

2015 – 16 CD #16.1
2015 – 16 ET #6.9
2015 – 16 EBD #13.5
(2016 Annual Conference)

Endowment Trustees Report

(Long-Term Investment / Endowment Fund)

Rod Hersberger – Senior Trustee
Saturday – June 25, 2016
Monday – June 27, 2016



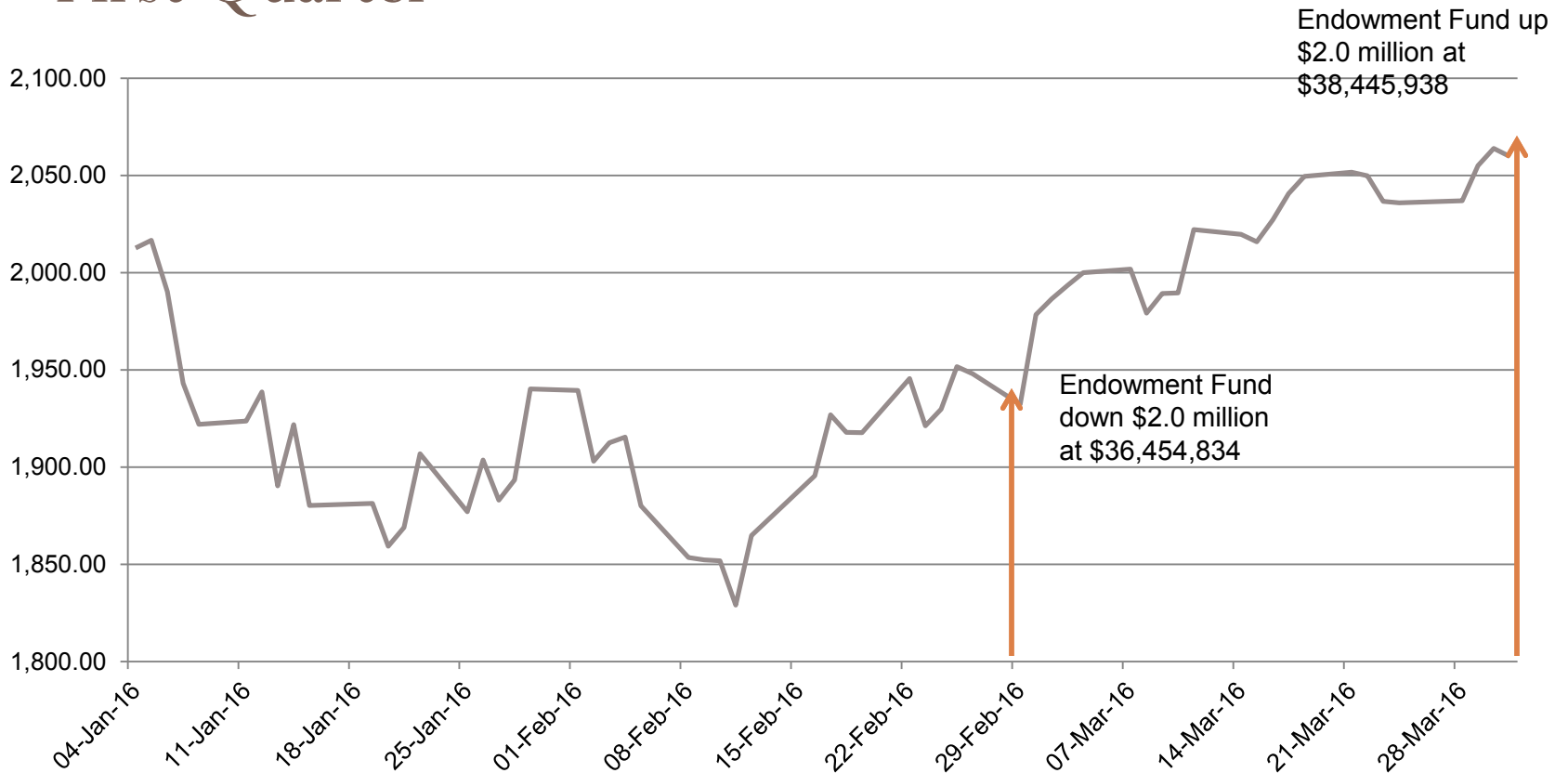
Volatility is Here to Stay

- First half of quarter (1/1 – 2/14) wrought with recession fears
 - Chinese currency devaluation
 - Soft global growth
 - European immigration issues
 - Japan pushes borrowing rates into negative territory
 - All major market indexes down 10% - 15%
- Second half of 1st quarter (2/15 – 3/31)
 - Dow turns positive for the year @ 3-17-17
 - > Recession fears ease
 - > Commodity prices stabilize
 - > Sharp recovery in crude oil prices (up 53% since hitting a 13 year low on 2-11-16)
 - Riskier asset classes have been recovering since Mid-February
 - S&P 500 up 12% since Mid-February

S&P 500 Index Volatility

Exhibit #2

- First Quarter -



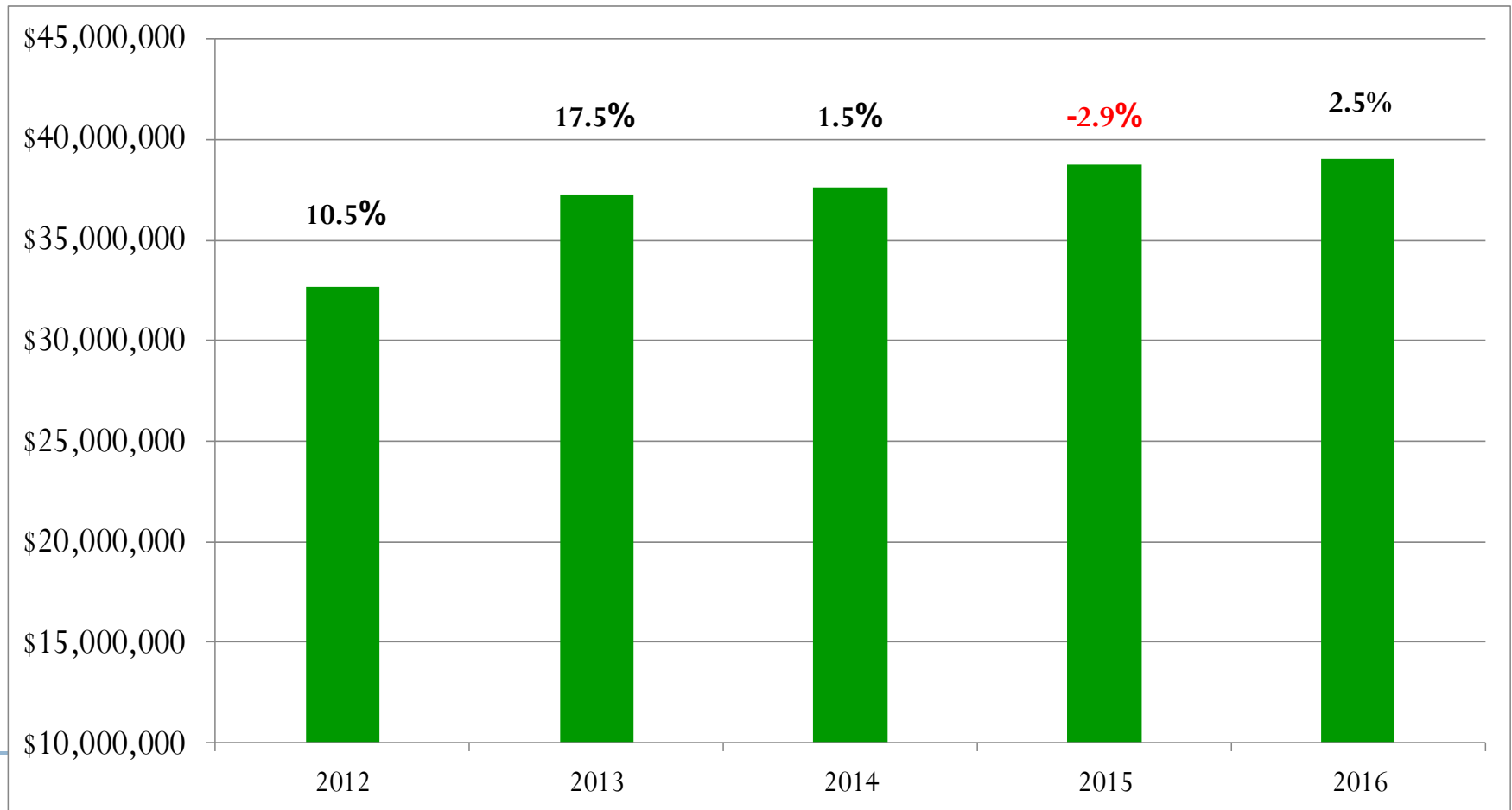
Issues Impacting the Market

- Market seems to be stabilizing into a broad trading range
- US economic data continues to be steady, but not spectacular
- Crude oil prices continue their rise to more historical/normal levels
- Quality large cap stocks remain the investment of choice, but diversity is still necessary
- Outcome of Brexit vote
- Federal Reserve lowered its forward rate hike guidance to be more gradual and is now in line with market expectations
- Worries related to increased rates have given way to the belief that it's a sign of a more robust economy
- Impact of Presidential election still to be determined
- Low odds for US recession in 2016 due to healthy household sector

Market Value and Return @ 5-31-16

Exhibit #4

\$39,036,116



Time Weighted Rate of Return

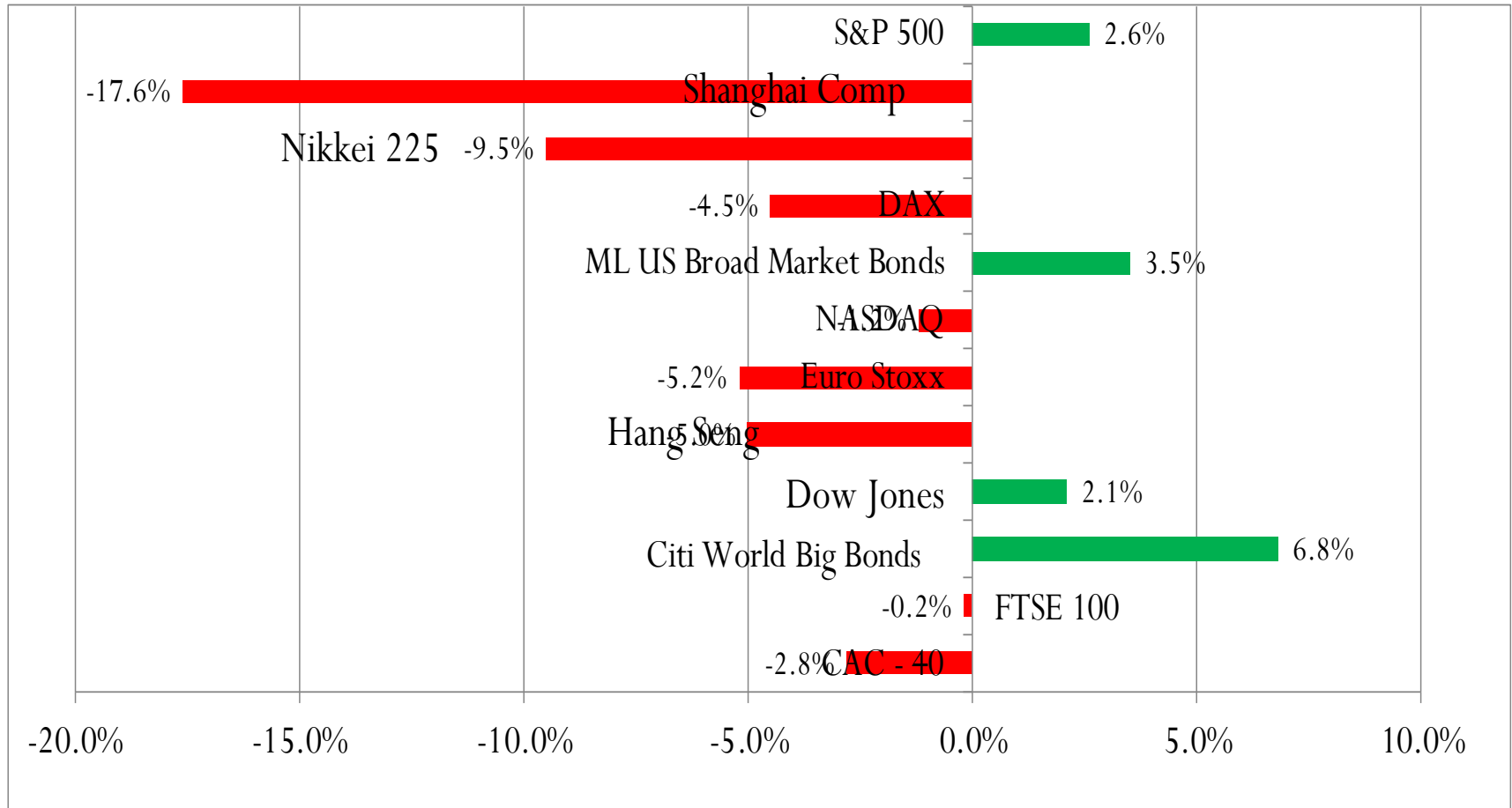
	<u>Opening Balance</u>	<u>Contributions (Withdrawals)</u>	<u>Interest Dividends</u>	<u>Appreciation (Depreciation)</u>	<u>Closing Balance</u>	<u>ROR* Period</u>	<u>ROR* Cumulative</u>
May - 2016	\$ 38,777,713	\$ 0	\$ 52,029	\$ 206,374	\$ 39,036,116	0.67%	2.54%
April – 2016	\$ 38,445,594	\$ 0	\$ 56,864	\$ 275,254	\$ 38,777,713	0.86%	1.86%
March - 2016	\$ 36,454,834	\$ 18,825	\$ 108,752	\$ 1,900,883	\$ 38,445,938	5.46%	0.98%
February - 2016	\$ 37,233,216	\$ (627,004)	\$ 41,405	\$ (192,783)	\$ 36,454,834	(0.39%)	(4.25%)
January – 2016	\$ 38,724,962	\$ 9,342	\$ 30,994	\$ (1,532,082)	\$ 37,233,216	(3.87%)	(3.87%)
Total	\$ 38,723,216	\$ (617,662)	\$ 289,091	\$ 639,724	\$ 39,036,116	NA	2.54%
December - 2015	\$ 39,537,981	\$ 2,714	\$ 702,064	\$ (1,517,798)	\$ 38,724,962	(2.07%)	(2.89%)
November - 2015	\$ 39,733,656	\$ 0	\$ 146,036	\$ (341,710)	\$ 39,537,981	(0.48%)	(0.84%)
October – 2015	\$ 37,767,659	\$ 0	\$ 56,731	\$ 1,909,266	\$ 39,733,656	5.21%	(0.36%)
September **– 2015	\$ 38,680,372	\$ (8,595)	\$ 102,953	\$ (1,007,072)	\$ 37,767,659	(2.34%)	(5.29%)

*Rate of Return **New fiscal year

World Market Performance

Exhibit #6

- Calendar Year Market Returns @ 5-31-16



Manager Allocation and Style

<u>Manager</u>	<u>Value</u>	<u>%</u>
Clearbridge ESG - <i>Large Cap Core</i>	\$ 7,643,595	19.6%
Merrill Lynch Personal Advisor* - <i>(MLPA)</i>	\$ 15,725,086	40.3%
The Endowment Fund - <i>Alternatives</i>	\$ 2,372,342	6.1%
Capital Group - <i>International</i>	\$ 1,663,547	4.3%
Equity Income & Growth - <i>ETF</i>	\$ 7,579,451	19.4%
Loomis Sayles - <i>Fixed Income</i>	<u>\$ 4,052,094</u>	<u>10.4%</u>
Total	\$ 39,036,116	100.0%

*MLPA is a platform under which ALA can access different managers in the form of mutual funds and ETF's. There are 10 different managers.

Merrill Lynch Personal Accounts

<u>Manager</u>	<u>Value</u>	<u>%</u>
Nuveen Real Asset Income	\$ 1,106,488	2.9%
Principal Midcap Fund	\$ 2,096,141	5.5%
Oakmark International Fund	\$ 1,522,617	4.0%
Vanguard REIT ETF	\$ 1,122,851	2.9%
Western Asset Core Plus	\$ 1,610,519	4.2%
Doubleline Total Return	\$ 1,773,099	4.6%
Guggenheim Total Return	\$ 1,723,107	4.5%
Invesco Real Estate Fund	\$ 1,463,982	3.8%
Lazard International Strategic	\$ 1,630,338	4.2%
Loomis Sayles - Fixed Income	<u>\$ 1,516,689</u>	<u>3.9%</u>
Total	\$ 15,565,831*	40.5%

*Does not include \$159,255 in cash deposited in the Merrill Lynch Deposit program.

The Work of the Endowment Trustees

Exhibit #9

Recent Trustee Actions

- Replaced the London Company with Clearbridge ESG
- Liquidated Ariel Capital Appreciation and reallocated to
 - Clearbridge, Equity Growth & Income and Principal Mid Cap
- Adjusted the portfolio's risk profile:
 - Reduced the total equity allocation by 5% to 66%
 - Reduced domestic equity allocation from 49% to 44%
 - Replaced Goldman Sachs SMID fund and reallocated to Double Line Total Return & JLL
 - Replaced Eaton Vance Bond with Guggenheim Total Return Bond
 - Replaced Templeton Global Total Return with Domestic Western Core Plus Fund
- The Trustees' met with the new Development Office Director Sheila O'Donnell and discussed the need for a designated endowment fundraising campaign
- Added manager Jones Lang LaSalle (JLL), a commercial real estate investment property manager, which will increase our allocation in alternatives to 6.5%

