Mount Holyoke is pleased to provide you with this report on the College’s endowment investments for the fiscal year ended June 30, 2011. The Investment Committee, in partnership with Cambridge Associates, oversees the College’s investment portfolio, striving for long-term growth while dampening volatility and providing ongoing support of the operating budget.

Fiscal Year 2011
2011 was a strong year for Mount Holyoke’s endowment. The externally managed investments returned 20.7%, realizing consistently solid returns across all asset classes. The market value of the endowment investment pool increased to $610 million from $529 million as of June 30, 2011.

Performance
The following table presents the annualized returns for Mount Holyoke’s endowment over the past one, three, five, ten, and twenty years, ending June 30.

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>MOUNT HOLYOKE</th>
<th>80/20 STOCK/BOND PORTFOLIO</th>
<th>INFLATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>20.7%</td>
<td>25.1%</td>
<td>3.6%</td>
</tr>
<tr>
<td>3 Year</td>
<td>1.7%</td>
<td>4.3%</td>
<td>1.0%</td>
</tr>
<tr>
<td>5 Year</td>
<td>6.7%</td>
<td>3.9%</td>
<td>2.2%</td>
</tr>
<tr>
<td>10 Year</td>
<td>7.4%</td>
<td>3.5%</td>
<td>2.4%</td>
</tr>
<tr>
<td>20 Year</td>
<td>11.2%</td>
<td>8.5%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

1. 80% S&P 500 Index/20% Barclays Capital Aggregate Bond Index
2. Consumer Price Index-U annualized

In these turbulent times, Mount Holyoke’s endowment is somewhat defensively positioned. As a result, the endowment will likely underperform in rising markets and outperform in declining markets. This has been borne out in the first quarter of fiscal year 2012. From July 1 through September 30, 2011 the benchmark of 80% S&P 500 Index/20% Barclays Aggregate Bond Index was down 10.5%, while the endowment declined 6.5% to $570 million.
## Investment Performance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Equities</td>
<td>14.9%</td>
<td>11.0%</td>
<td>30.9%</td>
<td>U.S. equities delivered strong results for the year, with gains sparked by Federal Reserve Chairman Ben Bernanke’s hint of a second round of quantitative easing. However, following a return of 27.7% from September through February, the S&amp;P 500 Index was essentially flat through June. The index remains 15.6% off its October 2007 peak as of June 30, 2011.</td>
</tr>
<tr>
<td>Developed Market Equities</td>
<td>9.1%</td>
<td>7.1%</td>
<td>25.3%</td>
<td>Currency appreciation drove most of the performance for U.S. dollar investors as the dollar plummeted against major European currencies. The euro appreciated 18.4% against the U.S. dollar, and the Swiss franc gained 28.1%.</td>
</tr>
<tr>
<td>Emerging Markets Equities</td>
<td>5.0%</td>
<td>6.1%</td>
<td>26.3%</td>
<td>Emerging market equities posted strong returns in the latter half of 2010, but markets stalled in 2011 as price pressures mounted and governments began to tighten policy measures.</td>
</tr>
<tr>
<td>Global Equities</td>
<td>5.5%</td>
<td>9.7%</td>
<td>30.4%</td>
<td>Fiscal year 2011 was the best for developed market equities since 1987, and they outperformed emerging markets for the first time since fiscal year 2001. However, as with U.S. equities, returns were concentrated in the second half of 2010.</td>
</tr>
<tr>
<td>Marketable Alternatives</td>
<td>19.3%</td>
<td>21.4%</td>
<td>12.0%</td>
<td>Long-short, absolute return, and other hedge fund strategies tend to mitigate losses as markets fall, but underperform in rising markets such as in fiscal year 2011.</td>
</tr>
<tr>
<td>Liquid Inflation Hedges</td>
<td>8.0%</td>
<td>7.1%</td>
<td>13.5%</td>
<td>Real estate, energy, natural resources, and TIPS provide the endowment with protection against inflation. During fiscal year 2011, the consumer price index increased by 3.6%.</td>
</tr>
<tr>
<td>Nonmarketable Alternatives</td>
<td>24.8%</td>
<td>24.8%</td>
<td>14.3%</td>
<td>Private equity, venture capital, and other illiquid investments report returns on a lagged basis. The return of 14.3% is for the six months ended December 31, 2010.</td>
</tr>
<tr>
<td>Cash and Fixed Income</td>
<td>13.5%</td>
<td>12.8%</td>
<td>6.6%</td>
<td>The Barclays Capital Aggregate Bond Index returned 3.9% for the fiscal year. The endowment’s domestic and global fixed income portfolios substantially outperformed their benchmarks.</td>
</tr>
</tbody>
</table>
How the Endowment Supports the Mount Holyoke Budget
On average, 20% of the College’s annual operating budget ($115 million in fiscal year 2012) is funded through endowment income. Prudent spending of the endowment affects the fund’s growth just as directly as does its management. Mount Holyoke’s endowment spending rule calls for distributing between 4.5% and 5.5% of a twelve-quarter, debt-adjusted average market value of the endowment. The twelve-quarter average balances the endowment distribution so that the operating budget is less subject to large swings in endowment valuation. For fiscal year 2011, the College elected to distribute 4.8% of the average of the prior twelve-quarter-end market values, as of December 31, 2009.

Gifts to the Endowment
The endowment is able to grow through two means: performance and gifts. Alumnae gifts to the endowment can cause dramatic increases in the total value of the fund. Since January 2004, alumnae, parents, and friends have committed $111.5 million in gifts and pledges to the current Campaign for Mount Holyoke.

Looking Ahead
The financial climate is exceptionally volatile, and global economic conditions present many challenges. The Investment Committee remains focused on achieving long-term growth in the endowment while being mindful of the need to preserve capital and to provide adequate liquidity to fund capital calls and support the operating budget. Proper stewardship of the endowment is essential to the preservation and enhancement of Mount Holyoke’s ability to educate women at the highest level of academic excellence.

Mount Holyoke College Investment Committee: Governance and Management
Fiduciary responsibility for the endowment’s performance is entrusted to the Finance Committee of the Board of Trustees, with the actual oversight and day-to-day management in the hands of the Investment Committee. The Investment Committee is charged with allocating the College’s investment assets and selecting and monitoring investment managers. The committee, comprising members of the Finance Committee and other alumnae and friends with particular investment expertise, works closely with its investment counsel, Cambridge Associates.

Advisory Committees FY 2011

INVESTMENT COMMITTEE
Audrey McNiff ’80, chair
Betsy Palmer ’76, vice chair
Barbara M. Baumann ’77
Maria Cirino ’85
Mary Graham Davis ’65
Phoebe McBee ’71
Robin Neustein ’75
Andrzej Rojek P’12
Carla Skodinski ’72
Janet Hickey Tague ’66
Richard Worley S’73

BOARD OF TRUSTEES FINANCE COMMITTEE
Barbara Byrne ’76, chair
Janet Askeroff ’65
Mary Beth Daniel ’82
Mary Graham Davis ’65
Audrey McNiff ’80
Guy Martin P’07
Betsy Palmer ’76
Jay Sarles S’67
Jim Streibich P’12

FINANCIAL OFFICERS OF THE COLLEGE
Mary Jo Maydew
Vice President for Finance and Administration*
Jan Albano
Associate Treasurer
Ellen Rutan
Comptroller

*Ben Hammond effective July 1, 2011
**Longer Term Performance**
Over the past 25 years, the value of Mount Holyoke’s endowment has grown from $130 million to $610 million. The composition of the investments has changed markedly during that time. As of June 30, 1986, the endowment portfolio had an asset allocation of 68% equities and 32% fixed income and cash. The College employed three managers, and the investments were virtually all in publicly traded securities. As of June 30, 2011, the endowment was invested with over 50 managers and 100 funds across a multitude of asset classes.

**Annual Investment Returns: Fiscal Year 2002–Fiscal Year 2011**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Return</td>
<td>20.7%</td>
<td>11.1%</td>
<td>-21.5%</td>
<td>8.1%</td>
<td>21.2%</td>
<td>15.2%</td>
<td>15.9%</td>
<td>13.7%</td>
<td>3.7%</td>
<td>-6.3%</td>
</tr>
</tbody>
</table>

Ending June 30

**Asset Allocation**
Asset allocation is the single largest driver of performance. The Investment Committee regularly reviews the composition of the endowment and continues to diversify across and within asset classes, while managing portfolio liquidity.
Mount Holyoke College Alums at Cambridge Associates

At Cambridge Associates, Ana Yankova ’97 specializes in asset allocation and investment manager selection. She joined the firm in 2005 as a consultant and now serves as a managing director. Her eight clients have portfolios with assets ranging from 100 million to 14 billion dollars.

“The work is a huge responsibility, but also offers a wonderful challenge,” says Yankova. “Cambridge Associates works with clients who have worthy missions ranging from building endowments for student financial aid to medical research to better accessibility for libraries and museums.”

Yankova majored in economics at MHC then spent two years at an economic consulting firm. Realizing that she wanted to “narrow the very broad field of economics into something more tangible and specific,” she began her career in investments at Yale University’s Investment Office. She credits her four years there with teaching her most everything she knows about portfolio and endowment management.

Yankova earned an M.B.A. from MIT’s Sloan School of Management in 2005. After graduation, the only job she applied for was at Cambridge. She was attracted by its collegial culture: “It’s a place where you’re encouraged to learn and to mentor others.”

Her work also is gratifying because she came to Mount Holyoke from Bulgaria on a full scholarship. “Creating opportunity is the great thing that Mount Holyoke does. And now I help institutions earn better investment returns and build bigger endowments so that they can provide more students with access to financial aid. It makes me feel that I have come full circle.”

Manuela Mitkova ’11 arrived at MHC expecting to study neuroscience, having been a biochemistry major as a high school student in Bulgaria. The decision to enroll in a macroeconomics theory class drastically changed that plan—and ultimately helped lead Mitkova to Cambridge Associates, where she serves as a consulting associate.

“Majoring in economics was a very unexpected transition. Professor Jim Hartley’s fantastic classes opened up a new world to me. The combination of challenging homework and the carefully selected reading list contributed to the development of my critical thinking skills. The rigorous classes at MHC taught me not only how to solve problems, but to identify them: my dedicated professors often encouraged me to think of more than one solution,” says Mitkova, who graduated from Mount Holyoke last December and joined Cambridge Associates in January.

What drew her to Cambridge Associates was its relationship with many nonprofit institutions and, in particular, its work with endowments. “Endowments have been a great area of interest to me since I took Jesse Lytle’s seminar, Higher Education: Mission and Markets,” she said. “Identifying the best investment managers is truly exciting because the generated returns not only offer flexibility to our clients, but also help institutions like Mount Holyoke sustain their mission and achieve their long-term goals.”

In fact, Mount Holyoke now is one of Mitkova’s clients, and she says she couldn’t be happier. “I am ready to put in 110 percent.”