

2015 – 16 CD #16.1  
2015 – 16 ET #6.9  
2015 – 16 EBD #13.5  
(2016 Annual Conference)

# Endowment Trustees Report

*(Long-Term Investment / Endowment Fund)*

Rod Hersberger – Senior Trustee  
Saturday – June 25, 2016  
Monday – June 27, 2016



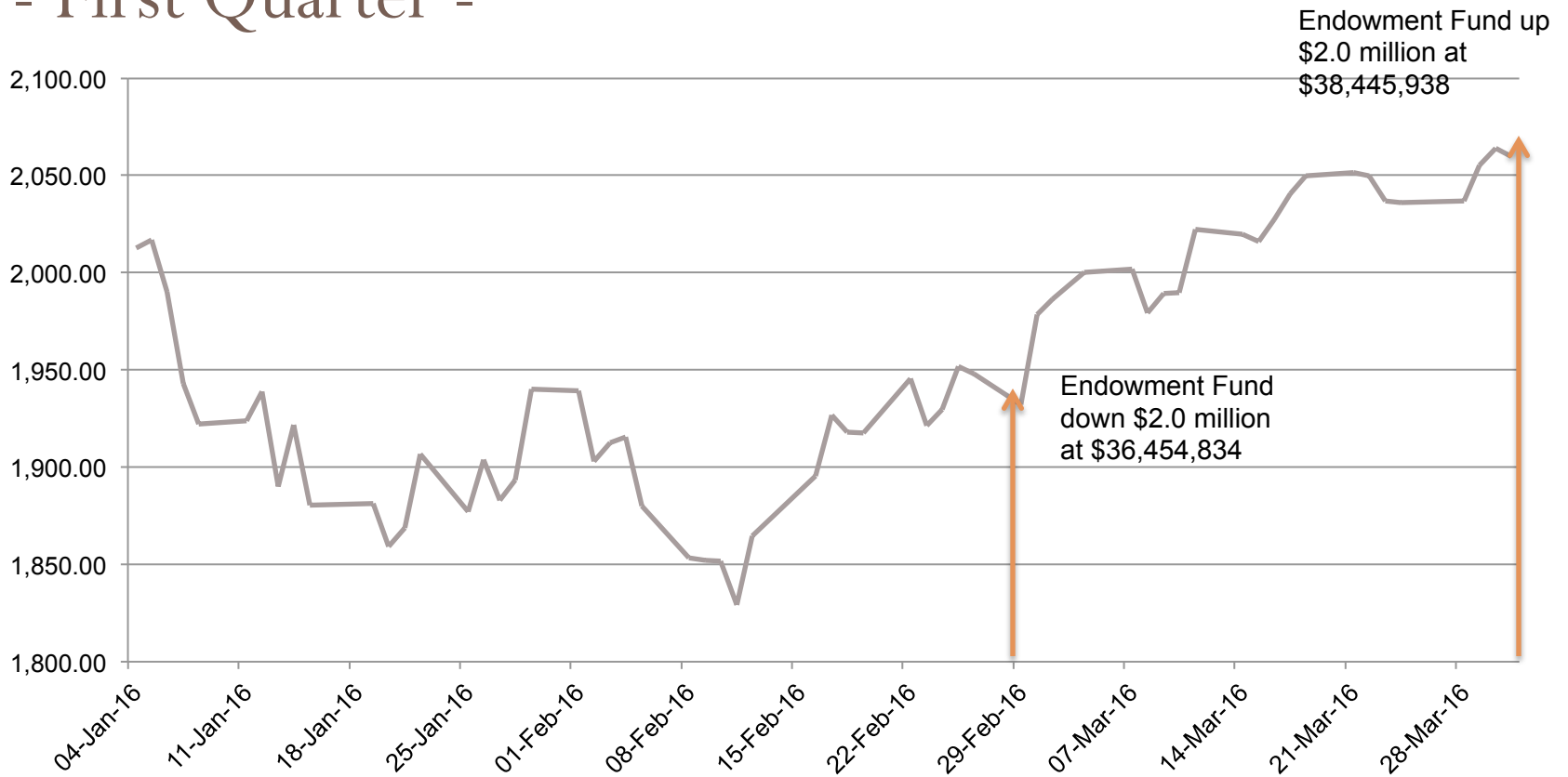
# Volatility is Here to Stay

- First half of quarter (1/1 – 2/14) wrought with recession fears
  - Chinese currency devaluation
  - Soft global growth
  - European immigration issues
  - Japan pushes borrowing rates into negative territory
  - All major market indexes down 10% - 15%
- Second half of 1<sup>st</sup> quarter (2/15 – 3/31)
  - Dow turns positive for the year @ 3-17-17
    - > Recession fears ease
    - > Commodity prices stabilize
    - > Sharp recovery in crude oil prices (up 53% since hitting a 13 year low on 2-11-16)
  - Riskier asset classes have been recovering since Mid-February
  - S&P 500 up 12% since Mid-February

# S&P 500 Index Volatility

Exhibit #2

- First Quarter -



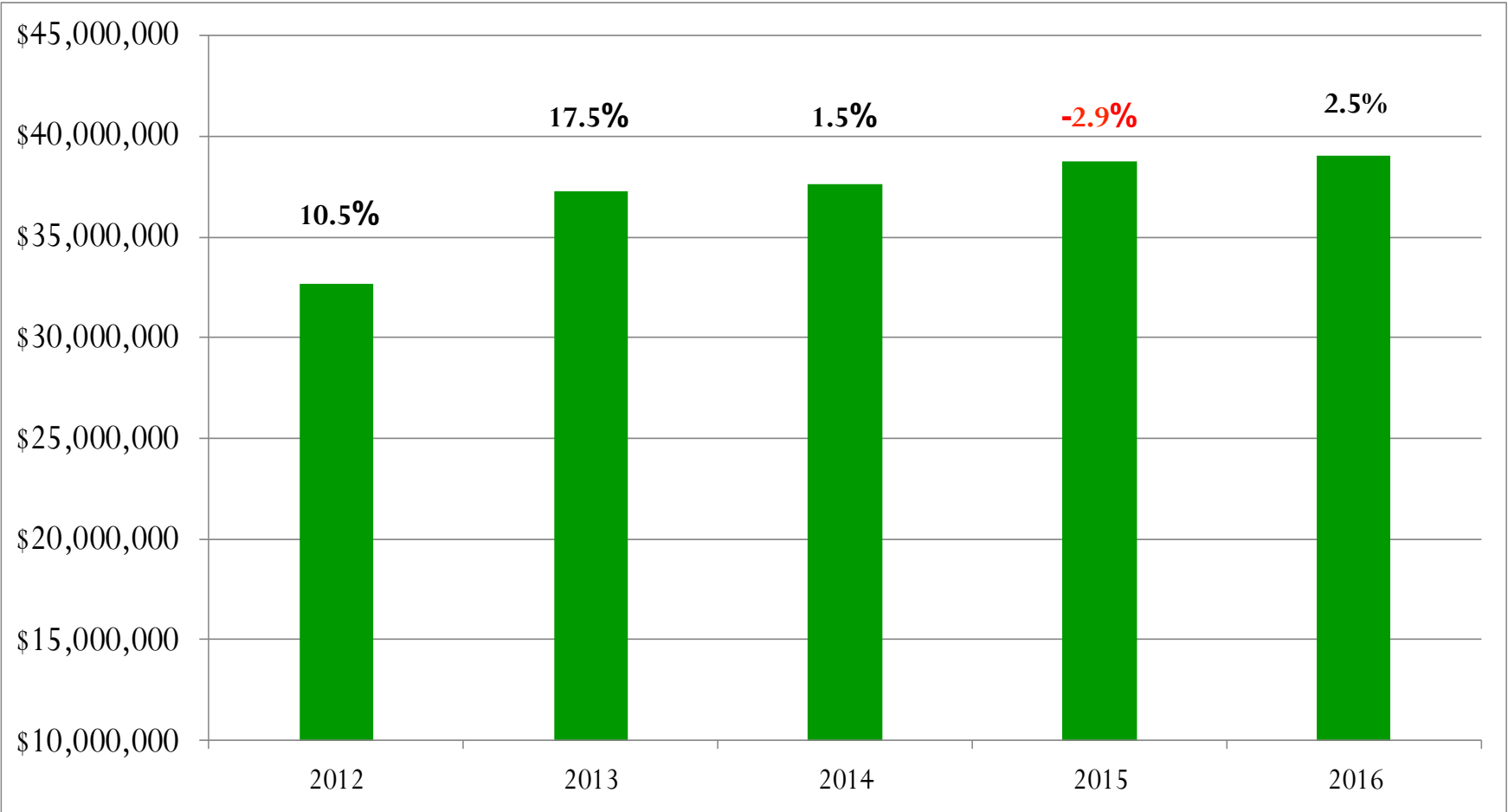
# Issues Impacting the Market

- Market seems to be stabilizing into a broad trading range
- US economic data continues to be steady, but not spectacular
- Crude oil prices continue their rise to more historical/normal levels
- Quality large cap stocks remain the investment of choice, but diversity is still necessary
- Outcome of Brexit vote
- Federal Reserve lowered its forward rate hike guidance to be more gradual and is now in line with market expectations
- Worries related to increased rates have given way to the belief that it's a sign of a more robust economy
- Impact of Presidential election still to be determined
- Low odds for US recession in 2016 due to healthy household sector

# Market Value and Return @ 5-31-16

Exhibit #4

\$39,036,116



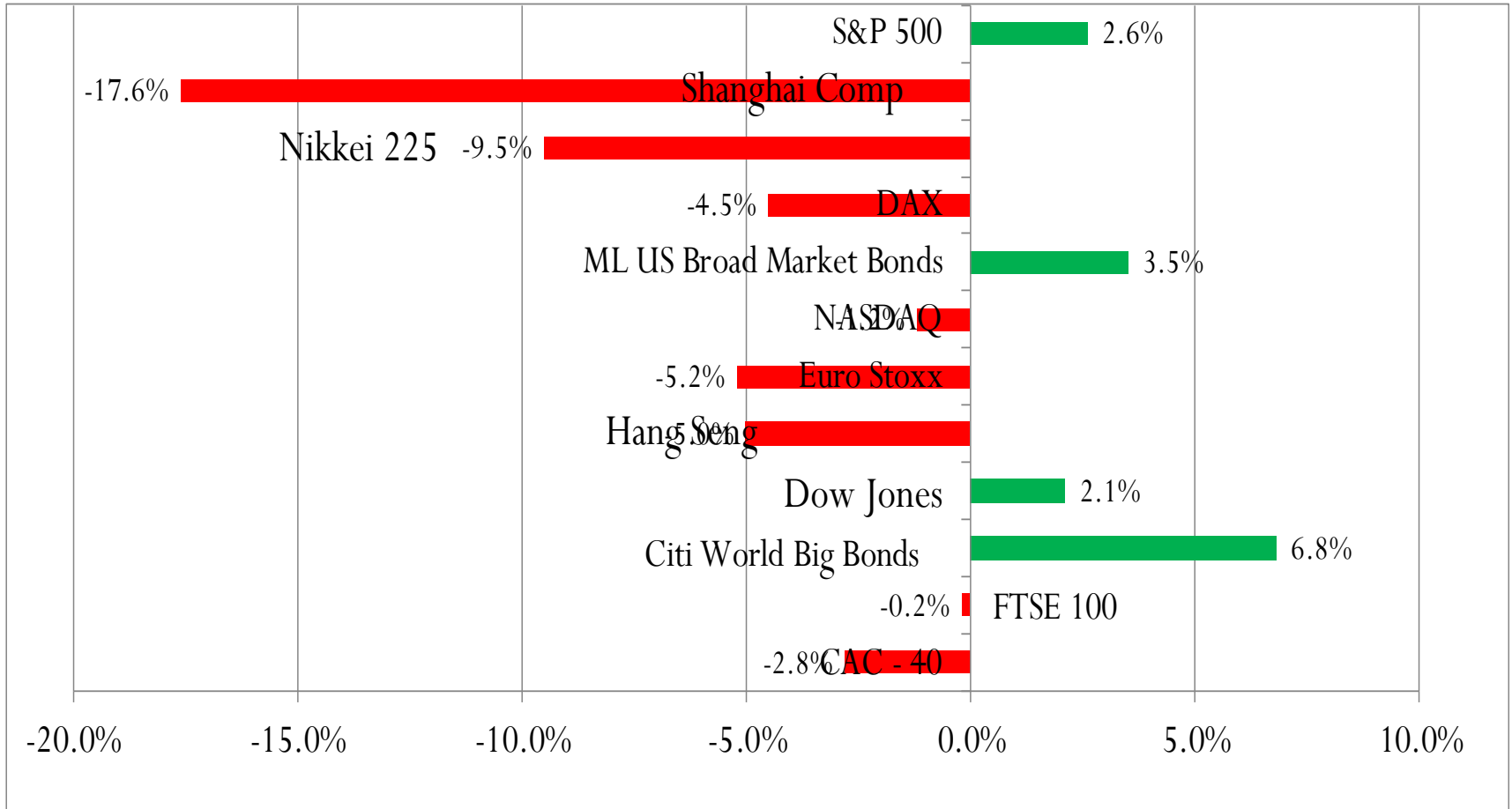
# Time Weighted Rate of Return

	<u>Opening Balance</u>	<u>Contributions (Withdrawals)</u>	<u>Interest Dividends</u>	<u>Appreciation (Depreciation)</u>	<u>Closing Balance</u>	<u>ROR* Period</u>	<u>ROR* Cumulative</u>
May - 2016	\$ 38,777,713	\$ 0	\$ 52,029	\$ 206,374	\$ 39,036,116	0.67%	2.54%
April - 2016	\$ 38,445,594	\$ 0	\$ 56,864	\$ 275,254	\$ 38,777,713	0.86%	1.86%
March - 2016	\$ 36,454,834	\$ 18,825	\$ 108,752	\$ 1,900,883	\$ 38,445,938	5.46%	0.98%
February - 2016	\$ 37,233,216	\$ (627,004)	\$ 41,405	\$ (192,783)	\$ 36,454,834	(0.39%)	(4.25%)
January - 2016	<u>\$ 38,724,962</u>	<u>\$ 9,342</u>	<u>\$ 30,994</u>	<u>\$ (1,532,082)</u>	<u>\$ 37,233,216</u>	<u>(3.87%)</u>	<u>(3.87%)</u>
<b>Total</b>	<b>\$ 38,723,216</b>	<b>\$ (617,662)</b>	<b>\$ 289,091</b>	<b>\$ 639,724</b>	<b>\$ 39,036,116</b>	<b>NA</b>	<b>2.54%</b>
December - 2015	\$ 39,537,981	\$ 2,714	\$ 702,064	\$ (1,517,798)	\$ 38,724,962	(2.07%)	(2.89%)
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%)

\*Rate of Return \*\*New fiscal year

# World Market Performance

- Calendar Year Market Returns @ 5-31-16



# Manager Allocation and Style

<u>Manager</u>	<u>Value</u>	<u>%</u>
<b>Clearbridge ESG - <i>Large Cap Core</i></b>	\$ 7,643,595	19.6%
<b>Merrill Lynch Personal Advisor* - <i>(MLPA)</i></b>	\$ 15,725,086	40.3%
<b>The Endowment Fund - <i>Alternatives</i></b>	\$ 2,372,342	6.1%
<b>Capital Group - <i>International</i></b>	\$ 1,663,547	4.3%
<b>Equity Income &amp; Growth - <i>ETF</i></b>	\$ 7,579,451	19.4%
<b>Loomis Sayles - <i>Fixed Income</i></b>	<u>\$ 4,052,094</u>	<u>10.4%</u>
<b>Total</b>	\$ 39,036,116	100.0%

\*MLPA is a platform under which ALA can access different managers in the form of mutual funds and ETF's. There are 10 different managers.



# Merrill Lynch Personal Accounts

<u>Manager</u>	<u>Value</u>	<u>%</u>
Nuveen Real Asset Income	\$ 1,106,488	2.9%
Principal Midcap Fund	\$ 2,096,141	5.5%
Oakmark International Fund	\$ 1,522,617	4.0%
Vanguard REIT ETF	\$ 1,122,851	2.9%
Western Asset Core Plus	\$ 1,610,519	4.2%
Doubleline Total Return	\$ 1,773,099	4.6%
Guggenheim Total Return	\$ 1,723,107	4.5%
Invesco Real Estate Fund	\$ 1,463,982	3.8%
Lazard International Strategic	\$ 1,630,338	4.2%
Loomis Sayles - Fixed Income	\$ 1,516,689	3.9%
Total	\$ 15,565,831*	40.5%

\*Does not include \$159,255 in cash deposited in the Merrill Lynch Deposit program.

# The Work of the Endowment Trustees

## *Recent Trustee Actions*

- Replaced the London Company with Clearbridge ESG
- Liquidated Ariel Capital Appreciation and reallocated to
  - Clearbridge, Equity Growth & Income and Principal Mid Cap
- Adjusted the portfolio's risk profile:
  - Reduced the total equity allocation by 5% to 66%
  - Reduced domestic equity allocation from 49% to 44%
  - Replaced Goldman Sachs SMID fund and reallocated to Double Line Total Return & JLL
  - Replaced Eaton Vance Bond with Guggenheim Total Return Bond
  - Replaced Templeton Global Total Return with Domestic Western Core Plus Fund
- The Trustees' met with the new Development Office Director Sheila O'Donnell and discussed the need for a designated endowment fundraising campaign
- Added manager Jones Lang LaSalle (JLL), a commercial real estate investment property manager, which will increase our allocation in alternatives to 6.5%

