

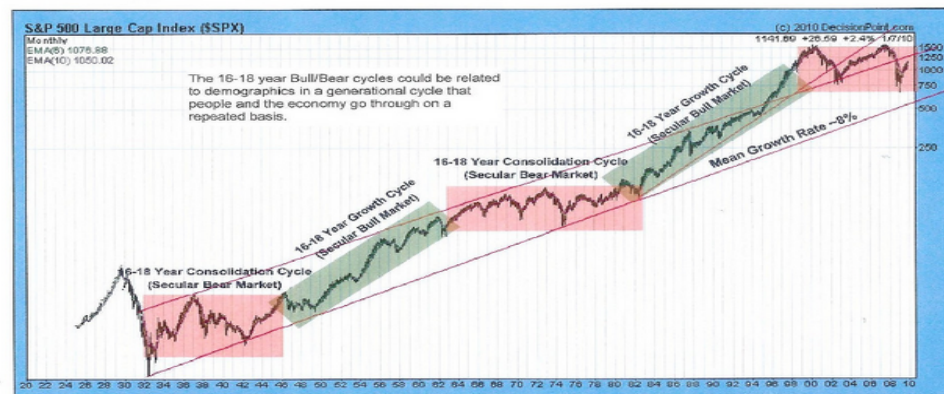


2014 - 15 CD #16.1  
2014 - 15 ET #6.6  
2014 - 15 EBD #13.4  
(2015 Annual Conference)

# Endowment Trustees Report for the Information Session

- ALA Council, Executive Board and Membership -  
*(Long-Term Investment / Endowment Fund)*

Rod Hersberger – Senior Trustee  
Saturday – June 27, 2015



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# Mission, Role, Purpose and Uses of the Endowment Fund

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*What Guides the Endowment Trustees in the  
Management of the Endowment Fund?*

# Endowment Fund Mission

The purpose of the American Library Association's Long-Term Investment Fund aka "The Endowment Fund" is to protect and grow the investment resources so as to support current and future Association needs, including scholarships, awards and unique programs that build a strong future for the American Library Association and America's libraries.

# Investment Policy Statement (IPS)

- Provides the guidelines, parameters and framework for managing the portfolio
- Defines the responsibilities of and the relationship between the Trustees, the Executive Board, the Investment Advisor and staff
- Outlines the goals and investment objectives of the portfolio
- Establishes the benchmarks for measuring portfolio performance
- Defines the risk profile of the portfolio
- Specifies the asset allocation policy for the portfolio's assets
- Establishes the guidelines for the hiring and retention of investment managers
- Specifies the criteria for evaluating the performance of the Investment Advisor and portfolio managers

# Use of Endowment Spending Proceeds

- Spending policy and payout rate is reviewed and set annually by the Trustees and Executive Board
- The spending/payout rate for the FY15 budget is 5%
- Spectrum Scholarships
- Schneider Family Book Awards
- Carnegie Medal Awards
- William Morris
- Melcher Awards
- Newbery/Caldecott Award Medals
- Geisel Award
- Atkinson Memorial Award
- Conference Speaker Fees
- Conference Travel Support for Students
- General Operating Support
- ALA General Scholarships



# Salient Market Points

## Positive Signs in the Market

Technology and healthcare continue to be market leaders

Positive trends in payroll growth and jobless claims

Easy money by European central bank continues

Sharply lower world oil prices

## Potential Market Risks

Federal Reserve continues to hint at a future rate increase

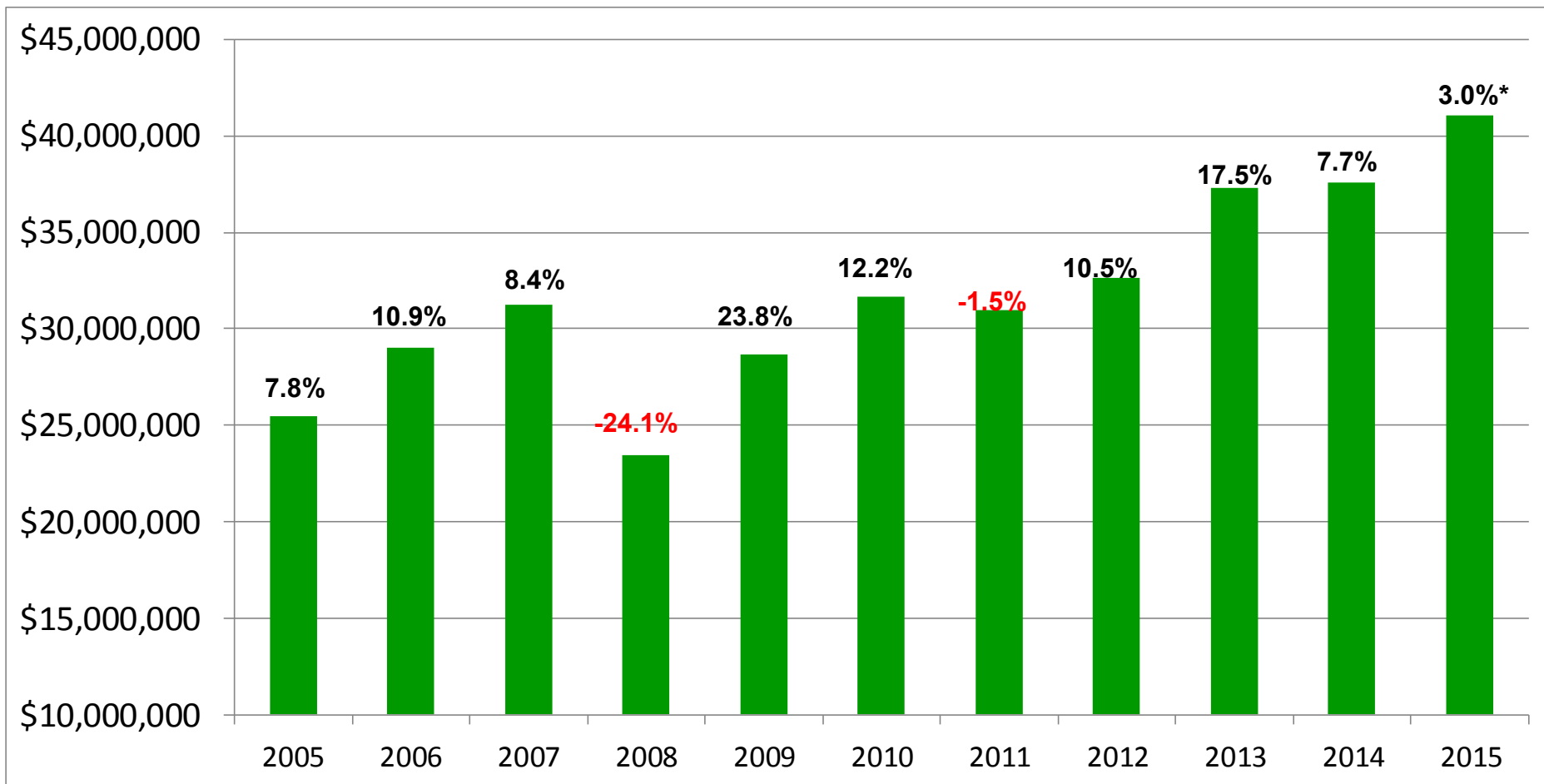
The trends for energy and materials continues to be bearish

Industrials broke a 2 year uptrend support vs the S&P 500 and is at risk to retest the 2012 lows

Unstable geopolitical events around the world continues (Mid-East, Ukraine, Greece financial crisis)

# Market Value and Return @ 5-31-15

\$41,103,356



\*Five months ending 5-31-15

# Time Weighted Rate of Return

|                        | <b>Opening</b>        | <b>Contributions</b>        | <b>Interest</b>         | <b>Appreciation</b>          | <b>Closing</b>        | <b>ROR*</b>          | <b>ROR*</b>              |
|------------------------|-----------------------|-----------------------------|-------------------------|------------------------------|-----------------------|----------------------|--------------------------|
|                        | <b><u>Balance</u></b> | <b><u>(Withdrawals)</u></b> | <b><u>Dividends</u></b> | <b><u>(Depreciation)</u></b> | <b><u>Balance</u></b> | <b><u>Period</u></b> | <b><u>Cumulative</u></b> |
| <b>May – 2015</b>      | \$ 40,962,938         | \$ 0                        | \$ 56,539               | \$ 83,879                    | \$41,103,356          | 0.32%                | 2.99%                    |
| <b>April - 2015</b>    | \$ 40,629,904         | \$ 0                        | \$ 52,842               | \$ 280,192                   | \$40,962,938          | 0.82%                | 2.67%                    |
| <b>March - 2015</b>    | \$ 41,857,168         | \$ (885,474)**              | \$ 90,108               | \$ (431,898)                 | \$ 40,629,904         | (0.82%)              | 1.83%                    |
| <b>February - 2015</b> | \$ 40,362,294         | \$ 0                        | \$ 52,116               | \$ 1,442,758                 | \$41,857,168          | 3.66%                | 2.67%                    |
| <b>January - 2015</b>  | <u>\$ 40,735,091</u>  | <u>\$ 13,704</u>            | <u>\$ 29,144</u>        | <u>\$ (415,644)</u>          | <u>\$40,362,295</u>   | <u>(0.95%)</u>       | <u>(0.95%)</u>           |
| <b>Total</b>           | \$ 40,735,091         | \$ (871,770)                | \$ 280,748              | \$ 959,287                   | \$41,103,356          | NA                   | 2.99%                    |

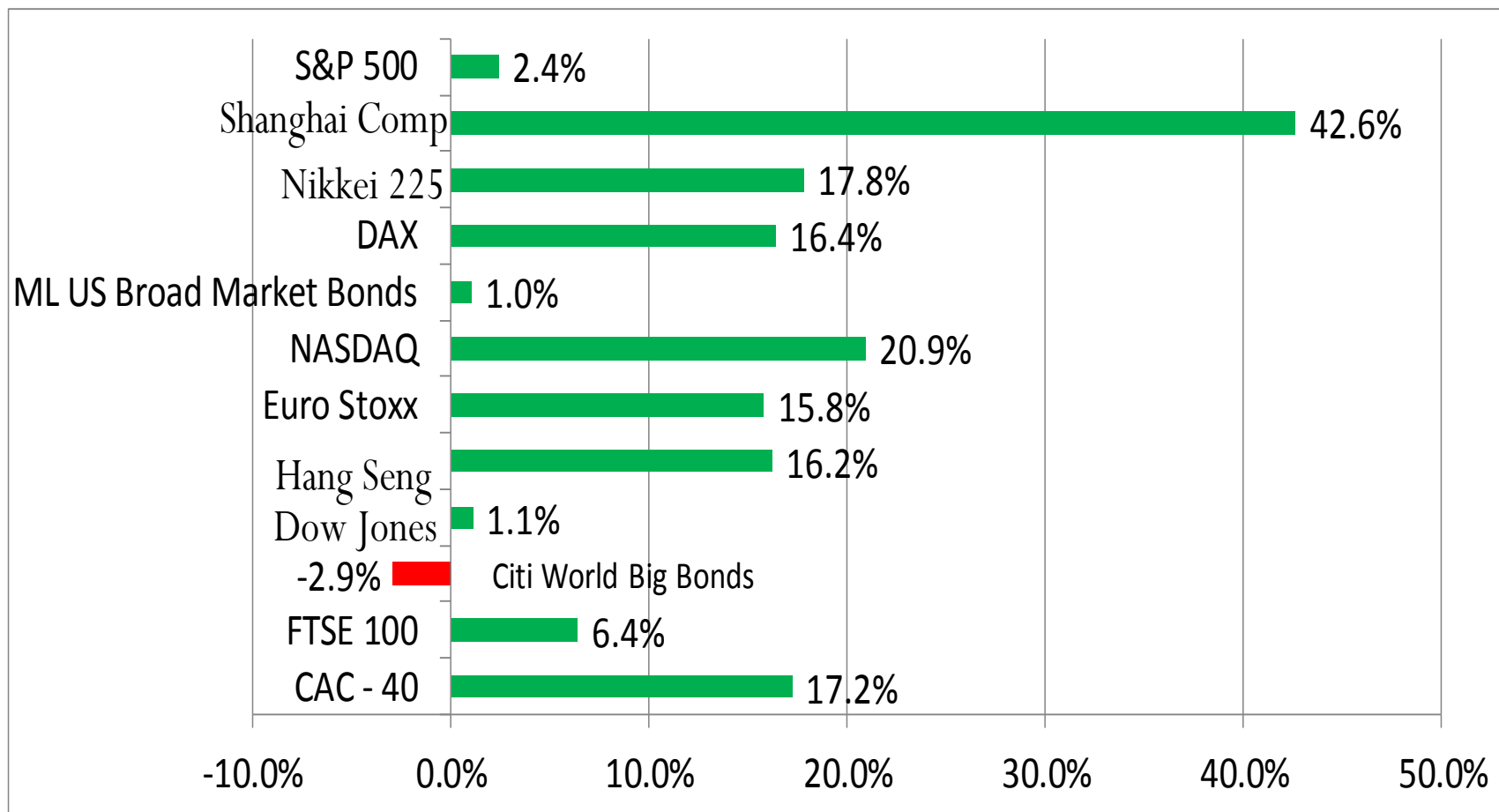
\*Rate of Return

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



# World Market Performance

- Calendar Year Market Returns @ 5-31-15



# Manager Allocation and Style

| <u>Manager</u>                         | <u>Value</u>         | <u>%</u>      |
|--|----------------------|---------------|
| London Company - Large Cap Core        | \$ 7,310,693         | 17.8%         |
| Merrill Lynch Personal Advisor (MLPA)* | \$ 18,259,412        | 44.4%         |
| Lord Abbett - Convertibles             | \$ 1,298,427         | 3.2%          |
| The Endowment Fund - Alternatives      | \$ 1,311,033         | 3.2%          |
| Capital Group - International          | \$ 1,862,579         | 4.5%          |
| Equity Income & Growth - ETF           | \$ 7,104,074         | 17.3%         |
| Loomis Sayles - Fixed Income           | <u>\$ 3,957,138</u>  | <u>9.6%</u>   |
| <b>Total</b>                           | <u>\$ 41,103,356</u> | <u>100.0%</u> |

\*MLPA is a platform under which ALA can access different managers in the form of mutual funds and ETF's. There are 11 different managers in this account including the SRI (Socially Responsible Investing) manager Ariel.

# Manager Allocation and Style - MLPA

| <u>Manager</u>                  | <u>Value</u>         | <u>%</u>     |
|---------------------------------|----------------------|--------------|
| Ariel Appreciation - SRI        | \$ 1,045,092         | 2.5%         |
| Goldman SMID                    | \$ 2,054,288         | 5.0%         |
| Principal Mid Cap               | \$ 2,080,372         | 5.1%         |
| Lazard International Strategy   | \$ 1,847,189         | 4.5%         |
| Oakmark International           | \$ 1,850,212         | 4.5%         |
| Invesco U.S. REIT               | \$ 1,412,997         | 3.4%         |
| Lord Abbett Floating & Cash     | \$ 1,416,582         | 3.4%         |
| Templeton Global Total Return   | \$ 1,779,539         | 4.3%         |
| Third Avenue Global Real Estate | \$ 1,383,929         | 3.4%         |
| Deutsche Global Infrastructure  | \$ 1,300,285         | 3.2%         |
| Eaton Vance Bond                | <u>\$ 2,088,927</u>  | <u>5.1%</u>  |
| <b>Total</b>                    | <u>\$ 18,259,412</u> | <u>44.4%</u> |

# Continuing Education for the Trustees

Like our colleagues in the library profession, the Endowment Trustees are also strong advocates of the value and need for continuing education. As a result, the Trustees regularly schedule a Midwinter Meeting in the financial capital of the world – New York City – in order to take advantage of the vast pool of financial minds and talent in the investment industry. By taking this path, we learn more about investment ideas and products that can immediately benefit the portfolio or that may be appropriate in the future.

- The portfolio's size requires more Trustee sophistication
- Added an additional Trustee position for more diversity for a full complement of 7
- Trustees gain a better understanding of new thinking, best practices and the ideas that best fit the portfolio and the goals of the Association

# The Work of the Endowment Trustees

The Endowment Trustees would like to thank ALA staff, particularly Keith Brown – Senior Financial Analyst, for their continuing excellent support on behalf of the Trustees and the work that we do. As we have now reached our full complement of authorized Trustees, we are now well positioned to enhance the portfolio's performance.

- Mario Gonzalez - Treasurer
- Rod Hersberger - Senior Trustee
- Kate Nevins (expiring term)
- Robert Newlen
- Siobhan Reardon
- Brian E. C. Schottlaender (new)
- Teri Switzer
- Patricia Wand (new)

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# Thank You