Endowment Trustee Report
For the Council Information Session and ALA Executive Board

Patricia Wand – Senior Endowment Trustee

Virtual Midwinter Meeting – Chicago, IL
Saturday – January 23, 2021
Wednesday – January 27, 2021
Salient Points Influencing the Markets

- Generally, a miserable year for humanity and the economy due to the Covid-19 pandemic
- Murder of George Floyd on May 25, 2020 and the invasion of U.S. Capitol on Jan. 6, 2021 stimulate major changes in U.S.
- The gulf between economic pain and stock market gains causes concerns of a potential market (financial) bubble – who suffers vs. who benefits
- Bear Market in March & April 2020 – Bear market happens when stock market goes down min. 20%
- The pace at which investors are borrowing in order to invest is up about 50% from its spring 2020 low. Similar surges have only happened 6x since 1960.
- The S&P 500 gained 29% in 2019, 16% in 2020, and rarely climbs more than 10% for a third year in a row
Market and Book Value as of 12-31-20*
$60,747,152

*Calendar year to date – 12 months.
## Endowment historical cash flows as of 12/31/20

Performance period: 10/17/1994 to 12/31/2020

### Total Portfolio Market Value

<table>
<thead>
<tr>
<th>Year</th>
<th>$ in Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>14,400</td>
</tr>
<tr>
<td>2000</td>
<td>14,700</td>
</tr>
<tr>
<td>2001</td>
<td>15,000</td>
</tr>
<tr>
<td>2002</td>
<td>15,200</td>
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<tr>
<td>2003</td>
<td>15,400</td>
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<tr>
<td>2004</td>
<td>15,600</td>
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<td>2005</td>
<td>15,800</td>
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<tr>
<td>2006</td>
<td>16,000</td>
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<tr>
<td>2007</td>
<td>16,200</td>
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<tr>
<td>2008</td>
<td>16,400</td>
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<tr>
<td>2009</td>
<td>16,600</td>
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<tr>
<td>2010</td>
<td>16,800</td>
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<td>2011</td>
<td>17,000</td>
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<td>2012</td>
<td>17,200</td>
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<tr>
<td>2013</td>
<td>17,400</td>
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<tr>
<td>2014</td>
<td>17,600</td>
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<td>2015</td>
<td>17,800</td>
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<tr>
<td>2016</td>
<td>18,000</td>
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<tr>
<td>2017</td>
<td>18,200</td>
</tr>
<tr>
<td>2018</td>
<td>18,400</td>
</tr>
<tr>
<td>2019</td>
<td>18,600</td>
</tr>
<tr>
<td>2020</td>
<td>18,800</td>
</tr>
</tbody>
</table>

### Categories

- **Opening Balance ($)**
  - 2011: 14,400
  - 2012: 14,700
  - 2013: 15,000
  - 2014: 15,200
  - 2015: 15,400
  - 2016: 15,600
  - 2017: 15,800
  - 2018: 16,000
  - 2019: 16,200
  - 2020: 16,400

- **Contributions/(Withdrawals) ($)**
  - 2011: 336,756
  - 2012: (1,307,336)
  - 2013: (732,294)
  - 2014: 510,511
  - 2015: (877,851)
  - 2016: (901,964)
  - 2017: (369,404)
  - 2018: (2,053,057)
  - 2019: 4,009,133
  - 2020: 1,448,275

- **Interest/Dividends ($)**
  - 2011: 923,317
  - 2012: 1,210,543
  - 2013: 1,213,067
  - 2014: 1,396,836
  - 2015: 1,697,264
  - 2016: 1,252,452
  - 2017: 1,214,040
  - 2018: 1,538,605
  - 2019: 1,190,682
  - 2020: 1,031,792

- **Appreciation/(Depreciation) ($)**
  - 2011: 1,671,272
  - 2012: 1,762,978
  - 2013: 4,174,694
  - 2014: 1,529,812
  - 2015: (2,629,543)
  - 2016: 1,030,899
  - 2017: 5,039,768
  - 2018: (3,385,121)
  - 2019: 6,969,361
  - 2020: 6,303,307

- **Closing Balance ($)**
  - 2011: 30,958,281
  - 2012: 32,633,486
  - 2013: 37,288,932
  - 2014: 40,735,091
  - 2015: 38,724,962
  - 2016: 40,016,349
  - 2017: 45,900,864
  - 2018: 42,091,092
  - 2019: 54,260,268
  - 2020: 60,747,152

**Book Value** = $14.4 million

**Investment Earnings** = $44.1 million

Source: Merrill Lynch CRC Reporting System

* Contributions/Withdrawal numbers only cover assets custodied as Merrill Lynch

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**Exhibit #2**
## Time Weighted Rate of Return
### Year-To-Date (YTD) 12-31-20

<table>
<thead>
<tr>
<th>Period</th>
<th>Opening Balance</th>
<th>Contributions (Withdrawals)</th>
<th>Interest &amp; Dividends</th>
<th>Appreciation (Depreciation)</th>
<th>Closing Balance</th>
<th>Period ROR</th>
<th>Cumulative ROR</th>
</tr>
</thead>
<tbody>
<tr>
<td>December – 2020</td>
<td>$59,117,208</td>
<td>$20,573</td>
<td>$654,325</td>
<td>$955,045</td>
<td>$60,747,152</td>
<td>2.75%</td>
<td>14.85%</td>
</tr>
<tr>
<td>November – 2020</td>
<td>$54,321,312</td>
<td>$</td>
<td>$45,257</td>
<td>$4,750,639</td>
<td>$54,117,208</td>
<td>8.83%</td>
<td>11.78%</td>
</tr>
<tr>
<td>October – 2020</td>
<td>$55,488,132</td>
<td>$10,492</td>
<td>$99,569</td>
<td>$(1,276,880)</td>
<td>$54,321,312</td>
<td>-2.12%</td>
<td>2.71%</td>
</tr>
<tr>
<td>September – 2020</td>
<td>$58,290,159</td>
<td>$(1,500,000)*</td>
<td>$111,038</td>
<td>$(1,412,864)</td>
<td>$55,487,931</td>
<td>-2.28%</td>
<td>4.94%</td>
</tr>
<tr>
<td>August – 2020</td>
<td>$55,421,304</td>
<td>$</td>
<td>$51,367</td>
<td>$2,817,487</td>
<td>$58,290,159</td>
<td>5.18%</td>
<td>7.39%</td>
</tr>
<tr>
<td>July – 2020</td>
<td>$53,278,901</td>
<td>$20,660</td>
<td>$58,233</td>
<td>$2,063,510</td>
<td>$55,421,304</td>
<td>3.98%</td>
<td>2.10%</td>
</tr>
<tr>
<td>June – 2020</td>
<td>$52,175,175</td>
<td>$</td>
<td>$141,440</td>
<td>$962,286</td>
<td>$53,278,901</td>
<td>2.12%</td>
<td>-1.81%</td>
</tr>
<tr>
<td>May – 2020</td>
<td>$50,302,858</td>
<td>$</td>
<td>$54,564</td>
<td>$1,817,753</td>
<td>$52,175,175</td>
<td>3.72%</td>
<td>-3.84%</td>
</tr>
<tr>
<td>April – 2020</td>
<td>$46,643,258</td>
<td>$</td>
<td>$106,088</td>
<td>$3,533,512</td>
<td>$50,302,858</td>
<td>7.85%</td>
<td>-7.29%</td>
</tr>
<tr>
<td>March – 2020</td>
<td>$51,845,525</td>
<td>$</td>
<td>$121,199</td>
<td>$(5,323,466)</td>
<td>$46,643,258</td>
<td>-10.03%</td>
<td>-14.04%</td>
</tr>
<tr>
<td>February – 2020</td>
<td>$54,425,965</td>
<td>$</td>
<td>$59,490</td>
<td>$(2,639,931)</td>
<td>$51,845,525</td>
<td>-4.74%</td>
<td>-4.45%</td>
</tr>
<tr>
<td>January – 2020</td>
<td>$54,260,268</td>
<td>$</td>
<td>$129,222</td>
<td>$36,475</td>
<td>$54,425,965</td>
<td>0.31%</td>
<td>0.31%</td>
</tr>
</tbody>
</table>

*The initial “Transfer with Terms” (internal loan) for FY21 budget support.*
Managers, Styles, and Allocations
12-31-20

<table>
<thead>
<tr>
<th>Manager</th>
<th>Value</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearbridge ESG - Large Cap Core</td>
<td>$14,047,053</td>
<td>21.1%</td>
</tr>
<tr>
<td>Merrill Lynch Personal Advisor* - (MLPA)</td>
<td>$38,769,091</td>
<td>63.8%</td>
</tr>
<tr>
<td>The Endowment Fund/KKR/Blackstone/JLL – Alternatives**</td>
<td>$4,853,551</td>
<td>8.0%</td>
</tr>
<tr>
<td>Capital Group - International</td>
<td>$3,077,457</td>
<td>5.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$60,747,152</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

*MLPA is a platform under which ALA can access different managers of various investing styles in the form of mutual funds and ETF’s - 13 managers – detail on next slide.

**JLL (1.9%), Endowment Fund (0.8%), KKR (1.5%), Blackstone (3.7%) & the Partners Group TBD (0.0%)
**Exhibit #5**

<table>
<thead>
<tr>
<th>Manager</th>
<th>Value</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Midcap Fund</td>
<td>$3,292,519</td>
<td>8.5%</td>
</tr>
<tr>
<td>Calvert Short Duration - ESG</td>
<td>$3,392,951</td>
<td>8.8%</td>
</tr>
<tr>
<td>Doubleline Total Return</td>
<td>$3,143,032</td>
<td>8.1%</td>
</tr>
<tr>
<td>Guggenheim Total Return</td>
<td>$3,332,291</td>
<td>8.6%</td>
</tr>
<tr>
<td>Lord Abbett Short</td>
<td>$3,084,585</td>
<td>8.0%</td>
</tr>
<tr>
<td>Domini Impact Int’l - ESG</td>
<td>$1,197,920</td>
<td>3.1%</td>
</tr>
<tr>
<td>Lazard International Strategic</td>
<td>$1,370,689</td>
<td>3.5%</td>
</tr>
<tr>
<td>Nuveen Small Cap - ESG</td>
<td>$1,999,929</td>
<td>5.2%</td>
</tr>
<tr>
<td>Nuveen Real Asset Income</td>
<td>$1,246,363</td>
<td>3.2%</td>
</tr>
<tr>
<td>SPDR S&amp;P 500 Fossil Fuel Reserve Free* - ESG</td>
<td>$10,772,012</td>
<td>27.8%</td>
</tr>
<tr>
<td>Oakmark International</td>
<td>$1,290,742</td>
<td>3.3%</td>
</tr>
<tr>
<td>Pimco Income Fund</td>
<td>$3,016,505</td>
<td>7.8%</td>
</tr>
<tr>
<td>Vanguard Real Estate</td>
<td>$1,257,389</td>
<td>3.2%</td>
</tr>
<tr>
<td>Cash</td>
<td>$372,164</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$38,769,091</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

*Recently added to portfolio.*
<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Value</th>
<th>Min</th>
<th>Actual</th>
<th>Target</th>
<th>Max</th>
<th>+/-</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity &amp; Real Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Large/Mid Cap</td>
<td>41,209,433</td>
<td>30%</td>
<td>70%</td>
<td>60%</td>
<td>70%</td>
<td>10%</td>
</tr>
<tr>
<td>S&amp;P 500 Fossil Fuel Reserves Free ETF - ESG</td>
<td>10,397,807</td>
<td>20%</td>
<td>54%</td>
<td>45%</td>
<td>59%</td>
<td>9%</td>
</tr>
<tr>
<td>Clearbridge Large Cap - ESG</td>
<td>16,646,680</td>
<td>20%</td>
<td>54%</td>
<td>45%</td>
<td>59%</td>
<td>9%</td>
</tr>
<tr>
<td>Principal Mid Cap</td>
<td>3,193,243</td>
<td>10%</td>
<td>11%</td>
<td>10%</td>
<td>20%</td>
<td>1%</td>
</tr>
<tr>
<td>Nuveen Small Cap ETF - ESG</td>
<td>1,872,652</td>
<td>10%</td>
<td>11%</td>
<td>10%</td>
<td>20%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>International Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Captial Group International</td>
<td>2,964,435</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Domini International - ESG</td>
<td>1,143,525</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Lazard International</td>
<td>1,317,751</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Oakmark International</td>
<td>1,212,395</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Real Assets</strong></td>
<td>2,460,947</td>
<td>0%</td>
<td>4%</td>
<td>5%</td>
<td>15%</td>
<td>-1%</td>
</tr>
<tr>
<td>Vanguard US REIT ETF</td>
<td>1,243,620</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Nuveen Real Assets Income</td>
<td>1,217,327</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Fixed Income</strong></td>
<td>12,978,006</td>
<td>25%</td>
<td>22%</td>
<td>32.5%</td>
<td>65%</td>
<td>-11%</td>
</tr>
<tr>
<td>PIMCO Income</td>
<td>2,387,587</td>
<td>4%</td>
<td></td>
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</tr>
<tr>
<td>Double Line Total Return</td>
<td>2,544,151</td>
<td>4%</td>
<td></td>
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</tr>
<tr>
<td>Calvert Short Duration - ESG</td>
<td>2,791,861</td>
<td>4%</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Guggenheim Total Return</td>
<td>2,781,625</td>
<td>5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lord Abbett Short Duration</td>
<td>2,472,782</td>
<td>4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Alternatives</strong></td>
<td>4,672,343</td>
<td>0%</td>
<td>8%</td>
<td>7.5%</td>
<td>25%</td>
<td>0%</td>
</tr>
<tr>
<td>JLL Income Property Trust</td>
<td>1,035,461</td>
<td>2%</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Blackstone 2018 Alts Trust</td>
<td>837,148</td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blackstone 2015 Alts Trust</td>
<td>1,468,804</td>
<td>2%</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>The Endowment Fund</td>
<td>470,231</td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KKR 2016 Custom Equity Opps</td>
<td>860,698</td>
<td>1%</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>246,722</td>
<td>0%</td>
<td>0.4%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>59,106,504</td>
<td>100%</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ESG = 56%

Exhibit #6

ACTUAL = MAX

BELOW MINIMUM
Endowment Trustee Activity

- Continue to monitor the investment market during pandemic
  - Due to market performance, rebalanced portfolio by reducing equity and real assets (Clearbridge) by 5% and reallocated equally to each of the five fixed-income managers

- Maintain ESG holdings at approx. 52% of portfolio

- Work closely with the ALA Treasurer and Senior Management to support ALA’s financial health

- Continue to educate ourselves and members
  - Finalizing an analysis of fund management fees and the endowment cost structure
  - Creating FAQ on costs of managing the Endowment
  - Finalized a Glossary of Investment Terms
  - Monitoring trends in assets – each Trustee is responsible for one class

- Two Trustee openings will be announced shortly
ALA Endowment Trustees

CONTACT: patwand@american.edu

Patricia A. Wand, Senior Trustee 2015 – 2021
Mario Gonzalez 2017 - 2023
James G. Neal 2019 - 2022
Rhea Lawson 2020 – 2023
Brian E. C. Schottlaender 2015 - 2021
Janice Welburn 2019-2022
Maggie Farrell, Treasurer

Supported by ALA Finance Office staff and Merrill Lynch Investment Advisers

Charge
To hold, invest, reinvest and disburse endowment funds as directed by the Executive Board; recommend endowment operating procedures and assumptions to the Executive Board; select endowment investment managers; report endowment status to the Executive Board, Council and Membership.