



2018-2019 ALA CD #16.1  
2018-2019 EBD #13.3  
2018-2019 BARC #13.3  
2018-2019 Annual Conference

## Endowment Trustee's Report at the Information Session to the ALA Executive Board, ALA Council and the Membership

Rod Hersberger – Senior Endowment Trustee  
Patricia Wand – Incoming Senior Endowment Trustee

Annual Conference – Washington, DC  
Saturday – June 22, 2019  
Monday – June 24, 2019

## Accomplishments in the Endowment

- Private Equity Investments
- Growth in ESG investing
- Strategic review of endowment
- Better communications via the Trustees web page



# Accomplishments in the Endowment (con't)

- Private Equity Investments
- Growth in ESG Investing
- Strategic Review of Endowment
- Communications via the Trustees Web Page
- PE has historically outperformed stocks by 4% in the U.S. over the last 20 years.
- ESG as a % of the portfolio has grown from 1.4% five years ago to 32.2% (\$14.6 million)
- The review has improved the operating efficiency of the endowment and the work of the Trustees
- Transparency has been enhanced via an improved web page

# Salient Points Impacting the Market and Portfolio

- **Tariffs continue to roil the markets**
  - Trade negotiators for US and China reach an impasse
  - Trade tensions devaluing the Chinese Yuan, weakening its economy
  - Proposed tariffs against Mexico tied to immigration talks
  - Trade tensions increasing market volatility
- **Uncertainty continues around the Brexit outcome**
  - British Prime Minister resigns
- **Federal Reserve expected to cut interest rates at least 1x in 2019**
  - President encourages a rate cut to win trade war with China
- **US economy showing no signs of a recession**
  - Treasury Secretary Steven Mnuchin more concerned about economies beyond US borders
  - Unemployment is at lowest levels since 2000

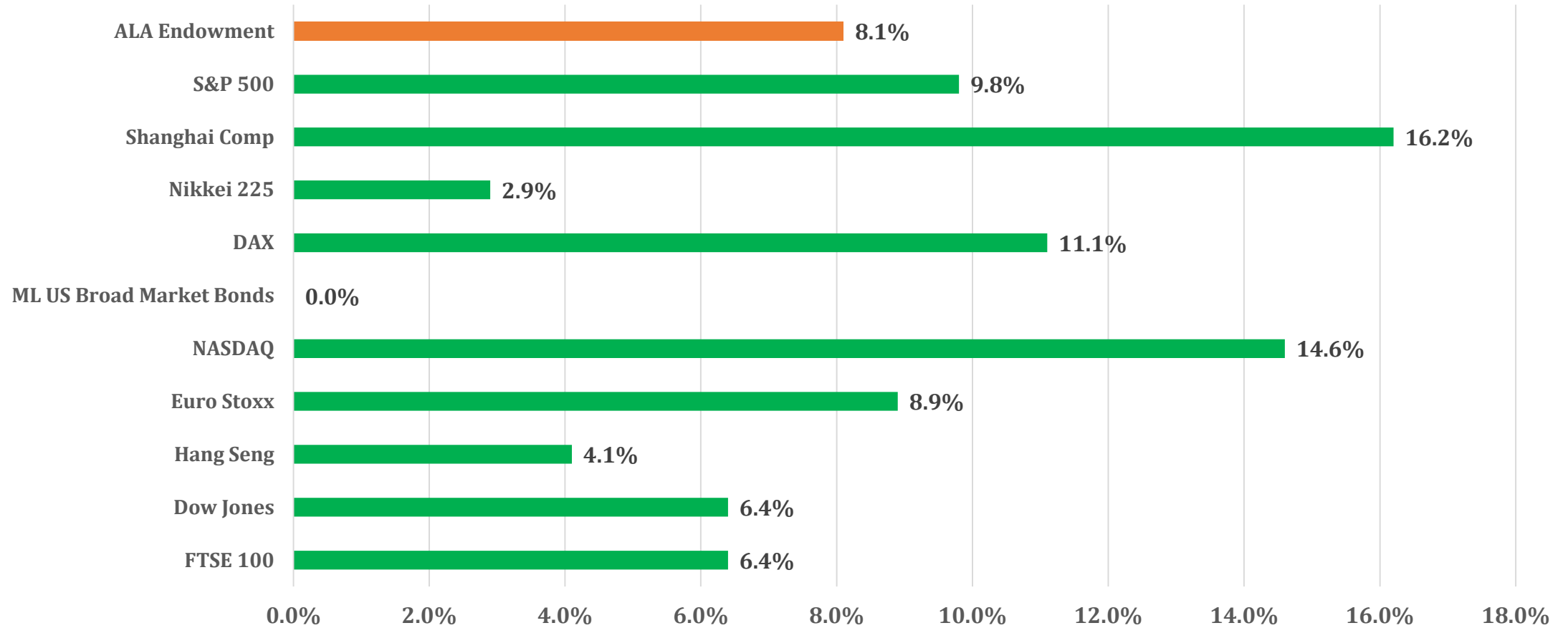
# Time Weighted Rate of Return

	<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>
<b>May - 2019</b>	\$ 47,281,573	\$ 0	\$ 51,558	\$ (1,815,474)	\$ 45,517,657	(3.73%)	8.14%
<b>April - 2019</b>	\$ 45,955,726	\$ 0	\$ 69,598	\$ 1,256,248	\$ 47,281,573	2.89%	12.33%
<b>March - 2019</b>	\$ 45,383,035	\$ 3	\$ 92,661	\$ 480,030	\$ 45,955,726	1.26%	9.18%
<b>February - 2019</b>	\$ 44,443,399	\$ 0	\$ 78,617	\$ 861,019	\$ 45,383,035	2.11%	7.82%
<b>January - 2019</b>	<u>\$ 42,091,092</u>	<u>\$ 0</u>	<u>\$ 20,118</u>	<u>\$ 2,332,190</u>	<u>\$ 44,443,399</u>	<u>5.59%</u>	<u>5.59%</u>
<b>Total</b>	<b>\$ 42,091,092</b>	<b>\$ 0</b>	<b>\$ 312,551</b>	<b>\$ 3,114,014</b>	<b>\$ 45,517,657</b>	<b>NA</b>	<b>8.14%</b>

\*Rate of Return

# World Market Performance

- Calendar Year Market Returns @ 5-31-19





**Manager  
Allocation  
and Style**

<u>Manager</u>	<u>Value</u>	<u>%</u>
Clearbridge ESG - Large Cap Core	\$ 10,087,703	22.2%
Merrill Lynch Personal Advisor* - (MLPA)	\$ 20,763,312	45.6%
The Endowment Fund/KKR/Blackstone - Alternatives	\$ 4,251,145	9.3%
Capital Group - International	\$ 2,073,553	4.6%
Equity Income & Growth - ETF	<u>\$ 8,342,168</u>	<u>18.3%</u>
	Total <u>\$ 45,517,881</u>	<u>100.0%</u>

\*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.

# Manager Allocation and Style - MLPA Detail

<u>Manager</u>	<u>Value</u>	<u>%</u>
Principal Midcap Fund	\$ 2,318,639	11.2%
Calvert Short Duration	\$ 2,234,221	10.8%
Doubleline Total Return	\$ 2,052,373	9.9%
Guggenheim Total Return	\$ 2,023,869	9.7%
Lord Abbett Short	\$ 2,008,276	9.7%
Domini Impact International	\$ 968,051	4.7%
Lazard International Strategic	\$ 1,082,648	5.2%
Nuveen ESG Small Cap	\$ 1,349,690	6.5%
Nuveen Real Asset Income	\$ 1,194,238	5.8%
Oakmark International	\$ 1,001,360	4.8%
Pimco Income Fund	\$ 1,936,750	9.3%
Vanguard Real Estate	\$ 1,205,023	5.8%
AQR Long Short Equity	\$ 1,388,174	6.7%
Total	\$ 20,763,312	100.0%



**Endowment  
Performance  
as of 4-30-19**

<u>Annualized Benchmark Comparison</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
Gross Returns	8.5%	9.8%	7.1%	9.6%
Benchmark 1 Policy	8.1%	8.8%	7.0%	10.4%
Benchmark 2 Inflation - Consumer Price Index + 4%	6.2%	6.0%	5.5%	5.6%

<u>June 30, 2018 NACUBO* Peer Comparisons</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
ALA Endowment	9.9%	6.8%	8.1%	6.8%
Endowments under \$25 million	7.6%	6.2%	7.5%	5.8%
Endowments \$25 million - \$50 million	7.5%	6.0%	7.0%	6.1%
Endowments \$51 million - \$100 million	7.7%	6.0%	7.0%	5.7%
Endowments \$101 million - \$250 million	7.9%	6.0%	7.1%	5.6%
Endowments \$251 million - \$500 million	8.5%	6.1%	7.3%	5.7%
Endowments \$501 million - \$1 billion	8.7%	6.2%	7.4%	5.6%

\*Source: 2018 study of college & university endowment returns

# The Work of the Endowment Trustees

## *Recent Trustee Actions*

- Private Equity “J” curve investments now returning cash to the endowment
- Made no recommended changes to the portfolio’s asset allocation between equities (66%), bonds (22%) and alternatives (12%)
- Revised the Investment Policy Statement after input from the ALA Executive Board
- Hired a new private equity ESG manager with a commitment of \$1.0 million – Partners Group ESG Life Fund
- Implementing an electronic policy/documents manual to be hosted on the Trustee web page
- Updating the usefulness of the Trustees web page

