2013 – 14 CD #16
2013 – 14 Midwinter Meeting

16.7% last year. The Endowment’s performance has been relatively robust since 2008.

As you know, the Fed has kept interest low for several years, so most fixed income investments have struggled and compare poorly with equities. Corporate bonds did somewhat better than government securities. Hybrids like convertible securities did rather well and real estate investment trusts performed better than fixed income, but not nearly as well as equities.

Even though the equity sector performed spectacularly, it is important for an endowment like ours to maintain a balanced portfolio. Someday interest rates will rise and equities will decline. Those of you who follow markets know that major equity indexes returned 25% or more in 2013. Because ALA maintains a balanced portfolio, terrible years like 2008 could have been far worse. In that year, equity indexes plunged by a third or more while ALA’s endowment value dropped only 24%. We won’t have a benchmark comparison for 2013 from NACUBO and others until mid-year. However, if you look at longer terms

the Trustees has grown more sophisticated, we have broadened the asset classes in which we invest.

Part of this diversification is considering active vs. passive management. By passive management, we mean investments like ETFs that follow a well know index like the Standard & Poor 500 or the Russell 3000. By active management, we mean that managers will select individual stocks within something like the S&P 500.

While not ignoring the performance of individual managers over defined periods of time, the Trustees are now more focused on asset class investments – large cap, small cap, convertibles, REITs and so forth.

Starting last year, the Trustees are holding their February meeting in New York. While we have excellent advisors at Merrill Lynch, I wanted the Trustees to have access to different talent and expertise that is only found in New York. These New York sessions are not sales pitches, but an opportunity to evaluate both macro-economic conditions