



EBD #13.2  
BARC #13.2  
ET #13.2  
2020 – 2021 Virtual MW Meeting

# **Endowment Trustee Report to ALA Executive Board**

Patricia Wand – Senior Endowment Trustee

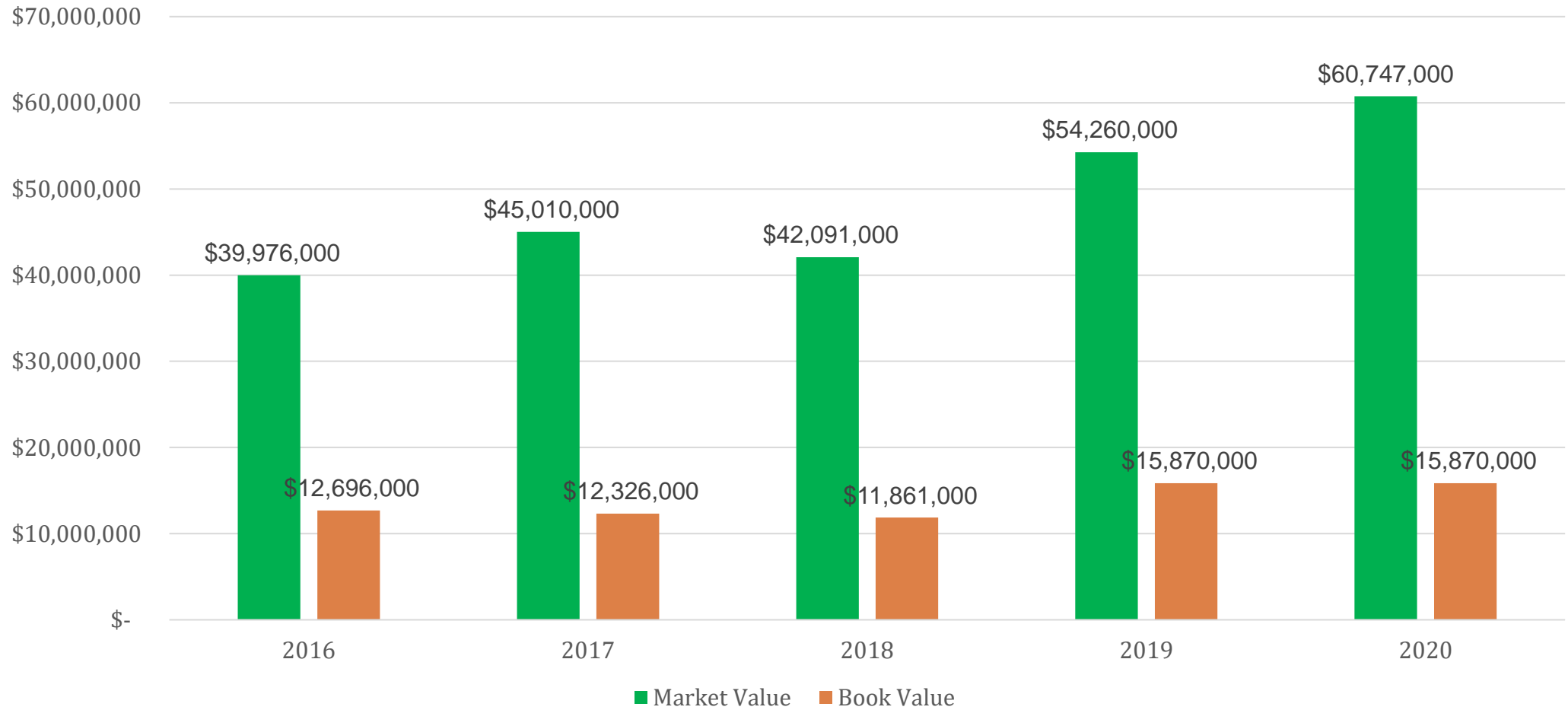
Virtual Midwinter Meeting – Chicago, IL  
Wednesday – January 27, 2021

# 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\*

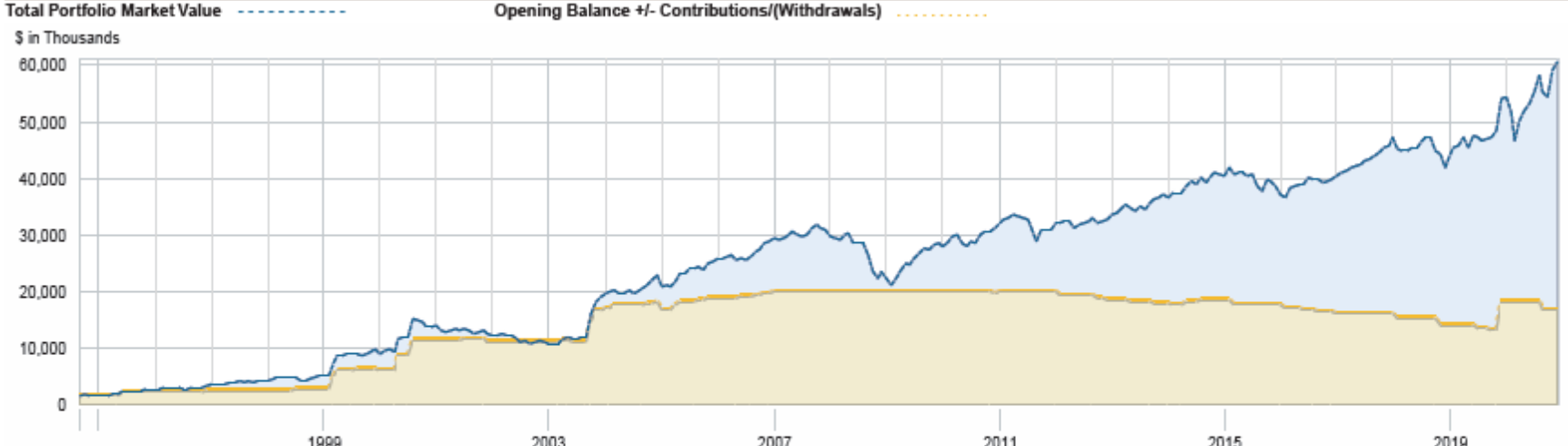
## \$60,747,152



\*Calendar year to date – 12 months.

# Endowment historical cash flows as of 12/31/20

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



Categories	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Entire Period
Opening Balance (\$)	31,369,478	30,958,281	32,633,466	37,288,932	40,735,091	38,724,962	40,016,349	45,900,664	42,091,092	54,260,268	1,623,562
Contributions/(Withdrawals) (\$)	336,758	(1,307,336)	(732,294)	519,511	(877,651)	(991,964)	(369,494)	(2,053,057)	4,009,133	(1,448,275)	14,421,915
Interest/Dividends (\$)	923,317	1,219,543	1,213,067	1,396,836	1,497,064	1,252,452	1,214,040	1,528,605	1,190,682	1,631,792	21,271,729
Appreciation/(Depreciation) (\$)	(1,671,272)	1,762,978	4,174,894	1,529,812	(2,629,543)	1,030,899	5,039,768	(3,285,121)	6,969,361	6,303,367	22,826,061
Closing Balance (\$)	30,958,281	32,633,466	37,288,932	40,735,091	38,724,962	40,016,349	45,900,664	42,091,092	54,260,268	60,747,152	60,747,152

Book Value = \$14.4 million

Investment Earnings = \$44.1 million

# Time Weighted Rate of Return

## Year-To-Date (YTD) 12-31-20

<u>Period</u>	<u>Opening Balance</u>	<u>Contributions (Withdrawals)</u>	<u>Interest &amp; Dividends</u>	<u>Appreciation (Depreciation)</u>	<u>Closing Balance</u>	<u>ROR Period</u>	<u>ROR Cumulative</u>
December – 2020	\$ 59,117,208	\$ 20,573	\$ 654,325	\$ 955,045	\$ 60,747,152	2.75%	14.85%
November – 2020	\$ 54,321,312	\$ -	\$ 45,257	\$ 4,750,639	\$ 54,117,208	8.83%	11.78%
October – 2020	\$ 55,488,132	\$ 10,492	\$ 99,569	\$ (1,276,880)	\$ 54,321,312	-2.12%	2.71%
September – 2020	\$ 58,290,159	\$ (1,500,000*)	\$ 111,038	\$ (1,412,864)	\$ 55,487,931	-2.28%	4.94%
August – 2020	\$ 55,421,304	\$ -	\$ 51,367	\$ 2,817,487	\$ 58,290,159	5.18%	7.39%
July – 2020	\$ 53,278,901	\$ 20,660	\$ 58,233	\$ 2,063,510	\$ 55,421,304	3.98%	2.10%
June – 2020	\$ 52,175,175	\$ -	\$ 141,440	\$ 962,286	\$ 53,278,901	2.12%	-1.81%
May – 2020	\$ 50,302,858	\$ -	\$ 54,564	\$ 1,817,753	\$ 52,175,175	3.72%	-3.84%
April – 2020	\$ 46,643,258	\$ -	\$ 106,088	\$ 3,533,512	\$ 50,302,858	7.85%	-7.29%
March – 2020	\$ 51,845,525	\$ -	\$ 121,199	\$ (5,323,466)	\$ 46,643,258	-10.03%	-14.04%
February – 2020	\$ 54,425,965	\$ -	\$ 59,490	\$ (2,639,931)	\$ 51,845,525	-4.74%	-4.45%
January – 2020	\$ 54,260,268	\$ -	\$ 129,222	\$ 36,475	\$ 54,425,965	0.31%	0.31%
<b>Total</b>	<u>\$ 54,260,268</u>	<u>\$ (1,448,275)</u>	<u>\$ 1,631,792</u>	<u>\$ 6,303,792</u>	<u>\$ 60,747,152</u>	<u>NA</u>	<u>14.85%</u>

\*The initial "Transfer with Terms" (internal loan) for FY21 budget support.

# Managers, Styles, and Allocations

## 12-31-20

<u>Manager</u>	<u>Value</u>	<u>%</u>
Clearbridge ESG - Large Cap Core	\$ 14,047,053	21.1%
Merrill Lynch Personal Advisor* - (MLPA)	\$ 38,769,091	63.8%
The Endowment Fund/KKR/Blackstone/JLL – Alternatives**	\$ 4,853,551	8.0%
Capital Group - International	<u>\$ 3,077,457</u>	<u>5.1%</u>
Total	<u>\$ 60,747,152</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 – detail on next slide.

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

# Merrill Lynch Personal Advisor

## Managers, Style, and Allocations

12-31-20

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

\*Recently added to portfolio.

ASSET ALLOCATION AS OF 11-30-20							
	Value	Min	Actual	Target	Max	+/-	
<b>Equity &amp; Real Assets</b>	\$ 41,209,433	30%	70%	60%	70%	10%	
<b>Domestic Large/Mid Cap</b>	\$ 32,110,381	20%	54%	45%	59%	9%	
S&P 500 Fossil Fuel Reserves Free ETF - ESG	\$ 10,397,807		18%				
Clearbridge Large Cap - ESG	\$ 16,646,680		28%				
Principal Mid Cap	\$ 3,193,243		5%				
Nuveen Small Cap ETF - ESG	\$ 1,872,652		3%				
<b>International Equity</b>	\$ 6,638,105	0%	11%	10%	20%	1%	
Captial Group International	\$ 2,964,435		5%				
Domini International - ESG	\$ 1,143,525		2%				
Lazard International	\$ 1,317,751		2%				
Oakmark International	\$ 1,212,395		2%				
<b>Real Assets</b>	\$ 2,460,947	0%	4%	5%	15%	-1%	
Vanguard US REIT ETF	\$ 1,243,620		2%				
Nuveen Real Assets Income	\$ 1,217,327		2%				
<b>Fixed Income</b>	\$ 12,978,006	25%	22%	32.5%	65%	-11%	
PIMCO Income	\$ 2,387,587		4%				
Double Line Total Return	\$ 2,544,151		4%				
Calvert Short Duration - ESG	\$ 2,791,861		5%				
Guggenheim Total Return	\$ 2,781,625		5%				
Lord Abbett Short Duration	\$ 2,472,782		4%				
<b>Alternatives</b>	\$ 4,672,343	0%	8%	7.5%	25%	0%	
JLL Income Property Trust	\$ 1,035,461		2%				
Blackstone 2018 Alts Trust	\$ 837,148		1%				
Blackstone 2015 Alts Trust	\$ 1,468,804		2%				
The Endowment Fund	\$ 470,231		1%				
KKR 2016 Custom Equity Opps	\$ 860,698		1%				
<b>Cash</b>	\$ 246,722	0%	0.4%	0%	0%	0%	
<b>Total</b>	\$ 59,106,504		100%	100%			

ACTUAL = MAX

ESG = 56%

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



# 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.