ 8-31-18

Value = \$47,357,522

Year	Market Value	Book Value	Returns
2013	\$37,289,000	\$14,000,000	17.5%
2014	\$37,622,278	\$14,000,000	1.5%
2015	\$38,724,962	\$13,700,000	-2.9%
2016	\$39,975,839	\$12,700,000	5.9%
2017	\$45,009,664	\$12,300,000	9.6%
2018	\$47,357,522	\$12,300,000	5.1%

### Exhibit #3 Manager Allocation and Style

Manager	Value	%
Clearbridge ESG - Large Cap Core	\$ 10,300,106	21.7%
Merrill Lynch Personal Advisor - (MLPA*)	\$ 22,175,295	46.8%
The Endowment Fund/KKR/Blackstone/JLL - Alternatives	\$ 3,970,643	8.5%

Capital Group - International	\$ 2,128,562	4.5%
Equity Income & Growth - ETF	\$ <u>8,782,915</u>	<u>18.5%</u>
<b>Total</b>	\$ 47,357,522	100.0%

\*MLPA is a platform under which ALA can access different managers of various investing styles in the form of mutual funds and ETF's - 11 managers

#### **Exhibit #4 World Market Performance**

ALA Endowment - 3.4%  
S&P 500 - 8.5%  
Shanghai Composite - (17.6%)  
Nikkei 225 - 0.4%  
Dax - (4.3%)  
Merrill Lynch Broad Market Bonds - (0.9%)  
NASDAQ - 17.5%  
Euro Stoxx - (1.6%)  
Hang Seng - (6.8%)  
Dow Jones - 5.0%  
FTSE100 - (3.3%)

#### **Exhibit #5 Time Weighted Rate of Return January - August**

Opening Balance (Jan) \$45,900,664  
Contributions (Withdrawals) (\$847,245)  
Interest & Dividends \$598,643  
Appreciation (Depreciation) \$1,715,456  
Closing Balance \$47,357,522  
Rate of Return 5.11%

#### **Exhibit #6 Work of the Trustees**

- The Trustees held their fall meeting at the ALA headquarters in Chicago (September 18th)
- Received and update from the Executive Director on the major revenue change streams projects taking place across the Association, in conjunction with the 3-Year investment plan
- The Senior Endowment Trustee, Pat Wand and the finance staff finalized the selection of a facilitator for the Endowment's November strategic review on November 8th & 9th:
  - Geoffrey Wilson - Mercer Investment Consulting
- Formalized a policy framework for handling small endowments with less than and or drop below \$50,000
- Received an update of the Revenue Enhancement Strategy Group aka New Business Development Group
  - No asset allocation changes to the portfolio
  - Reduced the international equity allocation by reducing of Lazard International Strategy (1.1%) and Oakmark International (1.1%) for a total of \$1.0 million
  - Hired and applied the reallocated international funds to Domini Impact International Equity (2.2%), an ESG\* portfolio

#### **Exhibit #7 Domini Impact International Equity**

Domini is a long-time pioneer in the field of socially responsible investing (SRI) aka impact investing or ESG. The firm's objective is to serve the financial well-being of their clients, while enhancing the environment and society through responsible asset management. They have fundamental goals - Human Dignity and Ecological Sustainability. Their Advocacy work is achieved through a combination of

- ✓ Direct Dialogue
- ✓ Filing Shareholder Proposals (proxy voting)
- ✓ Speaking out on Public Policy issues

They are firm believers that they can positively influence corporate behavior by direct investment and engagement.

- Pioneers in impacting investing
- Independently owned and women led
- Approximately \$2.3 billion under management (\$1.4 billion internationally)
- A legacy of specialized ESG expertise starting in 1984
- Domini 400 index launched by firm principals in 1990 aka MSCI KLD 400 Social index
- Proprietary in-house research program
- Work in partnership with Wellington Management\* an independent, unaffiliated subadvisor
- Combined ESG funds now accounts for approximately 27.3% of the portfolio

### **Exhibit #8 The Domini Starfish Story**

The starfish is the symbol the Domini investment firm and the Starfish story speaks to the core values of the firm in terms of putting its financial strength to work for the common good.

#### **The Story**

Thousands of starfish washed ashore. A little girl began throwing them in the water so they wouldn't die. "Don't bother, dear," her mother said, "it won't make a difference."

The girl stopped for a moment and looked at the starfish in her hand. "It will make a difference to this one."