



EBD #13.1
2019 – 2020 Spring Meeting

Endowment Trustee Report to ALA Executive Board

Patricia Wand – Senior Endowment Trustee

Spring Meeting – Chicago, IL
Saturday – April 4, 2020

Coronavirus

aka Covid-19

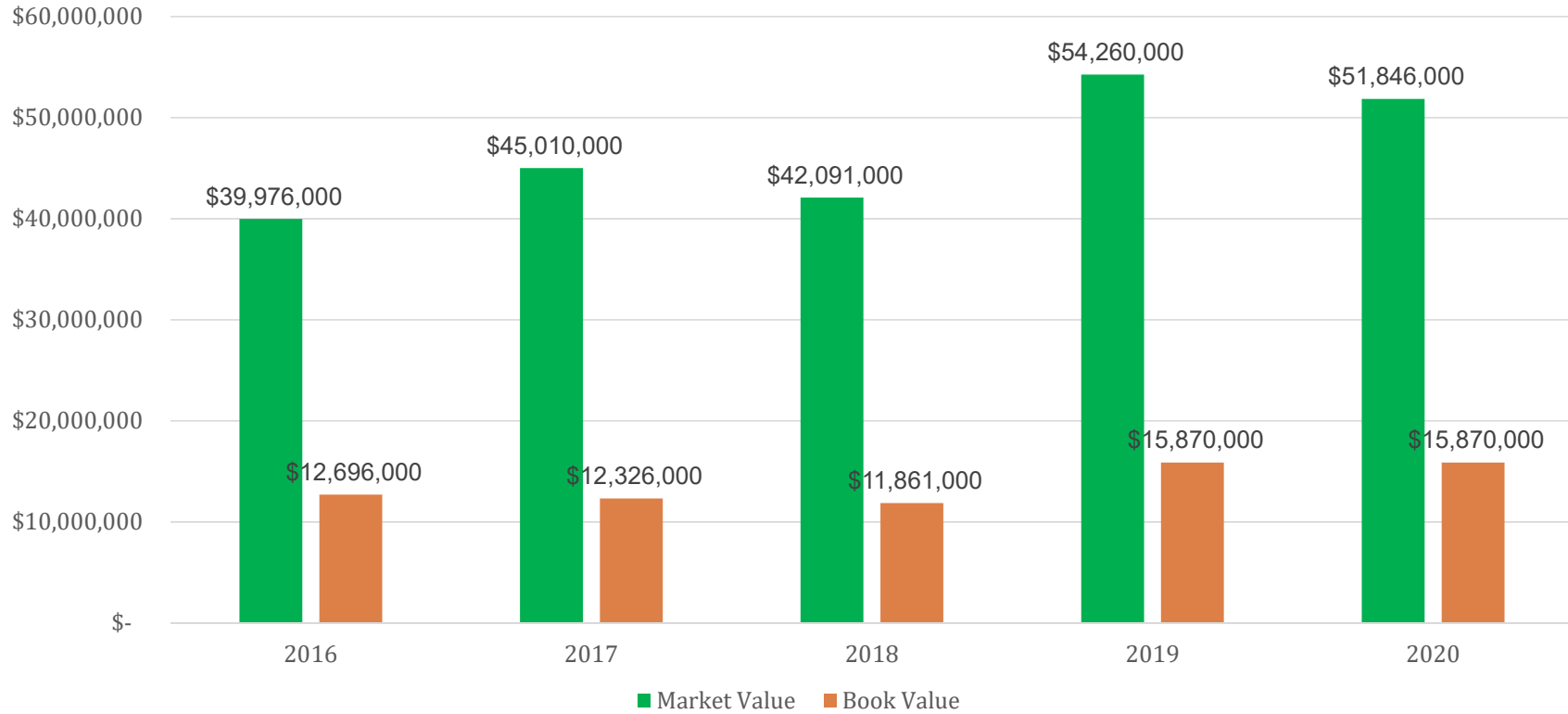
(as of 3/27/2020)

Exhibit #1

- Virus at pandemic level, verified cases in 159 countries and territories
- Impacting worldwide economy, negatively affecting markets
- Federal Reserve cut interest rates (3/15/20), slashing federal funds rate by 1% to a range of 0-0.25%
- Congress passed \$2 trillion stimulus package, targeting all sectors
- Legislators at all levels working overtime
- US budget deficit for first 5 months of fiscal year up 15% over last year at \$625.0 billion
- US unemployment claims hit 3.3 million in one week, expected to increase
- Airline and travel industries deeply affected
- Unprecedented impact on every aspect of society – health, governance, economy

Market and Book Value @ 2-28-20*

\$51,845,525

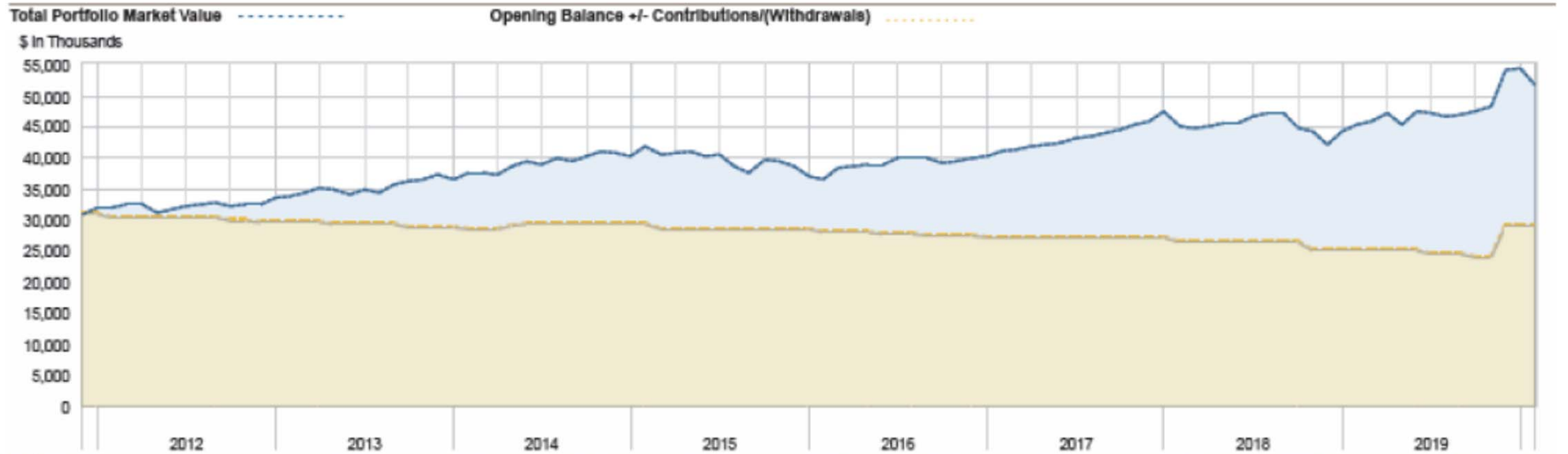


*Calendar year to date (two months) through 2-28-20

Endowment historical cash flows (as of 2.28.20)

Exhibit #3

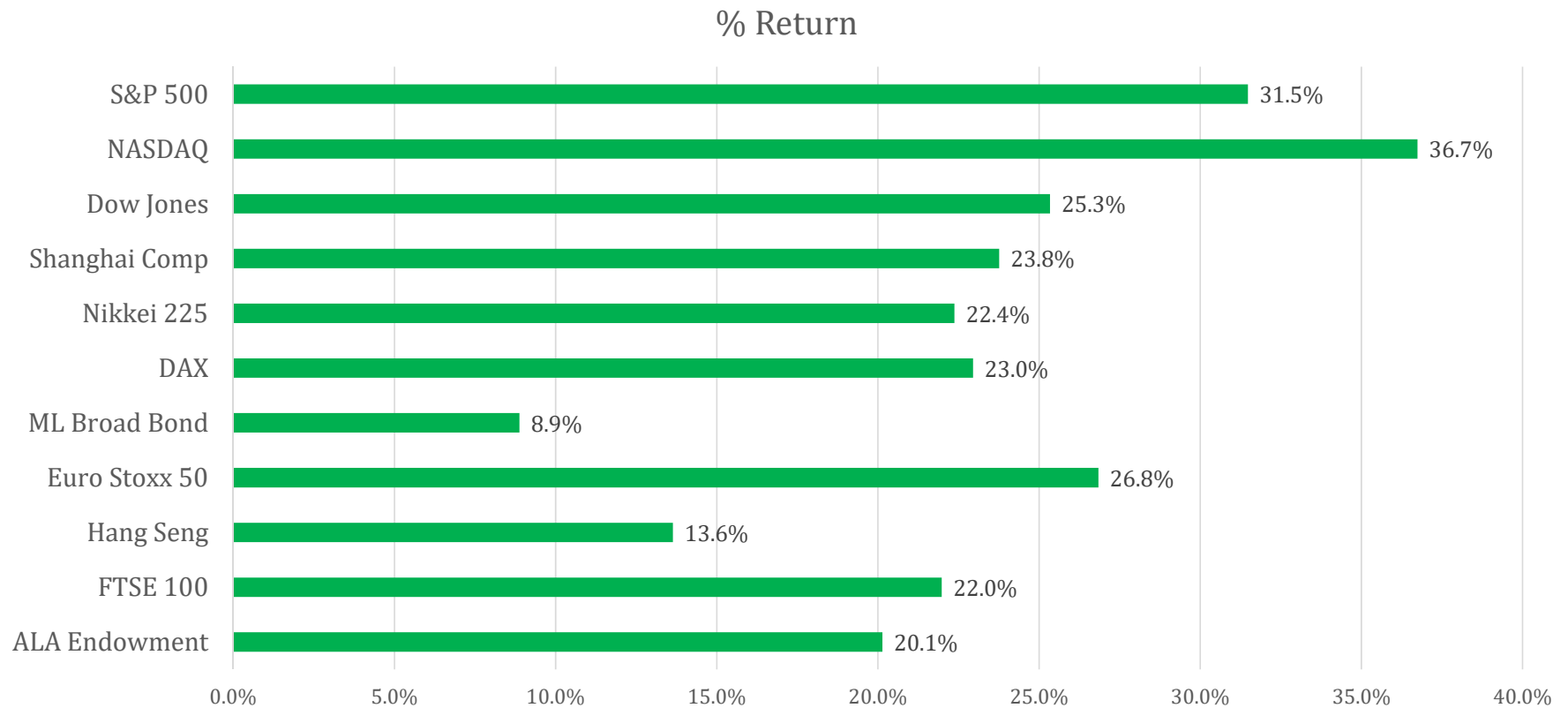
Performance period: 01/01/2012 to 02/29/2020



| Categories | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Entire Period |
|----------------------------------|-------------|------------|------------|-------------|------------|------------|-------------|------------|-------------|---------------|
| Opening 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 | 30,958,281 |
| Contributions/(Withdrawals) (\$) | (1,307,336) | (732,294) | 519,511 | (877,651) | (991,964) | (369,494) | (2,053,057) | 4,009,133 | 0 | (1,803,151) |
| Interest/Dividends (\$) | 1,219,543 | 1,213,067 | 1,396,836 | 1,497,064 | 1,252,452 | 1,214,040 | 1,528,605 | 1,190,682 | 188,713 | 10,701,003 |
| Appreciation/(Depreciation) (\$) | 1,762,978 | 4,174,694 | 1,529,812 | (2,629,543) | 1,030,899 | 5,039,768 | (3,285,121) | 6,969,361 | (2,603,456) | 11,989,392 |
| Closing Balance (\$) | 32,633,466 | 37,288,932 | 40,735,091 | 38,724,962 | 40,016,349 | 45,900,664 | 42,091,092 | 54,260,268 | 51,845,525 | 51,845,525 |

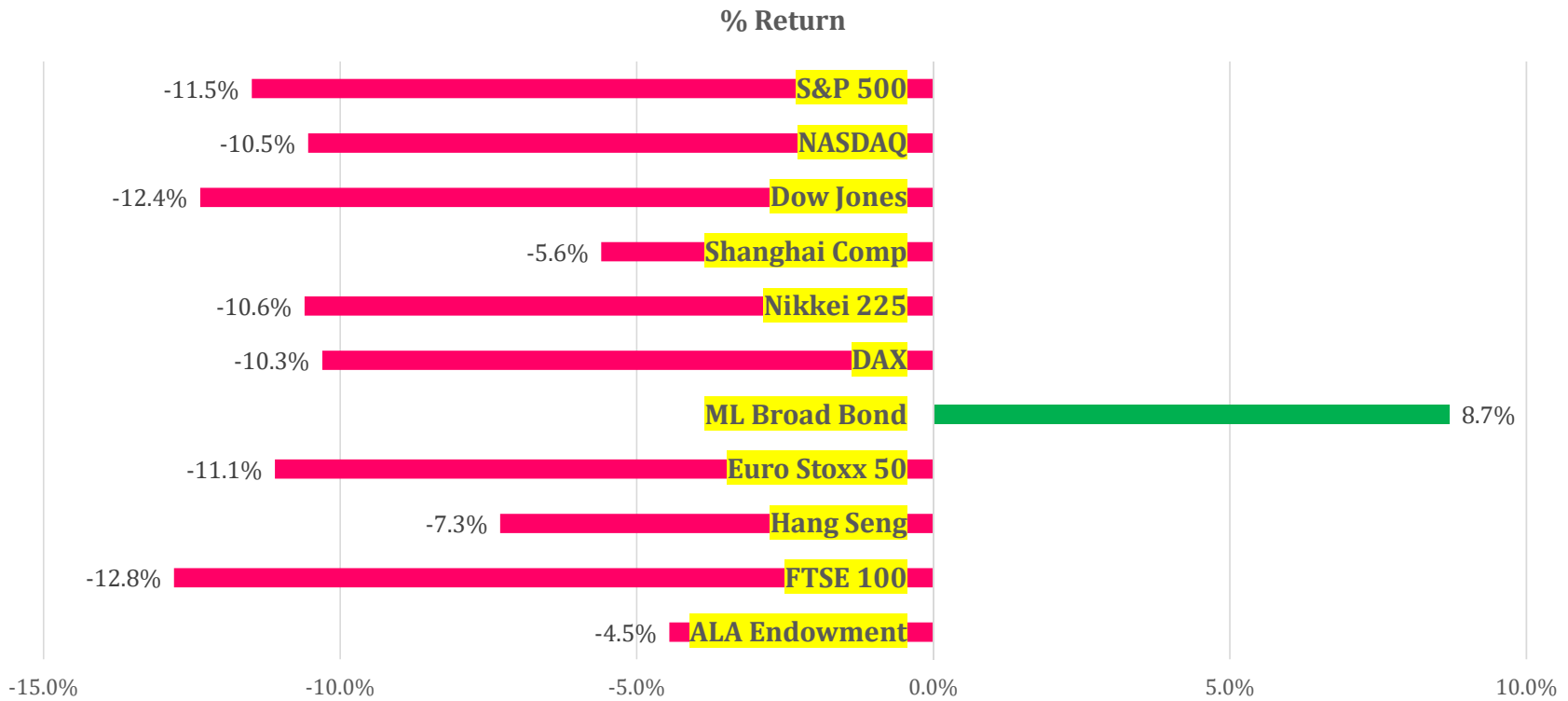
World Market Performance

Calendar Year Market Returns @ 12-31-19



World Market Performance

Calendar Year Market Returns @ 2-28-20



Time Weighted Rate of Return

- Calendar Year 2019 -

| Period | Opening Balance | Contributions (Withdrawals) | Interest / Dividends | Appreciation / Depreciation | Closing Balance | ROR Period | ROR Cumulative |
|------------------|----------------------|-----------------------------|----------------------|-----------------------------|----------------------|------------|----------------|
| December - 2019 | \$ 48,440,171 | \$ 5,015,185 | \$ 375,794 | \$ 429,118 | \$ 54,260,268 | 1.58% | 19.44% |
| November - 2019 | \$ 47,411,249 | \$ 9,724 | \$ 45,771 | \$ 973,427 | \$ 48,440,171 | 2.15% | 17.59% |
| October - 2019 | \$ 47,121,666 | \$ (428,672) | \$ 101,186 | \$ 617,068 | \$ 47,411,249 | 1.56% | 15.12% |
| September - 2019 | \$ 46,736,916 | \$ - | \$ 95,811 | \$ 288,939 | \$ 47,121,666 | 0.82% | 13.34% |
| August - 2019 | \$ 47,203,068 | \$ - | \$ 45,073 | \$ (511,225) | \$ 46,736,916 | -0.98% | 12.42% |
| July - 2019 | \$ 47,464,621 | \$ (587,103) | \$ 83,883 | \$ 241,668 | \$ 47,203,068 | 0.68% | 13.53% |
| June - 2019 | \$ 45,517,657 | \$ - | \$ 130,612 | \$ 1,816,352 | \$ 45,615,049 | -13.00% | 12.77% |
| May - 2019 | \$ 47,281,573 | \$ - | \$ 51,558 | \$ (1,815,474) | \$ 45,517,657 | -3.73% | 8.14% |
| April - 2019 | \$ 45,955,726 | \$ - | \$ 69,598 | \$ 1,256,248 | \$ 47,281,573 | 2.89% | 12.33% |
| March - 2019 | \$ 45,383,035 | \$ - | \$ 92,661 | \$ 480,030 | \$ 45,955,726 | 1.26% | 9.18% |
| February - 2019 | \$ 44,443,399 | \$ - | \$ 78,617 | \$ 861,019 | \$ 45,383,035 | 2.11% | 7.82% |
| January - 2019 | \$ 42,091,092 | \$ - | \$ 20,118 | \$ 2,332,190 | \$ 44,443,399 | 5.59% | 5.59% |
| Total | <u>\$ 45,900,664</u> | <u>\$ 4,009,133</u> | <u>\$ 1,190,682</u> | <u>\$ 6,969,361</u> | <u>\$ 54,260,268</u> | NA | 19.44% |

*Rate of Return

Time Weighted Rate of Return

- YTD 2-28-20 -

| Period | Opening | | Contributions (Withdrawals) | Interest / Dividends | Appreciation / Depreciation | Closing Balance | ROR | ROR |
|-----------------|----------------------|-------------|--------------------------------|-------------------------|--------------------------------|----------------------|--------------|---------------|
| | Balance | Balance | | | | | Period | Cumulative |
| February - 2019 | \$ 54,425,965 | \$ - | \$ - | \$ 59,490 | \$ (2,639,931) | \$ 51,845,525 | -4.74% | -4.45% |
| January - 2019 | <u>\$ 54,260,268</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 129,222</u> | <u>\$ 36,475</u> | <u>\$ 54,425,965</u> | <u>0.31%</u> | <u>0.31%</u> |
| Total | <u>\$ 54,260,268</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 188,712</u> | <u>\$ (2,603,456)</u> | <u>\$ 51,845,525</u> | <u>NA</u> | <u>-4.45%</u> |

Managers, Styles, and Allocations

| <u>Manager</u> | <u>Value</u> | <u>%</u> |
|--|----------------------|---------------|
| Equity Income & Growth - ETF | \$ 9,189,708 | 17.7% |
| Clearbridge ESG - Large Cap Core | \$ 12,117,361 | 23.4% |
| Merrill Lynch Personal Advisor* - (MLPA) | \$ 22,859,511 | 44.1% |
| The Endowment Fund/KKR/Blackstone - Alternatives | \$ 4,444,046 | 8.6% |
| Capital Group - International | \$ 2,435,933 | 4.7% |
| Cash | <u>\$ 798,966</u> | <u>1.5%</u> |
| Total | <u>\$ 51,845,525</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 (2.1%), Endowment Fund (1.0%), KKR/Blackstone & the Partners Group TBD (5.5%)

Merrill Lynch Personal Advisor

Managers, Style, and Allocations

| <u>Manager</u> | <u>Value</u> | <u>%</u> |
|--------------------------------|---------------|----------|
| Principal Midcap Fund | \$ 2,705,057 | 11.8% |
| Calvert Short Duration | \$ 2,771,606 | 12.1% |
| Doubleline Total Return | \$ 2,596,461 | 11.4% |
| Guggenheim Total Return | \$ 2,580,378 | 11.3% |
| Lord Abbett Short | \$ 2,496,388 | 10.9% |
| Domini Impact International | \$ 1,008,330 | 4.4% |
| Lazard International Strategic | \$ 1,140,204 | 5.0% |
| Nuveen ESG Small Cap | \$ 1,450,131 | 6.3% |
| Nuveen Real Asset Income | \$ 1,292,921 | 5.7% |
| Oakmark International | \$ 1,056,692 | 4.6% |
| Pimco Income Fund | \$ 2,387,587 | 10.4% |
| Vanguard Real Estate | \$ 1,373,756 | 6.0% |
| Total | \$ 22,859,511 | 100.0% |

Endowment Trustee Activity

- **Closely monitoring investment market during pandemic**
 - **Two update calls with Merrill Lynch advisors, March 18 & 26**
 - **Receiving investment reports and daily audio updates from ML senior leadership**
- **Keeping alert for optimal time to rebalance portfolio as needed**
- **Working closely with ALA Treasurer and staff to support a healthy financial outcome for ALA**
 - **Possible transfer of funds to FY20 operating budget**
 - **Possible change in payout for FY21**
- **ESG funds now account for 34% of the portfolio; Trustees continue searching for more ESG opportunities**
- **Responding to member concerns regarding fund management fees and recommendations for Trustee operations**
- **Continuing to educate members and ourselves**



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.