

2014 –205 CD #16_13016_inf

2014 – 15 ET #6.4

2014 – 15 EBD #13.2

2014 – 15 Midwinter Meeting

Endowment Trustees Report

Council/Executive Board/Membership Information Session

Rod Hersberger – Senior Trustee
Saturday – January 31, 2015

Stockmarket indices

January 1st 2013=100, \$ terms



Source: Thomson Reuters

Trustees Celebrating a Milestone

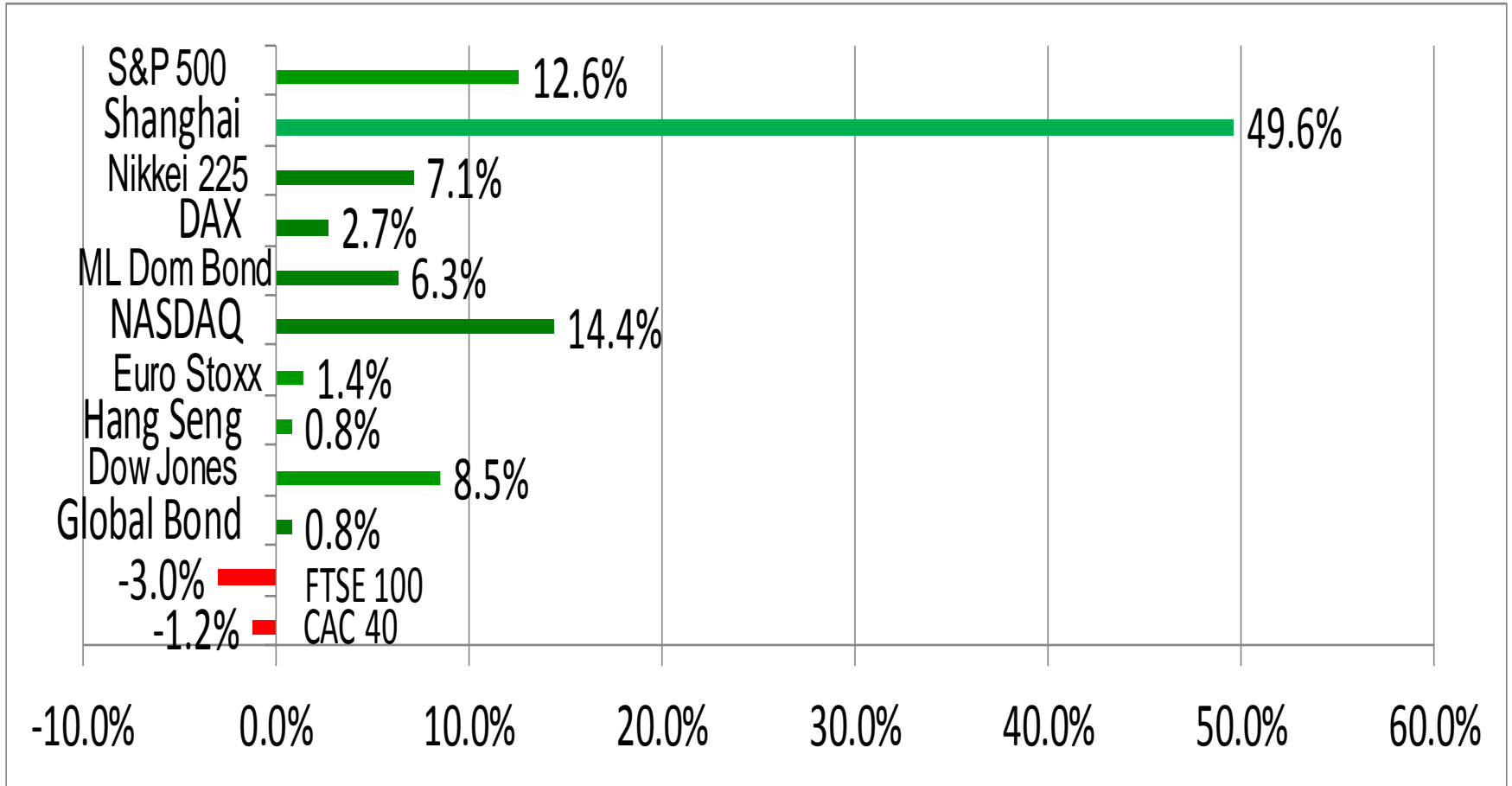


Issues Impacting the Market -2014

- Stocks ended the fourth quarter of 2014 at near record highs
- Federal Reserve remained accommodative during the year by maintaining historically low interest rates
- Falling oil prices benefited consumers and many business sectors
 - Crude oil prices plunged 41.4% for the quarter
- Bond prices ended the year lower, defying expectations
 - Ten year Treasury Note ended the year at 2.2% after starting at 3%
- Weakness in the rest of the world sent investors to the US, where demand pushed prices up and yields lower
- While the US markets were strong, international markets suffered, particularly Europe, Asia and the Emerging Markets

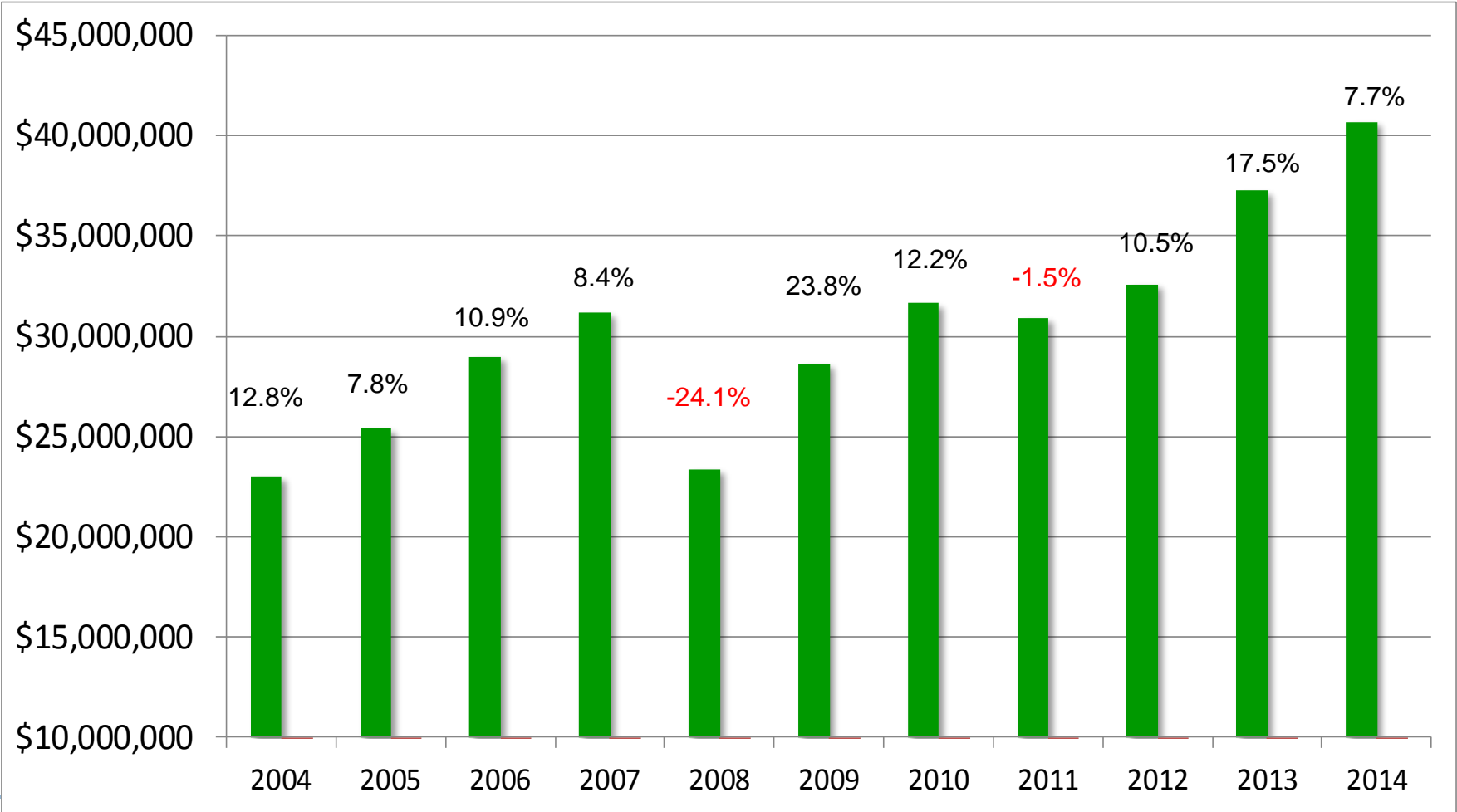
World Market Performance

- Calendar Year Market Returns @ 12-31-14



Market Value @ 12-31-14

\$40,735,091



Manager Allocation and Style

<u>Manager</u>	<u>Value</u>	<u>%</u>
London Company -Large Cap Core	\$ 7,144,287	17.5%
Merrill Lynch Personal Advisor*	\$ 14,471,822	35.5%
Lord Abbett - Convertibles	\$ 1,238,604	3.0%
IDP - Large Cap Value	\$ 1,749,947	4.3%
The Endowment Fund - Alternatives	\$ 1,447,787	3.6%
IDP - International Value	\$ 4,162,448	10.2%
IDP - Large Cap Growth	\$ 7,111,259	17.5%
Loomis Sayles - Fixed Income	\$ <u>3,408,937</u>	<u>8.4%</u>
Total	\$ 40,735,091	100.0%

*MLPA is a platform under which ALA can access different managers in the form of mutual funds and ETF's. There are 9 different managers in this account. Ariel @ \$990,094.

IDP – Institutional Discretionary Portfolio

SRI – Socially Responsible Investing

Manager Allocation and Style (Con't)

- Merrill Lynch Personal Advisor Funds -

<u>Manager</u>	<u>Value</u>	<u>%</u>
Ariel Capital Appreciation SRI Fund	\$ 990,094	6.8%
Deutsche Global Infrastructure Fund	\$ 1,318,879	9.1%
Eaton Vance Bond Fund	\$ 1,818,971	12.6%
Goldman Sachs Small/Mid Cap Fund	\$ 1,921,928	13.3%
Invesco Real Estate Fund	\$ 1,448,429	10.0%
Lord Abbett Floating Rate Fund	\$ 1,787,574	12.4%
Principal Midcap Fund	\$ 1,950,961	13.5%
Third Avenue Real Estate Fund	\$ 1,331,873	9.2%
Franklin Templeton Global Fund	\$ <u>1,752,821</u>	<u>12.1%</u>
Total	\$ 14,471,822*	100.0%

*Includes cash in the amount of \$150,208 which is not listed.

Time Weighted Rate of Return

	<u>Opening</u>	<u>Contributions</u>	<u>Interest</u>	<u>Appreciation</u>	<u>Closing</u>	<u>ROR</u>	<u>ROR</u>
	<u>Balance</u>	<u>(Withdrawals)</u>	<u>Dividends</u>	<u>(Depreciation)</u>	<u>Balance</u>	<u>Period</u>	<u>Cumulative</u>
4 th Quarter	\$ 39,422,703	\$ 1,215	\$ 919,171	\$ 392,004	\$40,735,091	3.2%	7.7%
3 rd Quarter	\$ 39,559,016	\$ 129,677	\$ 178,243	\$ (444,233)	\$39,422,703	(0.6%)	4.3%
2 nd Quarter	\$ 37,623,081	\$ 630,918	\$ 159,034	\$ 1,145,983	\$39,559,016	3.4%	5.0%
1 st Quarter	\$ 37,288,932	\$ (242,299)	\$ 140,389	\$ 436,059	\$37,623,081	1.5%	1.5%
Total	\$ 37,288,932	\$ 519,511	\$ 1,396,836	\$ 1,529,812	\$40,735,091		7.7%

2014 Cash Flow

Description	\$ Amount
Beginning Balance (1-1-14)	\$37,288,932
Contributions/(Withdrawals) - Net	519,511
Interest and Dividends	1,396,836
Appreciation (Depreciation) – Net of Fees	<u>1,529,812</u>
Ending Balance (8-31-14)	\$40,735,091

American Library Association Investment Policy Statement

LONG-TERM INVESTMENT FUND

- ENDOWMENT FUND -

Investment Asset Class Allocations

Traditional Asset Allocation

- Small portfolios

- Equities
- Fixed Income (Bonds)

Asset Allocation

- Growing & more sophisticated portfolios

- Mutual Funds
- Alternatives
- ETF's
- Real Estate Investment Trust's (REIT's)
- Convertibles (equities/bonds)
- Real Assets – real estate, commodities

Trustee Actions Since Fall Meeting

- Replaced fixed income manager Pimco with Loomis Sayles due to performance and personnel changes
- Continued liquidation of the Endowment Fund “Alternatives” portfolio
- Replaced the IDP Growth manager with a core Income and Growth Model portfolio with 10 sub-sector ETF* components
- A 4% reallocation from large cap domestic stocks to real assets stocks (mutual funds)

*Exchange Traded Fund, which are largely benchmark tracking investment products that trade on an exchange like stocks.

Market Factors Impacting 2015

Exhibit #11

- The US secular “Bull” market likely to continue, but at what level?
 - the pace of economic recovery (US) uncertain
- The crash in oil prices is both positive and negative
 - US consumers get an unexpected tax cut
 - energy dependent economies getting crushed (Russia, Norway, Iran, Venezuela, Iraq etc.)
- The threat of declining inflation rates worldwide, particularly Europe – *deflation risk*
- Emerging market stocks reflect attractive valuations
 - poised to out perform developed international stocks
- Federal Reserve expected to begin a tightening of interest rates.
 - mid year interest rate hike expected
 - high quality bonds should benefit
- High quality bonds should continue to benefit



Fossil Fuel Holdings

At the 2014 Annual Conference in Las Vegas, the Trustees were asked if there were any fossil fuel holdings in the portfolio's Merrill Lynch Personal Advisor account portfolio. No fossil fuel holdings were identified. Attached are links to the top holdings in each of those portfolio's.

- Deutsche Global Infrastructure Fund
<https://fundsus.deutscheawm.com/EN/products/deutsche-rreef-global-infrastructure.jsp?fund-key=4757>
- Eaton Vance Bond Fund <http://funds.eatonvance.com/Bond-Fund-EVBIX.php>
- Goldman Sachs Small/Midcap Fund
https://assetmanagement.gs.com/content/gsam/us/en/advisors/fund-center/fund-finder/gs-small_mid-cap-growth-fund.html#scType=Institutional
- Invesco Real Estate Fund
<https://www.invesco.com/portal/site/us/investors/mutual-funds/product-detail?productId=29295>
- Lord Abnett Floating Rate Bond Fund
http://www.lordabbett.com/content/lordabbett/en/strategies/mutual-funds/floating-rate-fund.class-f.html#la_tab_portfolio
- Principal Mid Cap Fund
<https://www.principalfunds.com/InvestmentProfiles/holdings.faces?inv=10358&rtclass=20&retail=true>
- Templeton Global Total Return Fund
https://www.franklintempleton.com/retail/app/product/views/fund_page.jsf?fundNumber=696&view=portfolio
- Third Avenue Real Estate Value Fund <http://www.thirdave.com/fund/third-avenue-real-estate-value-fund-institutional/>
- Ariel Capital Appreciation
<https://www.arielinvestments.com/aaf/performance/>