

BSA Investment committee annual report, 2023-2024
Submitted 10 June 2024

BSA investment committee:

Kent Holsinger (chair, 2024)

Larry Hufford (2024) – liaison to Financial Advisory Committee

Janice Coons (2025)

Maia Thomas, pro bono financial adviser (2025)

Charles Bush, Grad Student Representative (2025)

Austin Mast (2026)

John Pascarella (2026)

Ex officio:

Allison Miller (Treasurer, 2025)

Brenda Molano Flores (President, 2024)

Heather Cacanindin (Executive Director)

Overview:

BSA investments have done well over the last year as recovery continues from pandemic-induced market lows. The overall value of the BSA investment portfolio was \$8,103,092 as of 30 June 2023.

The value of the Investment Portfolio on May 31 in the past five years is as follows:

2024 - \$8,103,092

2023 - \$7,627,561

2022 - \$6,945,685

June 30 2021 - \$8,025,407

June 30, 2020 - \$5,944,267

The current value of the portfolio is more than \$2 million greater than it was in June 2020, representing an annual increase approximately 6 percent. Strictly speaking the change does not represent the return on investments, because it includes neither disbursements from the investment funds to support Society operations (\$175,000 drawn down in FY2023) nor additions to principal from contributions. For comparison, the S&P 500 had an annual return of approximately 11 percent from June 30, 2020 through May 31, 2024.

It might appear that the Society's investments are underperforming, but the current asset allocation is 60 percent in equities and 40 percent in fixed income securities. Given a 0.19 percent average annual return in the S & P US Aggregate Bond Index over the last five years, a 60:40 allocation might have been expected to return about 7 percent. Thus, the Society's investments are performing well relative to broad-based market indices. The 60:40 split between equities and fixed income is a substantially more conservative allocation than in the past, as requested by the Board, and it is consistent with the Society's interest in protecting its capital while ensuring growth in its portfolio over the long term.

Society and Sectional Funds as part of Total Portfolio as of Sept 30, 2023*:

MS Investment Portfolio:	\$7,130,941
Designated Funds (BSA/Sections)	\$2,198,038
Undesignated Funds	\$4,932,903
BSA Funds	\$1,713,704
BSA Designated Funds	\$160,322
BSA Awards	\$1,598
BSA Endowment	\$601,494
BSA Restricted Funds	\$950,290
Sectional Funds	\$484,334
Sectional Accounts	\$128,110
Sectional Awards	\$176,056
Sectional Endowments/Restricted	\$180,167

**these figures will be updated again at the end of the fiscal year on September 30, 2024*

Current activities:

In 2021-2022 the Investment Committee shifted the investment portfolio to holdings that are consistent with Environmental, Sustainability, and Good Governance (ESG) guidelines. Investment consistent with these guidelines continues to support values important to BSA members as well as providing strong financial performance. Were the Society to need additional funds for operations, a conservative 4 percent draw on the 3-year running balance of unallocated funds would provide approximately \$227,632. The Board, Council, Finance and Investment Committees all agreed that a draw of up to 4 percent for operational support in FY2024 would be appropriate, if needed, as the changing publishing landscape and new publishing agreement with Wiley means that the investment account may be needed for operational support for the foreseeable future. Consistent with the BSA Investment Policy adopted in 2021, the Investment Committee believes that continuing to weight the Society's investments towards equities provides the best balance between growth of the endowment to provide future income and protection of the principal.

The BSA portfolio is invested in equities and fixed income securities with a nominal amount in cash. Cash arises from interest and dividends that have not yet been reinvested. The investment policy (adopted in Spring 2021) allows the portfolio to hold up to 5 percent in alternative investments, e.g., real estate or private equity. Our investment advisor recommended that we include a higher percentage of alternative investments in the portfolio. After thoroughly considering the detailed proposal we received, the Investment Committee unanimously decided not to include alternative investments in the portfolio. We believe increasing the equity allocation to about 70 percent will provide investment performance consistent with BSA's goals while allowing the Investment Committee to monitor investments for consistency with ESG goals.

The Investment Committee continues to work with financial advisor Bryan Boesen at Morgan Stanley.