

Endowment Trustees Update

Update to ALA Members, May 2020

Patricia A. Wand, Senior Trustee
(draft 5/20/2020 rev.)

Through recent months of the volatile stock market and economic recession, the ALA Endowment has taken predictable dips, but overall is demonstrating that implementing a strategic investment plan pays off. Between December 31, 2019 and April 30, 2020, the equities market lost as much as 15% while the market value of the ALA Endowment decreased by 7.3%. Since April 30, the loss slowly decreased until May 18 when the Endowment was 6.3% below where it was on December 31, 2019.

NOTE:	ALA Endowment market value as of	
	December 31, 2019	\$54.2 million
	May 18, 2020	\$50.8 million

What accounts for this encouraging situation when we might expect more dire losses? It's the diverse portfolio that Endowment Trustees strategically maintain. Our invested money is spread over five asset classes. We have 64% invested in stocks and 36% distributed among four other asset classes; real estate, fixed income, private equity, and cash. Those other assets help soften the blow during a bear market in publicly traded stocks.

More good news: As of April 30, 42% of ALA's portfolio is invested in funds that meet Environment, Social, and Governance (ESG) formula, up from 34% ESG funds in March 2020. With benefit of thorough research by our Merrill Lynch advisers and in-depth discussions over two meetings, the Trustees recently sold shares in the U.S. Equity Index ETF and replaced them with shares in S&P 500 Fossil Fuel Reserve Free Equity Index ETF. This exchange eliminated holdings in American companies that extract and store fossil fuels and reduced the Endowment's investments in energy – where fossil fuels are classed - from 1.7% to 1.4%.

The Endowment supports ALA operations and enables it to offer scholarships, awards, and innovative programs. Bequests and contributions to the Endowment ensure member-donors' long-term investment in ALA and libraries. Endowment Trustees are entrusted with wise stewardship of these assets and appreciate member input.

(312 words)

