

2016 – 17 ET #6.4  
2016 – 17 EBD #13.2  
2016 -2017 CD#16.0  
(2017 Midwinter Meeting)

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# Endowment Trustees Report

*(Long-Term Investment / Endowment Fund)*

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Rod Hersberger – Senior Trustee  
Saturday – January 21, 2017



# Issues Impacting the Market - 2016

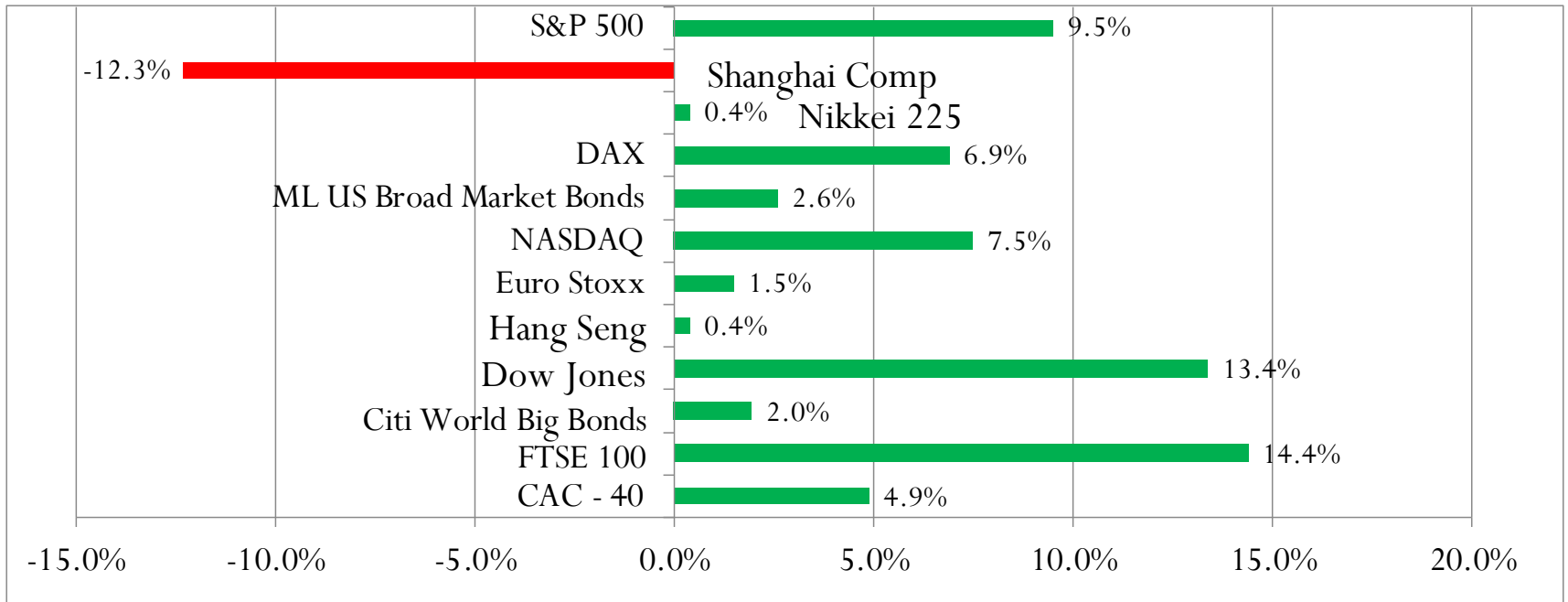
- Unexpected post-election rally in stock market
- The outcome of Brexit referendum
- Reflation by the US was the dominate driver of global asset returns
- Markets experiencing the highest level of volatility since 2011
- Negative rates by central banks illustrated the limits of monetary policy as zero or negative interest rates in Japan and Europe had mixed results
- Secular anti-globalization political risks were on display
- Uncertainty on the timing of an interest rate increase by Federal Reserve increasing volatility in market
- Federal Reserve lowered its forward rate hike guidance to be more gradual and is now in line with market expectations i.e. 4 to 2
- Expectation and outcome of the Presidential election

# Market Expectations - 2017

- Positive gains in the general market (1.6% - 10.4% with a projected average of 4.4%)
- Uncertainty and volatility in the market expected to remain constant
- Exposure and allocations to “Alternative” investments expected to increase
- Inflation sensitive assets should get a closer look
- Protectionism (anti-trade) expected to rise based on pre-election talking points
  - Will put pressure on emerging market economies
  - Trigger a possible trade war, which is inflationary in nature
- Uncertainty over the reality of a Trump administration
- Prospects of quantitative easing in the US could reduce the burden on US monetary policy
- The search for upside potential will have investors moving away from developed markets

# World Market Performance

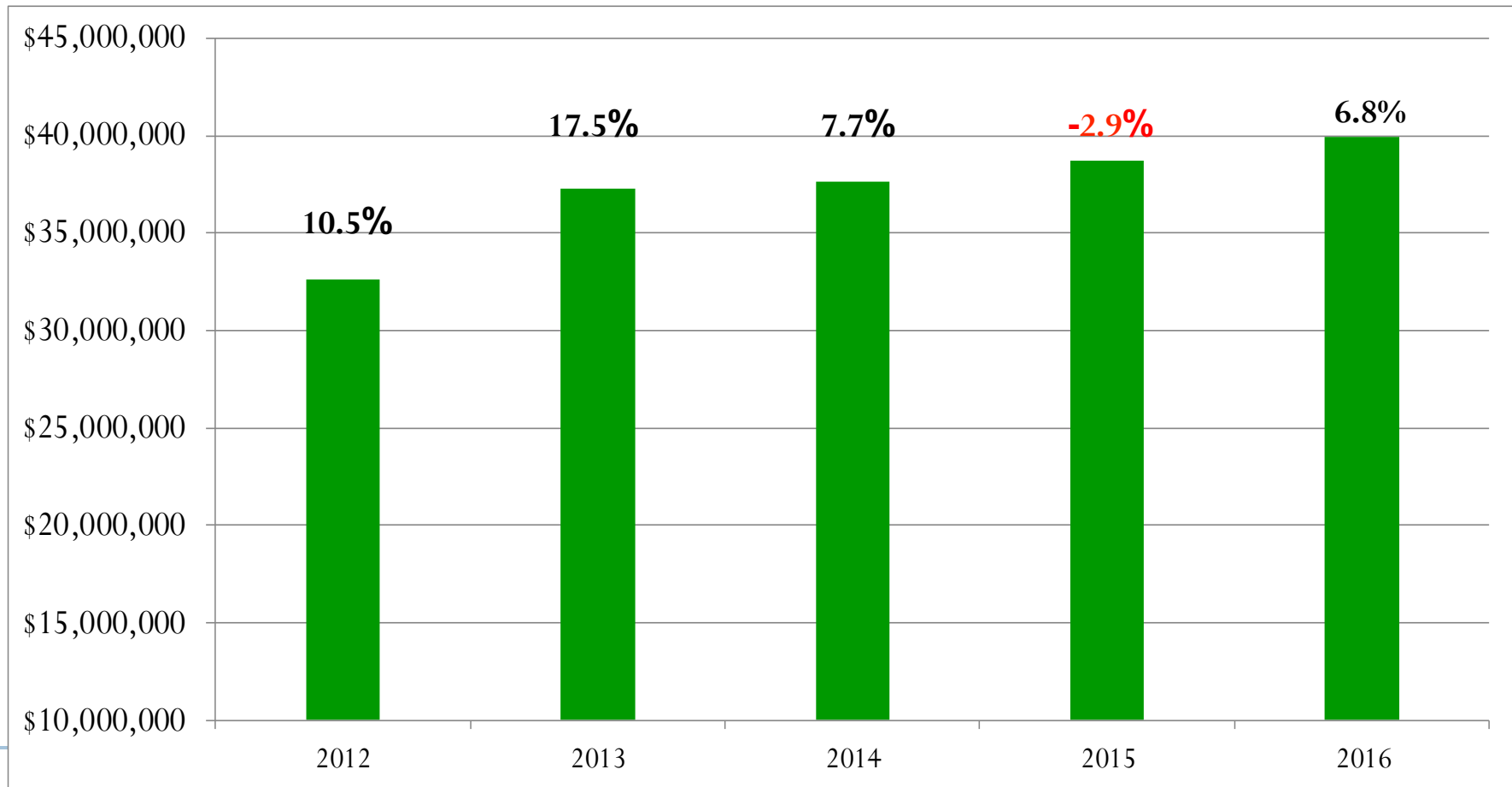
- Calendar Year Market Returns @ 12-31-16



# Market Value and Return @ 12-31-16

\$40,016,349

Exhibit #4



# 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>
December - 2016	\$ 39,503,423	\$ (11,887)	\$ 468,994	\$ 56,319	\$ 40,016,349	1.88%	6.67%
November - 2016	\$ 39,360,901	\$ 0	\$ 128,814	\$ 13,708	\$ 39,503,423	0.36%	4.79%
October - 2016	\$ 39,975,839	\$ 0	\$ 55,794	\$ (670,732)	\$ 39,360,901	(1.54%)	4.41%
September - 2016	\$ 40,016,169	\$ (136,760)	\$ 102,527	\$ (6,097)	\$ 39,975,839	0.24%	6.04%
August - 2016	\$ 40,071,641	\$ 0	\$ 53,518	\$ (108,989)	\$ 40,016,169	(0.14%)	5.79%
July - 2016	\$ 38,856,503	\$ 0	\$ 57,882	\$ 1,157,255	\$ 40,071,641	3.13%	5.93%
June - 2016	\$ 39,036,116	\$ (245,500)	\$ 96,284	\$ (30,396)	\$ 38,856,503	0.17%	2.72%
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	\$ 38,724,962	\$ 9,342	\$ 30,994	\$ (1,532,082)	\$ 37,233,216	(3.87%)	(3.87%)
<b>Total</b>	<b>\$ 38,723,216</b>	<b>\$ (999,922)</b>	<b>\$ 599,302</b>	<b>\$ 1,651,497</b>	<b>\$ 39,975,839</b>	<b>NA</b>	<b>6.67%</b>

\*Rate of Return

# Manager Allocation and Style

<u>Manager</u>	<u>Value</u>	<u>%</u>
<b>Clearbridge ESG - Large Cap Core</b>	\$ 8,051,061	20.1%
<b>Merrill Lynch Personal Advisor* - (MLPA)</b>	\$ 15,668,000	39.2%
<b>The Endowment Fund/KKR/Blackstone - Alternatives</b>	\$ 2,487,924	6.2%
<b>Capital Group - International</b>	\$ 1,619,346	4.0%
<b>Equity Income &amp; Growth - ETF</b>	\$ 8,155,980	20.4%
<b>Loomis Sayles - Fixed Income</b>	<u>\$ 4,034,039</u>	<u>10.1%</u>
<b>Total</b>	\$ 40,016,349	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.







# Environmental, Social and Governance (ESG) - Impact Investing

The membership has indicated over the years that socially responsible investing is important. The Trustees believe that companies with positive environmental, social and governance attributes can perform comparably to their peers over the long term provided you have the right investment manager – Clearbridge ESG. As a result of their approach to investing their returns are very comparable to non SRI portfolios.

- Trustees have a strong belief in the power of active management vs screening – hence the hiring of Clearbridge ESG
- Clearbridge combines active management with active advocacy (ownership) via proxy voting and engagement
- ESG now makes up 20% of the Endowment, up from 1%
- Clearbridge fits within the overall asset allocation strategy of the portfolio

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Thank you