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

Patricia Wand – Senior Endowment Trustee
Event Impacting Investment Markets I

Pandemic (Covid-19)

• “The Covid-19 crisis is a grim reminder that economics is a dismal science whereby policymakers face the painful trade-off between saving lives and saving the economy.”

• US accounts for 30% (1.8 million) of the world’s (6.2 million) infected population and 28% (105,1470) of the world’s (376,077) recorded deaths*

• 39 million jobs lost since the beginning of the year

• States phasing in stay-at-home orders earlier than healthcare professions prefer, increasing chance of second wave of infections


Event Impacting Investment Markets II

Racial and Social Injustice - The George Floyd Affect

• Triggered major peaceful protests in the US and around the world
• Provided the impetus for open discussions about
  – Systemic Racism
  – Policing techniques
  – Major economic inequality
  – Unheard and under-represented voices
• Peaceful protests provided cover for “Opportunistic Criminality”
• Small businesses disproportionately affected, once again
• Unrest further delayed opening of economy
Market and Book Value @ 5-31-20*
$52,175,000

*Calendar year to date (five months) through 5-31-20
Endowment historical cash flows as of 5.29.20

Source: Merrill Lynch CRC Reporting System

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

Book Value = $15.9 million

Investment Earnings = $34 million

Performance period: 10/17/1994 to 05/31/2020

TOTAL PORTFOLIO MARKET VALUE

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance ($)</td>
<td>$31,369,476</td>
<td>$30,968,281</td>
<td>$32,633,466</td>
<td>$37,288,032</td>
<td>$40,735,094</td>
<td>$45,774,683</td>
<td>$40,016,540</td>
<td>$45,603,864</td>
<td>$42,301,092</td>
<td>$54,260,398</td>
<td>$142,542</td>
</tr>
<tr>
<td>Contributions/Withdrawals ($)</td>
<td>$330,755</td>
<td>(1,367,335)</td>
<td>(732,294)</td>
<td>519,511</td>
<td>(877,001)</td>
<td>(961,964)</td>
<td>(369,494)</td>
<td>(2,053,057)</td>
<td>4,009,133</td>
<td>0</td>
<td>$15,670,100</td>
</tr>
<tr>
<td>Interest/Dividends ($)</td>
<td>203,317</td>
<td>1,210,643</td>
<td>1,213,067</td>
<td>1,305,836</td>
<td>1,407,084</td>
<td>1,232,452</td>
<td>1,214,044</td>
<td>1,539,865</td>
<td>1,100,882</td>
<td>470,833</td>
<td>20,110,601</td>
</tr>
<tr>
<td>Appreciation/(Depreciation) ($)</td>
<td>(1,671,272)</td>
<td>1,785,678</td>
<td>4,774,604</td>
<td>1,639,812</td>
<td>(2,026,543)</td>
<td>1,130,896</td>
<td>6,039,768</td>
<td>(3,285,121)</td>
<td>8,269,381</td>
<td>(2,565,857)</td>
<td>15,087,037</td>
</tr>
<tr>
<td>Closing Balance ($)</td>
<td>30,968,281</td>
<td>32,633,466</td>
<td>37,288,032</td>
<td>40,735,094</td>
<td>45,774,683</td>
<td>40,016,540</td>
<td>45,603,864</td>
<td>42,301,092</td>
<td>54,260,398</td>
<td>142,542</td>
<td></td>
</tr>
</tbody>
</table>

Book Value = $15.9 million

Investment Earnings = $34 million
World Market Performance
Calendar Year Market Returns @ 2-29-20

% Return

-15.0% -10.0% -5.0% 0.0% 5.0% 10.0%

Dow Jones: -11.5%
NASDAQ: -10.5%
S&P 500: -11.5%
Dax: -10.3%
Euro Stoxx: -11.1%
FTSE 100: -12.8%
Hang Shang: -7.3%
Nikkei 225: -10.6%
Shanghai Comp: -5.6%
ALA Endowment: -4.5%
ML Broad Bond: 8.7%
World Market Performance
Calendar Year Market Returns @ 5-31-20

% Return

-11.1% - Dow Jones
-4.9% - NASDAQ
-12.6% - S&P 500
-18.6% - Dax
-19.4% - Euro Stoxx
-16.0% - FTSE 100
-7.5% - Hang Shang
-6.5% - Nikkei 225
-3.6% - Shanghai Comp
-2.0% - ALA Endowment
5.5% - ML Broad Bond

-25.0% -20.0% -15.0% -10.0% -5.0% 0.0% 5.0% 10.0% 15.0%
## Time Weighted Rate of Return

- **YTD 5-31-20** -

<table>
<thead>
<tr>
<th>Period</th>
<th>Opening Balance</th>
<th>Contributions (Withdrawals)</th>
<th>Interest / Dividends</th>
<th>Appreciation / Depreciation</th>
<th>Closing Balance</th>
<th>ROR</th>
<th>ROR</th>
</tr>
</thead>
<tbody>
<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>
<tr>
<td><strong>Total</strong></td>
<td>$ 54,260,268</td>
<td>- $</td>
<td>$ 470,563</td>
<td>(2,555,657)</td>
<td>$ 52,175,175</td>
<td>NA</td>
<td>-3.84%</td>
</tr>
</tbody>
</table>
Managers, Styles, and Allocations

<table>
<thead>
<tr>
<th>Manager</th>
<th>Value</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Income &amp; Growth - ETF</td>
<td>$4,642,250</td>
<td>8.9%</td>
</tr>
<tr>
<td>Clearbridge ESG - Large Cap Core</td>
<td>$13,494,436</td>
<td>25.9%</td>
</tr>
<tr>
<td>Merrill Lynch Personal Advisor* - (MLPA)</td>
<td>$26,872,121</td>
<td>51.5%</td>
</tr>
<tr>
<td>The Endowment Fund/KKR/Blackstone – Alternatives**</td>
<td>$4,697,165</td>
<td>9.0%</td>
</tr>
<tr>
<td>Capital Group - International</td>
<td>$2,469,203</td>
<td>4.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$52,175,175</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 - 12 managers – detail on next slide.
**JLL (2.0%), Endowment Fund (0.9%), KKR (2.4%), Blackstone (3.7%) & the Partners Group TBD (0.0%)
## Merrill Lynch Personal Advisor

Managers, Style, and Allocations

<table>
<thead>
<tr>
<th>Manager</th>
<th>Value</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Midcap Fund</td>
<td>$2,677,090</td>
<td>10.0%</td>
</tr>
<tr>
<td>Calvert Short Duration - ESG</td>
<td>$2,712,602</td>
<td>10.1%</td>
</tr>
<tr>
<td>Doubleline Total Return</td>
<td>$2,557,274</td>
<td>9.5%</td>
</tr>
<tr>
<td>Guggenheim Total Return</td>
<td>$2,671,335</td>
<td>9.9%</td>
</tr>
<tr>
<td>Lord Abbett Short</td>
<td>$2,451,812</td>
<td>9.1%</td>
</tr>
<tr>
<td>Domini Impact Int’l - ESG</td>
<td>$988,368</td>
<td>3.7%</td>
</tr>
<tr>
<td>Lazard International Strategic</td>
<td>$1,104,752</td>
<td>4.1%</td>
</tr>
<tr>
<td>Nuveen Small Cap - ESG</td>
<td>$1,413,943</td>
<td>5.3%</td>
</tr>
<tr>
<td>Nuveen Real Asset Income</td>
<td>$1,139,354</td>
<td>4.2%</td>
</tr>
<tr>
<td>SPDR S&amp;P 500</td>
<td>$4,755,333</td>
<td>17.7%</td>
</tr>
<tr>
<td>Fossil Fuel Reserve Free* - ESG</td>
<td>$4,755,333</td>
<td>17.7%</td>
</tr>
<tr>
<td>Oakmark International</td>
<td>$925,697</td>
<td>3.4%</td>
</tr>
<tr>
<td>Pimco Income Fund</td>
<td>$2,296,064</td>
<td>8.5%</td>
</tr>
<tr>
<td>Nuveen Real Asset Income</td>
<td>$1,178,496</td>
<td>4.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$26,872,121</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

*Recently added to portfolio.*
Endowment Trustee Activity

• Closely monitoring investment market during pandemic
  • Four update calls with Merrill Lynch advisors, March 18 & 26, April 21 and June 17. Receive regular investment reports.
  • Each Trustee is monitoring an asset class, looking for trends
• Working closely with ALA Treasurer and ALA senior management to support a healthy financial outcome for ALA
  • Reviewing loan request to support the FY21 and FY22 operating budgets
  • Alert to possible changes in payout for FY22
• In April, added S&P 500 Fossil Fuel Reserve Free Fund, raising ESG funds to 44.4% of the portfolio
• Keeping alert for optimal time to rebalance portfolio as needed
• Continuing to address member concerns regarding fund management fees and overall endowment cost structure
• Continuing to educate ourselves and members
ALA Endowment Trustees

CONTACT: patwand@american.edu

Patricia A. Wand, Senior Trustee, 2015 – 2021
Mario Gonzalez  2017 - 2020
James G. Neal  2019 - 2022
Robert Newlen 2013 – 2020
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.