

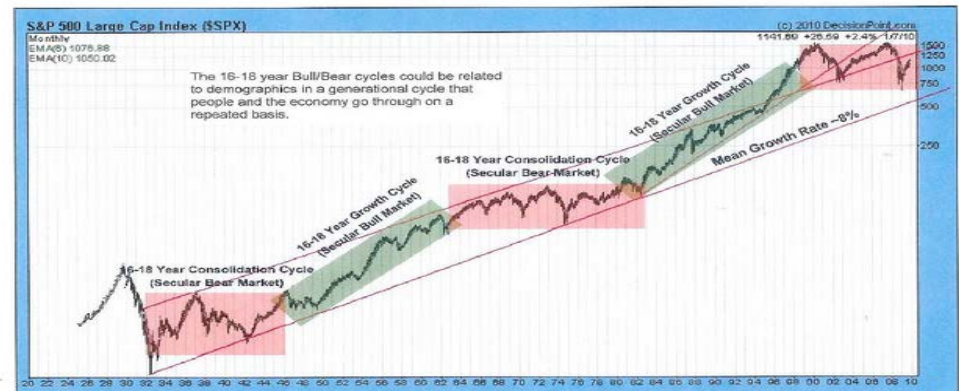


2015 – 16 ET #6.4  
2015 – 16 CD #16.0  
2015 – 16 EBD #13.2  
(2016 Midwinter Meeting)

# Endowment Trustees Report

*(Long-Term Investment / Endowment Fund)*

Rod Hersberger – Senior Trustee  
Saturday – January 9, 2016



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# How Does the Endowment Work for the Association?

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*Moving the Mission Forward!*

# Endowment Returns vs. Spending/Payout

## Endowment Returns

- Calendar 2011: -1.5%
- Calendar 2012: 10.5%
- Calendar 2013: 17.5%
- Calendar 2014: 7.7%
- Calendar 2015: -0.8%\*

## Available Spending/Payout\*\*

- Fiscal Year 13: \$ 936,799
- Fiscal year 14: \$1,141,810
- Fiscal Year 15: \$1,594,730
- Fiscal Year 16: \$1,618,322
- Fiscal Year 17: \$1,745,079\*\*\*

\*Through 11-30-15

\*\*A payout rate of 4% for FY13 and FY14. A payout rate of 5% for FY15-FY17.

\*\*\* Payout rate recommended by the Endowment Trustees and approved at the fall Executive Board meeting in October 2015



# Issues Impacting the Market

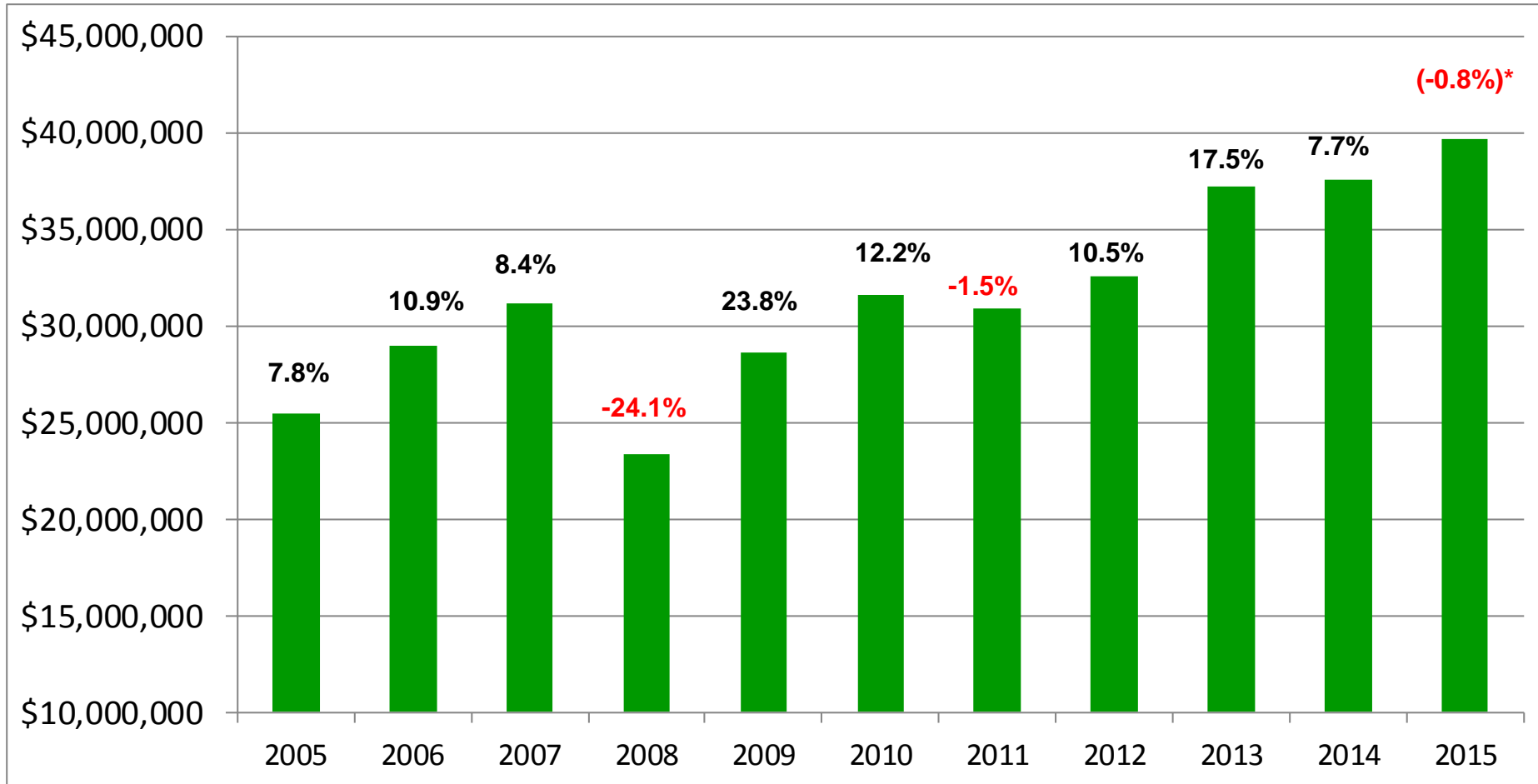
## — 3<sup>rd</sup> Quarter —

- Federal Reserve raised the Federal Funds rate by .25 basis points
- Economic slowdown in China having a ripple affect on world markets
  - Slowest growth rate for China in six years
  - Manufacturing activity at lowest level in three years
  - As the World's biggest importer of many raw materials, commodity prices have plummeted
- International Monetary Fund accepted China's Yuan into its elite basket of reserve currencies
  - Designed to spur greater liberalization of the world's #2 economy
  - Effective next October
- Markets experiencing the highest level of volatility since 2011
- Stock valuation remain relatively high by historical standards
- ~~Emerging Markets corporate debt defaults at their highest level since 2009~~
  - Exacerbated by the growing strength of the dollar

# Market Value and Return @ 11-30-15

Exhibit #4

\$39,537,981



\*Eleven months ending 11-30-15 and compares to the benchmark return of 2.3%

# Time Weighted Rate of Return

	<b>Opening Balance</b>	<b>Contributions (Withdrawals)</b>	<b>Interest Dividends</b>	<b>Appreciation (Depreciation)</b>	<b>Closing Balance</b>	<b>ROR* Period</b>	<b>ROR* Cumulative</b>
November - 2015	\$ 39,733,656	\$ 0	\$ 146,036	\$ (341,710)	\$ 39,537,981	(0.48%)	(0.84%)
October - 2015	\$ 37,767,659	\$ 0	\$ 56,731	\$ 1,909,266	\$ 39,733,656	5.21%	(0.36%)
September - 2015	\$ 38,680,372	\$ (8,595)	\$ 102,953	\$ (1,007,072)	\$ 37,767,659	(2.34%)	(5.29%)
August - 2015	\$ 40,656,752	\$ 0	\$ 51,321	\$ (2,027,701)	\$ 38,680,372	(4.81%)	(3.03)
July - 2015	\$ 40,321,468	\$ 0	\$ 62,897	\$ 272,388	\$ 40,656,752	0.83%	1.88%
June - 2015	\$ 41,103,356	\$ 0	\$ 94,315	\$ (876,203)	\$ 40,321,468	(1.90%)	1.04%
May - 2015	\$ 40,962,938	\$ 0	\$ 56,539	\$ 83,879	\$ 41,103,356	0.32%	2.99%
April - 2015	\$ 40,629,904	\$ 0	\$ 52,842	\$ 280,192	\$ 40,962,938	0.82%	2.67%
March - 2015	\$ 41,857,168	\$ (885,474)**	\$ 90,108	\$ (431,898)	\$ 40,629,904	(0.82%)	1.83%
February - 2015	\$ 40,362,294	\$ 0	\$ 52,116	\$ 1,442,758	\$ 41,857,168	3.66%	2.67%
January - 2015	\$ 40,735,091	\$ 13,704	\$ 29,144	\$ (415,644)	\$ 40,362,295	(0.95%)	(0.95%)
<b>Total</b>	<b>\$ 40,735,091</b>	<b>\$ (880,365)</b>	<b>\$ 795,000</b>	<b>\$ (1,111,745)</b>	<b>\$ 39,537,981</b>	<b>NA</b>	<b>(0.84%)</b>

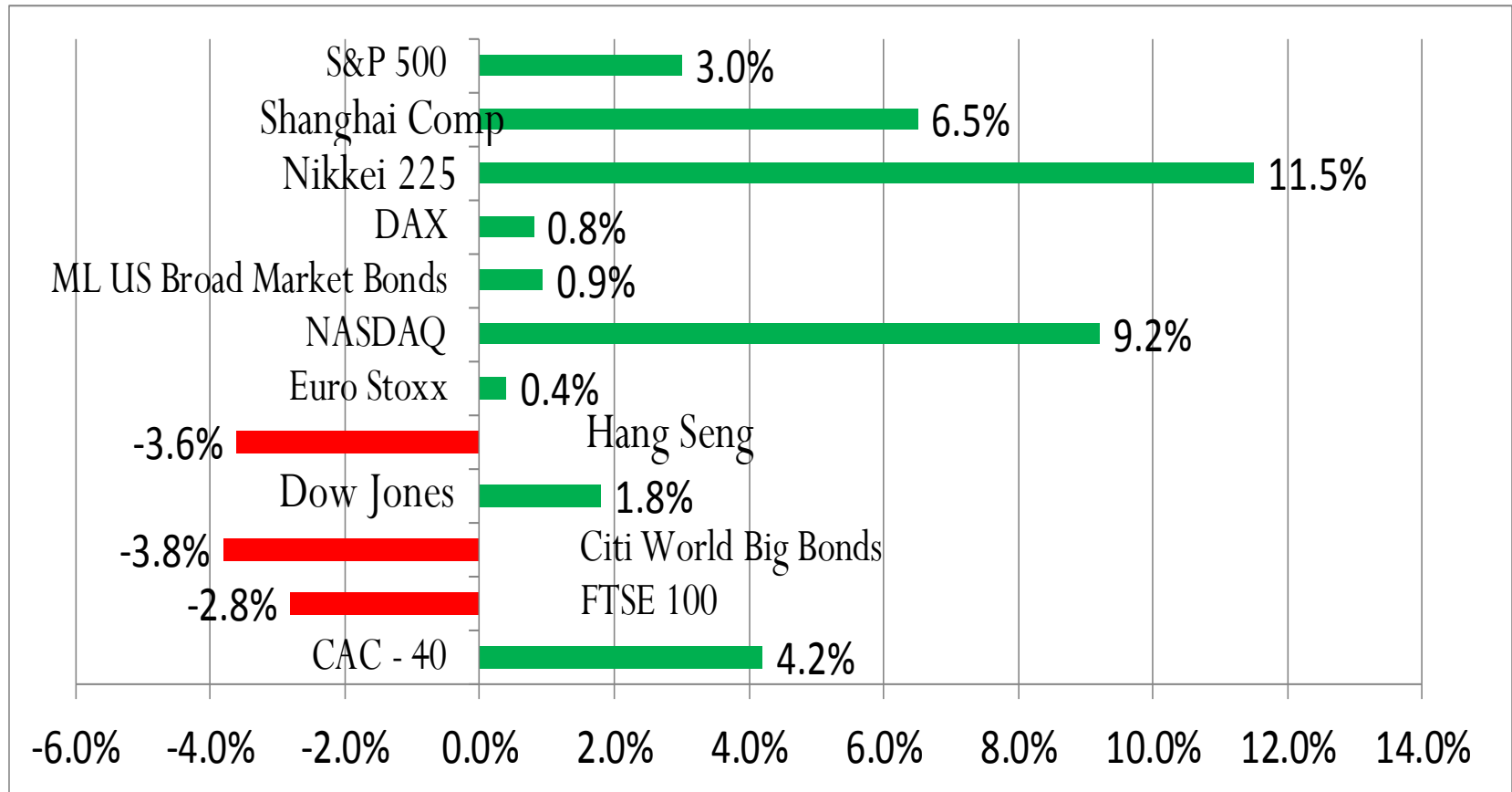
\*Rate of Return

\*\*Represents the quarterly settlement of activities between ALA (Division/RT/PPO etc. scholarship & award activities) and the endowment.

# World Market Performance

Exhibit #6

- Calendar Year Market Returns @ 11-30-15





# Manager Allocation and Style

<u>Manager</u>	<u>Value</u>	<u>%</u>		
London Company - <i>Large Cap Core</i>	\$ 7,137,181	18.1%		
Merrill Lynch Personal Advisor - <i>(MLPA)*</i>	\$ 18,430,109	46.6%		
The Endowment Fund - <i>Alternatives</i>	\$ 1,289,744	3.3%		
Capital Group - <i>International</i>	\$ 1,699,230	4.3%		
Equity Income & Growth - <i>ETF</i>	\$ 7,052,093	17.8%		
Loomis Sayles - <i>Fixed Income</i>	\$ 3,929,624	9.9%	<u>Return</u>	<u>Benchmark</u>
<b>Total</b>	<u>\$ 39,537,981</u>	<u>100.0%</u>	<u>(-0.8%)</u>	<u>2.3%</u>

\*MLPA is a platform under which ALA can access different managers in the form of mutual funds and ETF's. There are 12 different managers in this account including the SRI (Socially Responsible Investing) manager Ariel.

# Manager Allocation and Style - MLPA <sup>Exhibit #8</sup>

<u>Manager</u>	<u>Value</u>	<u>%</u>
Ariel Appreciation - SRI	\$ 886,168	2.3%
Goldman SMID	\$ 1,866,628	4.9%
Principal Mid Cap	\$ 1,891,165	5.0%
Lazard International Strategy	\$ 1,625,977	4.3%
Oakmark International	\$ 1,566,185	4.1%
Invesco U.S. REIT	\$ 1,389,035	3.7%
Lord Abbett Floating & Cash	\$ 1,699,649	4.5%
Templeton Global Total Return	\$ 1,635,205	4.3%
Third Avenue Global Real Estate	\$ 1,267,120	3.4%
Deutsche Global Infrastructure	\$ 1,154,584	3.1%
Double Line Total Return	\$ 1,055,426	2.8%
Eaton Vance Bond	<u>\$ 1,790,431</u>	<u>4.7%</u>
<b>Total</b>	<u>\$ 17,827,572</u>	<u>47.2%</u>

# The Work of the Endowment Trustees Exhibit #9

## *Recent Trustee Actions*

- Conducted new Trustee (2) orientation with Investment Advisor and Staff
- Added two private equity managers to the portfolio
  - Blackstone Group, LP (\$2.0 million)
  - KKR & Co, LP\*(\$750,000)
  - Expect to talk to Carlyle Group in February (NYC)
- Trustees concerned that endowment growing from investments returns only with little input from donations or fundraising efforts
  - Plan to meet with Development Office Director\*\* to discuss possible fundraising goal
- Conducted Investment Advisor Request for Information (RFI) interviews (5)
  - Retained Merrill Lynch
- Trustees continue to meet in NYC to have access to a broader and deeper pool of available investment talent
- Considering the investment of an additional \$1.0 million in SRI asset class
  - Will depend on impact study prepared by Merrill Lynch

\*Kohlberg, Kravitz and Roberts

\*\*When hired