



EBD #13.1  
BARC #13.1  
ET #13.1  
2020 – 2021 Virtual Fall Meeting

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

Patricia Wand – Senior Endowment Trustee

Virtual Fall Meeting – Chicago, IL  
Monday – October 19, 2020  
Monday – October 26, 2020

# **Priorities Driving Investment Discussions**

## **Follow financial developments within ALA**

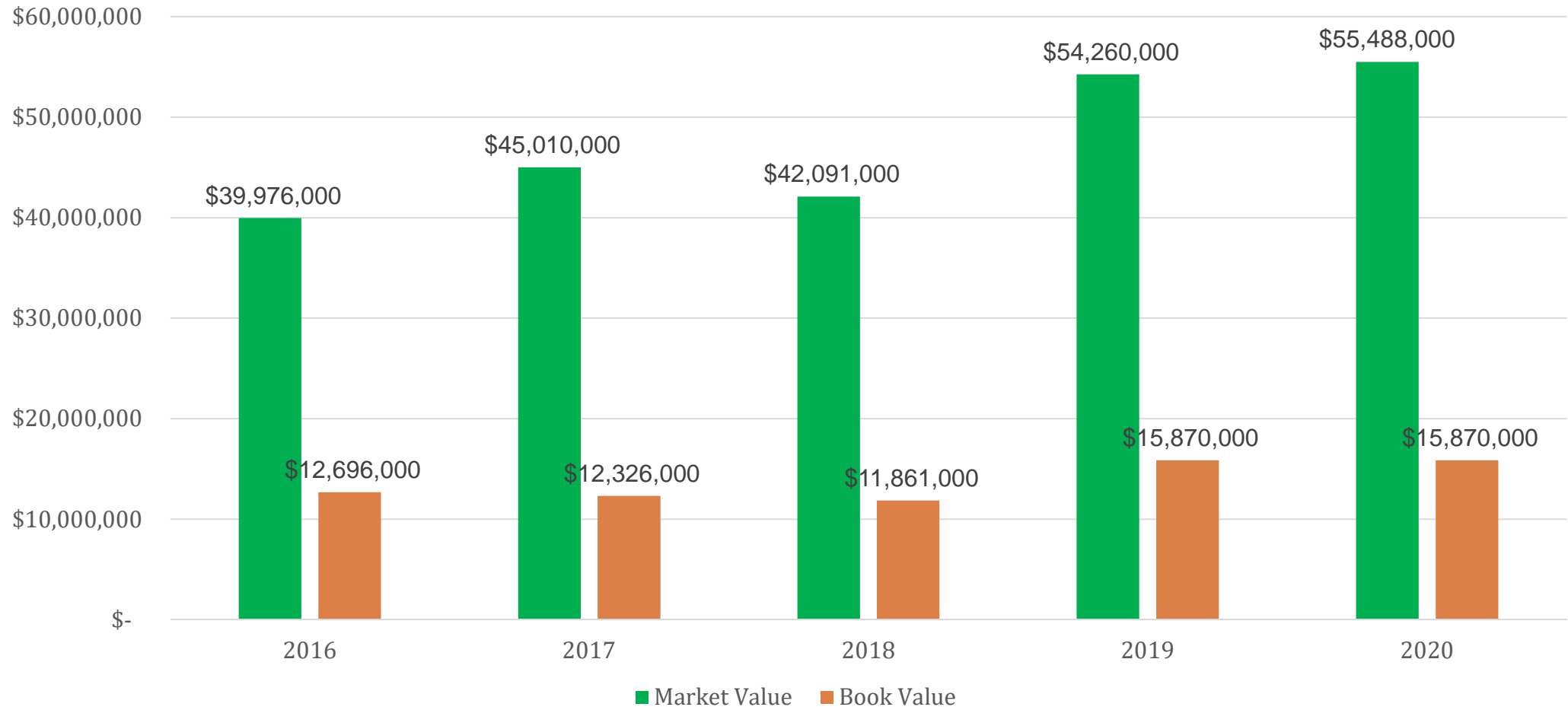
- Alert to effects of pandemic on ALA's operation, member services, revenue-producing products
- Define terms of temporary transfer (aka loan) from Endowment to FY21 & FY22 Operating Budgets, including payback schedule
- Consider payout options for FY2022 budget planning

## **Address racial and social injustice**

- Seeking opportunities to invest in minority-managed funds
- Added two Trustees from underrepresented populations
- Working with minority-owned financial advisor

# Market and Book Value as of 9-30-20\*

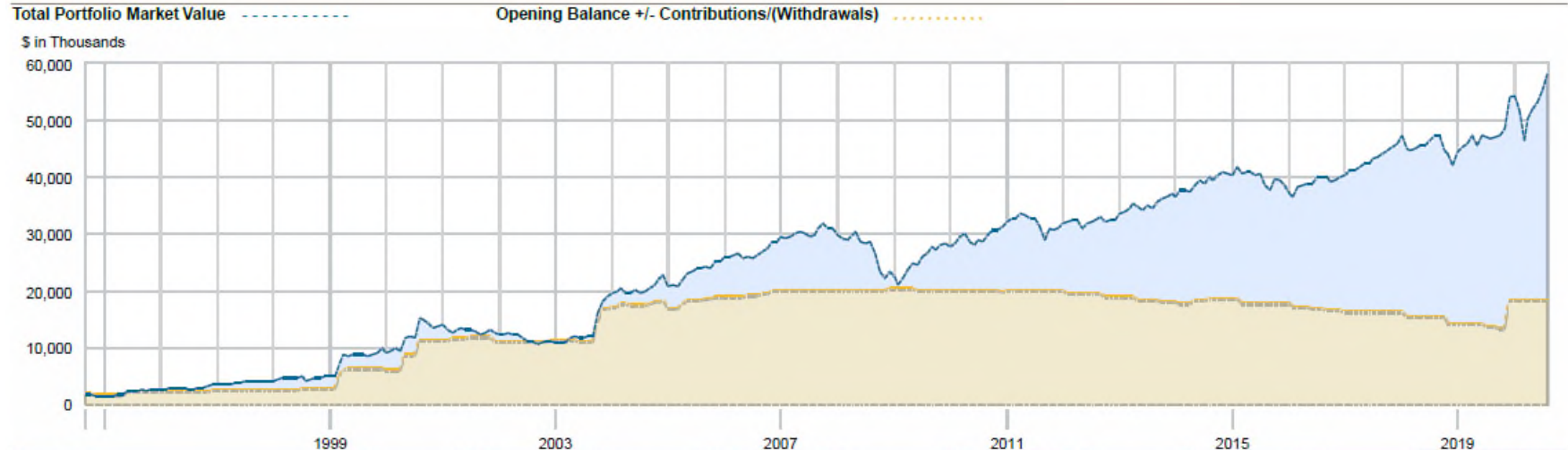
## \$55,487,931



\*Calendar year to date (nine months) through 9-30-20

# Endowment historical cash flows as of 8-31-20

Performance period: 10/17/1994 to 08/31/2020



Categories	1999	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	20,660	15,890,850
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	721,603	20,361,541
Appreciation/(Depreciation) (\$)	(1,671,272)	1,762,978	4,174,694	1,529,812	(2,629,543)	1,030,899	5,039,768	(3,285,121)	6,969,361	3,287,627	19,810,321
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	58,290,159	58,290,159

Book Value = \$15.9 million

Investment Earnings = \$40.1 million

# Time Weighted Rate of Return

## Year-To-Date (YTD) 9-30-20

<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>
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>\$ (1,479,340)</u>	<u>\$ 832,641</u>	<u>\$ 1,874,562</u>	<u>\$ 55,488,132</u>	<u>NA</u>	<u>4.94%</u>

# Managers, Styles, and Allocations

## 9-30-20

<u>Manager</u>	<u>Value</u>	<u>%</u>
Equity Income & Growth - ETF	\$ 665	.0%
Clearbridge ESG - Large Cap Core	\$ 15,614,414	28.1%
Merrill Lynch Personal Advisor* - (MLPA)	\$ 32,659,358	58.9%
The Endowment Fund/KKR/Blackstone – Alternatives**	\$ 4,468,623	8.1%
Capital Group - International	<u>\$ 2,744,871</u>	<u>4.9%</u>
Total	<u>\$ 55,487,931</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

9-30-20

<u>Manager</u>	<u>Value</u>	<u>%</u>
Principal Midcap Fund	\$ 2,906,958	8.9%
Calvert Short Duration - ESG	\$ 2,767,182	8.5%
Doubleline Total Return	\$ 2,566,118	7.9%
Guggenheim Total Return	\$ 2,749,053	8.4%
Lord Abbett Short	\$ 2,473,435	7.6%
Domini Impact Int'l - ESG	\$ 1,057,401	3.2%
Lazard International Strategic	\$ 1,192,568	3.7%
Nuveen Small Cap - ESG	\$ 1,559,089	4.8%
Nuveen Real Asset Income	\$ 1,169,519	3.6%
SPDR S&P 500	\$ 9,689,657	29.7%
Fossil Fuel Reserve Free* - ESG	\$ 998,735	3.1%
Oakmark International	\$ 998,735	3.1%
Pimco Income Fund	\$ 2,348,183	7.2%
Vanguard Real Estate	\$ 1,181,459	3.6%
<b>Total</b>	<b>\$ 32,659,358</b>	<b>100.0%</b>

\*Recently added to portfolio.

# Endowment Trustee Activity

- Monitor investment market during pandemic, civic demonstrations, election, etc.
- Work closely with ALA Treasurer and Senior Management for ALA's healthy financial outcome
  - Responded to request to borrow for FY21 and FY22 operating budgets
  - Alert to possible changes in payout for FY22
- Reallocated funds to S&P 500 Fossil Fuel Reserve Free ETF, and increasing ESG holdings to 55.7% of portfolio
- Withdrew planned investment of \$1.0 Million in Partners Group, an ESG alternatives manager. Partners Group closed their ESG funding effort.
- Assemble fund management fees and endowment cost structure
- Continue to educate ourselves and members
  - Glossary of Investment Terms
  - FAQ, on costs of managing the Endowment
  - Monitor trends in assets – each Trustee is responsible for one class
  - Orientation sessions for new Trustee (9/9/20) and ALA Council (11/10/20)





# 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.