

2017 – 18 ET #6.3
2017 – 18 BARC #13.0
2017 – 18 EBD #13.0
(2017 Fall Meeting)

Endowment Trustees Report

(Long-Term Investment / Endowment Fund)

Rod Hersberger – Senior Trustee
Susan Hildreth - Treasurer
Thursday – October 26, 2017
Saturday – October 28, 2017



Salient Points Impacting the Market

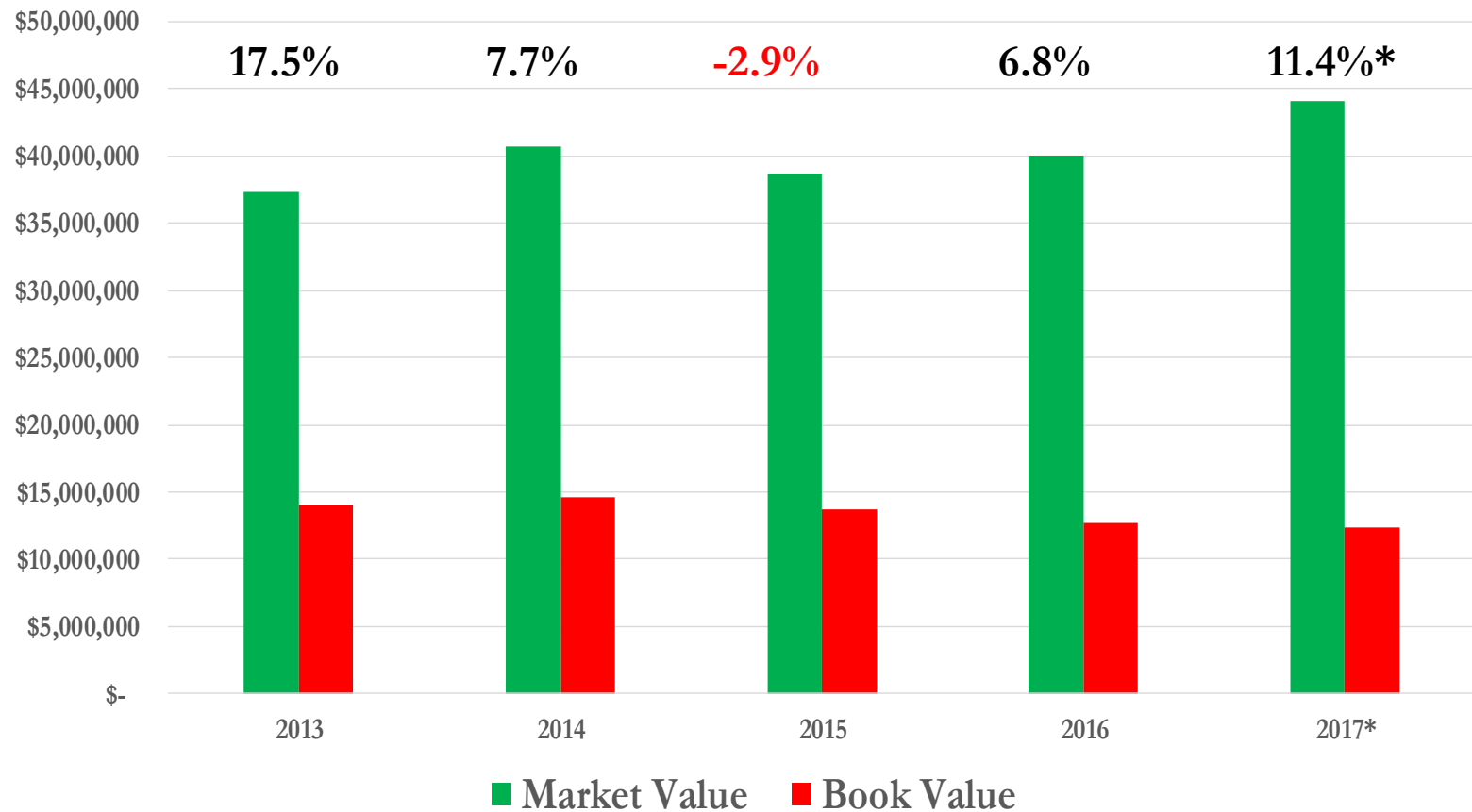
- US economy continues to grow at a slow but steady pace
- US Corporate earnings still strong
- The breadth of the global economic expansion continues to strengthen, as non-US stocks outperform American stocks
- New record highs set multiple times by most major markets in 2017* — S&P 500 (39x), Dow Industrial Average (55x), NASDAQ (50x) and Russell 2000 (21x)
- The new highs stirs concerns over the high value of the market (overvalued)
- Bull market is now in its eight year
- Increased political tensions between the US and North Korea
- Fallout over the response to protests in Charlottesville, VA
- The impacts from multiple hurricanes and forest fires in the West

*As of 9-30-17

Market Value and Return @ 9-30-17

Exhibit #2

\$44,120,383



*Calendar year to date through 9-30-17

Manager Allocation and Style

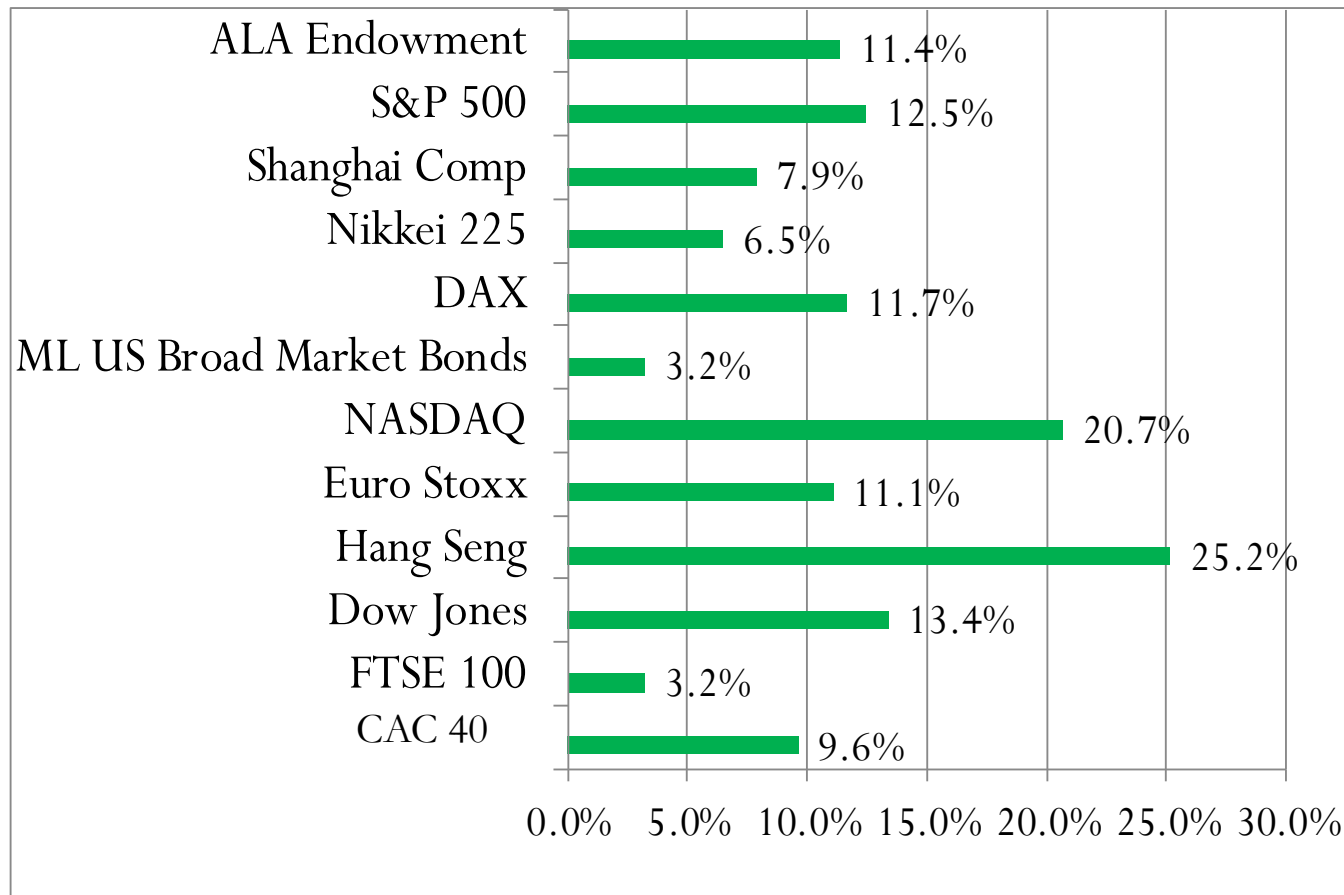
<u>Manager</u>	<u>Value</u>	<u>%</u>
Clearbridge ESG - Large Cap Core	\$ 8,224,164	18.6%
Merrill Lynch Personal Advisor - (MLPA*)	\$ 22,683,636	51.4%
The Endowment Fund/KKR/Blackstone/ JLL - Alternatives	\$ 3,158,689	7.2%
Capital Group - International	\$ 2,026,342	4.6%
Equity Income & Growth - ETF	<u>\$ 8,027,552</u>	<u>18.9%</u>
Total	\$ 44,120,383	100.0%

*MLPA is a platform under which ALA can access different managers of various investing styles in the form of mutual funds and ETF's - 9 managers.

World Market Performance

Exhibit #4

- Calendar Year Market Returns @ 9-30-17



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>
September – 2017	\$ 43,536,279	\$ 0	\$ 103,172	\$ 480,932	\$ 44,120,383	1.37%	11.35%
August – 2017	\$ 43,277,340	\$ 0	\$ 61,065	\$ 197,874	\$ 43,536,279	0.60%	9.85%
July – 2017	\$ 42,554,548	\$ 0	\$ 66,054	\$ 656,738	\$ 43,277,340	1.70%	9.19%
June – 2017	\$ 42,306,812	\$ 0	\$ 105,493	\$ 142,243	\$ 42,554,548	0.59%	7.37%
May – 2017	\$ 41,865,026	\$ 0	\$ 66,766	\$ 375,019	\$ 42,306,812	1.06%	6.74%
April – 2017	\$ 41,279,087	\$ 0	\$ 54,594	\$ 531,345	\$ 41,865,026	1.42%	5.63%
March – 2017	\$ 41,153,883	\$ 0	\$ 97,058	\$ 28,146	\$ 41,279,087	0.31%	4.15%
February – 2017	\$ 40,347,834	\$ 0	\$ 46,492	\$ 759,556	\$ 41,153,883	2.02%	3.83%
January – 2017	<u>\$ 40,016,349</u>	<u>\$ (379,787)**</u>	<u>\$ 24,100</u>	<u>\$ 687,173</u>	<u>\$ 40,347,834</u>	<u>1.78%</u>	<u>1.78%</u>
Total	\$ 40,016,349	\$ (379,787)	\$ 624,795	\$ 3,859,026	\$ 44,120,383	NA	11.35%

*Rate of Return

**Quarterly settlement between the General Fund, the units of ALA and the portfolio i.e. scholarships, awards etc.

The Work of the Endowment Trustees ^{Exhibit #6}

Recent Trustee Actions

- Conducted the Trustees fall meeting in the ALA Washington Office
 - Met with Executive Director Kathi Kromer
 - Highlighted the importance of endowment performance and funding to their work
- Continued to explore the merits of “Smart Beta” and its use in the portfolio to enhance returns
- Met with State Street Global Advisors to discuss the merits of using ESG Electronic Funds Transfer (ETF) funds
- Met with the Common Fund to discuss benchmarking, “Best Practices” and strategic planning
- Started preliminary discussions for a strategic planning session(s) for the future of the endowment fund
- Reduced the equity portion of the portfolio from 68% to 63% and reallocated to fixed income
- Increased the alternative allocation by Selling Lord Abbett Floating Rate fund (4.4%) and hiring AQR Long/Short equity fund (4.4%), a liquid mutual fund
- Hired Calvert Investments to manage the Calvert Short Duration ESG Fixed Income fund (5.0%)



Calvert Short Duration Income ESG* bond fund.

Exhibit #7

Calvert Investments was established in 1976 with the primary focus to deliver on what it calls the four pillars of responsible investing - financial performance, superior research, shareholder engagement** and inclusive prosperity and impact. Their experience has found that companies with positive environmental, social and governance attributes are more likely to outperform their peers over the long term. As a result of their approach to investing their returns are very comparable to non ESG (SRI) portfolios.

- Impacting investing
- Approximately \$10.2 billion under management
- A legacy of specialized ESG expertise starting in 1976
- Employs a dedicated proprietary ESG integration program ratings system
- Combines active management with active advocacy (ownership) via direct engagement and proxy voting
- Combined ESG funds now account for approximately 23.6% of the portfolio

**Shareholder engagement speaks to Calvert's commitment to actively engage with companies on behalf of their investors with a focus on ESG.

*Environmental, Social and Governance.