

Treasurer's Report to the Membership

Fiscal Year 2013

Dear Colleagues,

The fiscal year ending 30 June 2013 was a very good year for the endowment, with an investment return of +10.25% that brought the portfolio to a total of \$4.94 million.

Our three largest fixed-income investments did very well, especially the high-yield bond fund (+6.9%) and the floating-rate bond fund (+4.8%), with the short-term investment-grade bond fund performing admirably (+1.8%) given that the great majority of bond funds this year have posted losses, some as large as -10%. Our mortgage bond fund, for example, lost 1.9%, its first negative showing since 1994. This fund had for many years been our largest fixed-income investment, but the Finance Committee became concerned earlier in 2013 and trimmed it from 10.0% to 2.8% of the portfolio. Then, after it posted a loss for the fiscal year we sold out completely. Our emerging-markets bond fund lost 0.5%, but this had a negligible effect on the portfolio as it amounts only to 3% of our holdings, and during the previous calendar year this volatile fund had given us a 13.3% gain. (A great many endowment managers complained in their recent reports that emerging-market investments were among their worst performers this year.)

Our stock investments performed superbly during the fiscal year. The domestic funds gained from 19.9% to 25.7%, and our developed-market international funds gained 13.6% and 18.3%. Our emerging-markets stock fund gave us a very small positive return of 0.8%. Similar to the volatile emerging-markets bond fund, this had been up 19.2% during the previous calendar year. Our alternative investments (real estate and convertible bonds) did very well, up 9.1% and 22.6%, respectively.

The portfolio's overall return of +10.25% for the 2013 fiscal year is just 1% away from the median return of all foundations and endowments (+11.28%), putting us very close to the middle of the entire universe of our peers. In these messages, I also often compare our endowment's performance to that of the Ivy League schools. Five years have now passed since the global financial crisis, which offers me the opportunity for a more long-range comparison. Over these five years we have moved from first place amongst the Ivies in 2009 to last place in 2013. While this may appear at first to be an unfortunate progression, it is actually a textbook example of how risk affects a portfolio.

American Musicological Society

Our AMS endowment is invested in a very low-risk, balanced portfolio of broadly diversified, low-cost mutual funds. The Ivy League endowments, on the other hand, are known for their large holdings in highrisk investments such as hedge funds, private equity, and commodities. Therefore, during bear markets such as the global crisis of five years ago, the AMS will outperform, whereas during periods of raging bull markets such as the present, we will lag because of the conservative nature of our investments. Nonetheless, as with the tortoise and the hare, when the race is over an endowment such as ours often comes in ahead, as has been the case since 2009. Over this entire five-year period, we are in third place (+29.0%) versus the eight Ivies, surpassed only by Columbia (+38.7%) and the University of Pennsylvania (+30.8%), with the other six ranging from +22.4% to +5.6%. An additional advantage of the AMS's conservative portfolio is that our lower level of volatility allows your treasurer to sleep better at night (though I did lose a few winks in late 2008 and early 2009!).

Sincerely,

James Ladewig
AMS Treasurer
Published February 2014 (in the [AMS Newsletter](#))

[Donate to the AMS](#)

Calendar year membership tally: 3,475 (as of October 31, 2012)