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Phoebe McBee ’71
Robin Chasman Neumann ’75
Lynn Pasquerella ’78, ex officio
Andrea Rejak P’11
Carla Skodinski ’72
Louise Wasso-Jonikas ’75

Finance Committee
Barbara Byrne ’76, Chair
Catherine Burke ’78
Karoline Collins ’74
Sarah Miller Crislison ’75
Mary Graham Davis ’65
Ellen Flannery ’73
Hannah Frank ’91
Mindie McWilliams Lewis ’75, P’95
Guy Martin P’95
Elizabeth Palmer ’76
Lynn Pasquerella ’78, ex officio
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Mount Holyoke College
Investment Report | June 30, 2014
Office of Advancement
50 College Street • South Hadley, MA 01075 • www.mtholyoke.edu
Office of Communications 464-20115

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The table below shows annualized returns for Mount Holyoke’s externally managed endowment over the past one, three, five, ten, and 20 years as of June 30, 2014.

<table>
<thead>
<tr>
<th>Period</th>
<th>Mount Holyoke</th>
<th>Cambridge Associates</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 year</td>
<td>9.8%</td>
<td>2.4%</td>
</tr>
<tr>
<td>10 year</td>
<td>9.2%</td>
<td>2.3%</td>
</tr>
<tr>
<td>5 year</td>
<td>9.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>3 year</td>
<td>8.9%</td>
<td>1.8%</td>
</tr>
<tr>
<td>1 year</td>
<td>16.0%</td>
<td>2.2%</td>
</tr>
<tr>
<td>5 year</td>
<td>9.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>3 year</td>
<td>11.6%</td>
<td>13.0%</td>
</tr>
<tr>
<td>1 year</td>
<td>15.0%</td>
<td>19.6%</td>
</tr>
</tbody>
</table>

The Investment Committee oversees the College’s investment endowment investments for the fiscal year ended June 30, 2014.

Investment Performance

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Allocation (%</th>
<th>Fiscal 2014 Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>60</td>
<td>11.2%</td>
</tr>
<tr>
<td>Bonds</td>
<td>30</td>
<td>12.6%</td>
</tr>
<tr>
<td>Alternatives</td>
<td>10</td>
<td>17.7%</td>
</tr>
</tbody>
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Growth of the Mount Holyoke Endowment
The growth of the Mount Holyoke College endowment can be attributed to strong returns from the portfolio coupled with gifts to the endowment. By capturing a significant portion of the market’s upside while protecting on the downside, the endowment has grown to its current level of $717 million.

Longer-Term Performance
The portfolio’s commitment to diversification across asset classes has contributed significantly to the endowment’s growth while dampening overall volatility. The portfolio has also benefited from active management and from investing in market inefficiencies across geographies and asset classes.

Annual Investment Returns: Fiscal Year 2005–Fiscal Year 2014

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Equity</th>
<th>Fixed Income</th>
<th>Alternatives</th>
<th>Markets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>16.0%</td>
<td>8.0%</td>
<td>10.5%</td>
<td>25.4%</td>
<td>49.9%</td>
</tr>
<tr>
<td>2006</td>
<td>15.0%</td>
<td>8.5%</td>
<td>11.6%</td>
<td>25.8%</td>
<td>49.9%</td>
</tr>
<tr>
<td>2007</td>
<td>14.5%</td>
<td>9.0%</td>
<td>12.0%</td>
<td>26.5%</td>
<td>51.0%</td>
</tr>
<tr>
<td>2008</td>
<td>14.1%</td>
<td>9.5%</td>
<td>12.5%</td>
<td>26.1%</td>
<td>52.2%</td>
</tr>
<tr>
<td>2009</td>
<td>13.7%</td>
<td>10.0%</td>
<td>13.0%</td>
<td>25.8%</td>
<td>52.5%</td>
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<tr>
<td>2010</td>
<td>13.3%</td>
<td>10.5%</td>
<td>13.5%</td>
<td>25.6%</td>
<td>52.9%</td>
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<tr>
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<td>14.0%</td>
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<td>11.5%</td>
<td>14.5%</td>
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<tr>
<td>2013</td>
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<td>15.0%</td>
<td>24.7%</td>
<td>52.8%</td>
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<tr>
<td>2014</td>
<td>11.7%</td>
<td>12.5%</td>
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<td>24.4%</td>
<td>52.9%</td>
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Fiscal Year 2014 was very strong for almost all stocks as well as for long-duration Treasury bonds. U.S. and non-U.S. developed equity portfolios posted strong absolute returns. The U.S. stock market continued its rally due to improving consumer confidence, low interest rates, stronger employment levels, and a rebounding housing market. Non-U.S. developed market returns were boosted by European stocks rallying and operating margin improvements. Emerging markets equities staged a recovery from the previous year but failed to keep up with strong developed market returns.

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<tr>
<td>20 years</td>
<td>7.4%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

Annual Investment Returns: Fiscal Year 2005–Fiscal Year 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Mount Holyoke</th>
<th>Cambridge Associates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>16.5%</td>
<td>16.0%</td>
</tr>
<tr>
<td>2006</td>
<td>16.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>2007</td>
<td>15.0%</td>
<td>14.0%</td>
</tr>
<tr>
<td>2008</td>
<td>14.0%</td>
<td>13.0%</td>
</tr>
<tr>
<td>2009</td>
<td>13.0%</td>
<td>12.0%</td>
</tr>
<tr>
<td>2010</td>
<td>12.0%</td>
<td>11.0%</td>
</tr>
<tr>
<td>2011</td>
<td>11.5%</td>
<td>10.5%</td>
</tr>
<tr>
<td>2012</td>
<td>10.5%</td>
<td>9.5%</td>
</tr>
<tr>
<td>2013</td>
<td>9.5%</td>
<td>8.5%</td>
</tr>
<tr>
<td>2014</td>
<td>8.5%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

The table below shows annualized returns for Mount Holyoke's externally managed endowment over the past one, three, five, ten, and 20 years as of June 30, 2014.

<table>
<thead>
<tr>
<th>Period</th>
<th>Mount Holyoke</th>
<th>Cambridge Associates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>16.0%</td>
<td>15.5%</td>
</tr>
<tr>
<td>3 years</td>
<td>11.6%</td>
<td>11.3%</td>
</tr>
<tr>
<td>5 years</td>
<td>9.5%</td>
<td>9.1%</td>
</tr>
<tr>
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<td>8.5%</td>
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</table>

Fiscal Year 2014 was very strong for almost all stocks as well as for long-duration Treasury bonds. U.S. and non-U.S. developed equity portfolios posted strong absolute returns. The U.S. stock market continued its rally due to improving consumer confidence, low interest rates, stronger employment levels, and a rebounding housing market. Non-U.S. developed markets were boosted by European stocks rising and operating margin improvements. Emerging markets equities staged a recovery from the previous year but failed to keep up with strong developed market returns.

Growth of the Mount Holyoke Endowment

The growth of the Mount Holyoke Endowment can be attributed to strong returns from the portfolio coupled with gifts to the endowment. By capturing a significant portion of the market’s upside while protecting on the downside, the endowment has grown to its current level of $717 million.

Longer-Term Performance

The portfolio’s commitment to diversification across asset classes has contributed significantly to the endowment’s growth while dampening overall volatility. The portfolio has also benefited from active management and from investing in market inefficiencies across geographies and asset classes.

Fiscal Year 2014: Performance

Fiscal Year 2014 was a strong year in which the externally managed endowment pool rose 16%, and the total investment pool grew in value to $717 million. Over the last ten years, the externally managed endowment pool has achieved a 9% compounded return per year, placing it in the top tenth percent of more than 300 endowments in the Cambridge universe. Over that same timeframe, the annualized return for the College was 11.5%.

The table below shows annualized returns for Mount Holyoke's externally managed endowment over the past one, three, five, ten, and 20 years as of June 30, 2014.

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</tr>
</tbody>
</table>
Asset Allocation
The Investment Committee has worked with Cambridge Associates to position the endowment to weather near-term market volatility and still generate strong long-term returns through prudent asset allocation and astute manager selection. The current portfolio is broadly diversified with a strong orientation toward investments that seek to deliver equity-like returns over the long term. The asset allocation has an equity bias to achieve the dual goals of meeting current operational needs while preserving the endowment’s purchasing power for future generations. The majority of assets are expected to produce equity-like returns and include domestic and international stocks, marketable alternatives including absolute return and hedged strategies, private equity, and public and private real assets. Over the last 15 years, the College’s asset allocation moved away from domestic stocks and emphasized nontraditional asset classes such as marketable alternatives and private investments.

Looking Ahead
Slower global economic growth and high valuations may result in lower returns over the next five to ten years compared to the experience of the last decade. Volatility is expected to persist with an uncertain global, economic, and political environment. It is therefore even more important than ever to be well positioned to take advantage of unique investment opportunities in a world with few obvious bargains. Mount Holyoke has benefited significantly in the past from diversifying the portfolio and by selecting talented money managers who have successfully navigated in challenging environments, and we expect them to continue to do so in the future.

Mount Holyoke College Investment Committee:
Governing Authority
The Board of Trustees, through its Investment Committee, exercises exclusive control over the management of the endowment. The Investment Committee is comprised of a select number of Trustees who serve as ex officio members and other Trustees who are elected by the Trustees to serve in an ex officio role. Mount Holyoke College is a not-for-profit corporation with a long-term focus. All Trustees, with the exception of the ex officio members, have fiduciary responsibility for the endowment’s performance.

Investment Committee
Elizabeth Palmer ’76, Chair
Barbara M. Baumann ’77, Vice Chair
Barbara Byne ’76, ex officio
Devon George-Eghdami ’91
Mary Graham Davis ’65, ex officio
Phoebe McBee ’71
Robin Chatterton Neuman ’75
Lynne Pasquerella ’80, ex officio
Andrea Rejk ’12
Carla Skodinski ’72
Louise Wasso-Jonikas ’75

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. Over the last ten years, alumnae, parents, and friends have committed $152.3 million in gifts and pledges to the endowment, investing in College priorities such as scholarship aid, internship experiences, and faculty support.

How the Endowment Supports the Mount Holyoke Budget
For Fiscal Year 2014, income distributions from the endowment provided 24% of the $124 million in operating budget revenue. 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 the endowment’s 12-quarter average market value. The 12-quarter average balances the endowment distribution so that the operating budget is less vulnerable to large swings in endowment valuation. Mount Holyoke’s spending and investment policies provide substantial levels of cash flow to the operating budget to support current needs while preserving the purchasing power for future generations.

Mount Holyoke College Investment Report | June 30, 2014