Mount Holyoke is pleased to provide you with this report on the endowment investments for the fiscal year that ended June 30, 2015. The Investment Committee oversees the College’s investment portfolio, striving for long-term growth while dampening volatility and providing vital support for the operating budget.

**Fiscal Year 2015: Performance**

Fiscal year 2015 was a lackluster year in which the externally managed endowment investment pool returned +2.7%, ending the fiscal year valued at $700 million (total pool valued at $709 million). Over the last ten years, the externally managed endowment pool has achieved a +7.7% annual compounded return per year, placing it in the top 15th percentile of over 400 endowments in the universe of the College’s investment consultant, Cambridge Associates. Over the period, it has also outpaced its own custom benchmark by 50 basis points per year, delivering stronger absolute performance.
Asset Allocation

The Investment Committee works with its advisor, 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 overall equity bias in the portfolio allows the College to meet operational needs while preserving the endowment’s purchasing power for future generations and protecting against inflation. The majority of assets in the portfolio—including domestic and international stocks, private equity, and public and private real assets—are expected to produce equity-like returns over time. Over the last fifteen years, the College’s asset allocation has moved away from domestic stocks and emphasized nontraditional asset classes such as marketable alternatives and private investments.

How the Endowment Supports the College

For fiscal year 2015, income distributions from the endowment provided 24% of the $127 million of operating budget revenue. Prudent spending of the endowment affects the fund’s growth just as directly as its management. Mount Holyoke’s endowment-spending rule calls for distributing between 4.5–5.5% of a twelve-quarter average market value of the endowment. The twelve-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.

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 donated $144.8 million in gifts and pledges to the endowment, investing in College priorities such as scholarship aid, internship experience, and faculty support.
The table below shows annualized returns for Mount Holyoke’s externally managed endowment over the past 1, 3, 5, 10, and 20 years, as of June 30, 2015.

<table>
<thead>
<tr>
<th>Period</th>
<th>Mount Holyoke</th>
<th>Cambridge Associates Endowment Median</th>
<th>80/20 Stock/Bond Portfolio¹</th>
<th>Inflation²</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>2.7%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>0.1%</td>
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<tr>
<td>3 year</td>
<td>9.9%</td>
<td>9.6%</td>
<td>11.2%</td>
<td>1.3%</td>
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<tr>
<td>5 year</td>
<td>9.8%</td>
<td>9.3%</td>
<td>10.8%</td>
<td>1.8%</td>
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<tr>
<td>10 year</td>
<td>7.7%</td>
<td>6.5%</td>
<td>6.7%</td>
<td>2.1%</td>
</tr>
<tr>
<td>20 year</td>
<td>9.3%</td>
<td>8.4%</td>
<td>7.1%</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

¹ 80/20 Stock/Bond Portfolio represents 80% MSCI All Country World Index and 20% Barclays Aggregate Bond Index.
² Inflation represents Consumer Price Index - All Urban Consumers.

**Investment Performance**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Allocation (%) 6/30/2014</th>
<th>Allocation (%) 6/30/2015</th>
<th>FY15 Portfolio Return (%)</th>
<th>Fiscal 2015 Asset Class Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Equity</td>
<td>9.3</td>
<td>9.5</td>
<td>10.2</td>
<td>US equities managed to outpace equities around the world despite elevated valuations and decelerating earnings. The managers in Mount Holyoke’s US equity portfolio returned 10.2% for the fiscal year, outperforming the S&amp;P 500 index by 2.8%.</td>
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<tr>
<td>International Developed Markets Equity</td>
<td>6.2</td>
<td>7.3</td>
<td>-0.3</td>
<td>In a reversal from the previous year, developed equities lagged US equities. European equities declined despite improving economic data and continued quantitative easing. Mount Holyoke’s international developed managers returned -0.3%, outperforming the MSCI EAFE index by 3.9%.</td>
</tr>
<tr>
<td>Emerging Markets Equity</td>
<td>7.1</td>
<td>7.4</td>
<td>-4.2</td>
<td>Concerns about China’s slowing growth and uncertainty about Greece and the timing of US interest rate hikes sent reverberations through markets. Overall, emerging markets performance was boosted by Asian markets while commodity-sensitive Latin American markets lagged. The endowment’s emerging markets equity portfolio outperformed the MSCI Emerging Markets Index by 0.6%.</td>
</tr>
<tr>
<td>Global Mandate Managers</td>
<td>12.6</td>
<td>10.5</td>
<td>3.8</td>
<td>The global equity managers returned 3.8%, beating the MSCI World Index return of 1.4%.</td>
</tr>
<tr>
<td>Marketable Alternatives</td>
<td>23.8</td>
<td>25.6</td>
<td>3.6</td>
<td>Mount Holyoke’s marketable alternatives portfolio returned 3.6% for the fiscal year, slightly underperforming the HFRI Fund of Funds Diversified Index by 0.3%.</td>
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<td>Public Real Assets</td>
<td>5.2</td>
<td>4.4</td>
<td>-27.4</td>
<td>Commodity-related assets suffered significant losses due to concerns about slowdown in world growth in the face of ample supply. The managers slightly lagged the MSCI World Natural Resources Index, which returned -26.2%.</td>
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<tr>
<td>Private Investments</td>
<td>24.1</td>
<td>24.3</td>
<td>8.2</td>
<td>Includes private equity, venture capital, private real assets, and other opportunistic private investments in private partnerships. The returns were significantly bolstered by US venture capital investments.</td>
</tr>
<tr>
<td>Fixed Income and Cash</td>
<td>11.7</td>
<td>11.0</td>
<td>1.9</td>
<td>The bond portfolio return was in line with that of the Barclays Aggregate Bond Index return of 1.8%.</td>
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</table>
Investments in private equity and venture capital, together with investments in US equities, were the largest contributors to performance for the year. Returns for investments outside the US were negatively affected by the strong US dollar. Commodity-related assets, such as natural resource stocks, were the biggest detractor from performance. Investments in private energy partnership also suffered losses in the face of declining oil prices.

**Growth of the Mount Holyoke College 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 upside while protecting on the downside, the endowment has grown to its current level of $709 million.

**Longer-Term Performance**

The portfolio’s commitment to diversification across asset classes has contributed significantly to the endowment’s growth over time. It has also benefitted from active management across asset classes.

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**Annual External Investment Pool Returns: Fiscal Year 2015–Fiscal Year 2006**

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<tbody>
<tr>
<td>2015</td>
<td>2.7%</td>
<td>16.0%</td>
<td>11.5%</td>
<td>-0.1%</td>
<td>20.6%</td>
<td>11.2%</td>
<td>-21.5%</td>
<td>8.0%</td>
<td>21.1%</td>
<td>15.1%</td>
</tr>
</tbody>
</table>

Ending June 30, 2015
Looking Ahead

Slower global economic growth and high valuations are likely to result in lower returns over the next five to ten years, compared to the experience of the last decade. Volatility is going to continue as valuations rise. Rising interest rates in the US may continue to cause the US dollar to strengthen. It is therefore more important than ever to be well positioned to take advantage of unique investment opportunities in a world of few obvious bargains. Uncovering those opportunities requires tremendous talent, expertise, and resources. Mount Holyoke has benefited significantly in the past from diversifying the portfolio and by selecting talented money managers who have successfully navigated challenging environments, and we expect to continue to do so in the future.

Mount Holyoke College Investment Committee: Governance and Management

Fiduciary responsibility for the endowment’s performance is entrusted to the Investment Committee of the Board of Trustees. The Investment Committee is charged with allocating the College’s investment assets and selecting and monitoring investment managers. The committee, comprised of members of the Finance Committee and other alumnae and associates of the College with particular investment expertise, works closely with its investment consultant, Cambridge Associates.

Advisory Committees FY 2015

**Investment Committee**
Elizabeth Palmer ’76, Chair
Louise Wasso ’75, Vice Chair
Barbara Baumann ’77, ex officio
Katherine Collins ’74, ex officio
Devon George-Eghdami ’81
Phoebe McBee ’71
Robin Chemers Neustein ’75
Lynn Pasquerella ’80, ex officio
Carla Skodinski ’72

**Finance Committee**
Katherine Collins ’74, Chair
Heather Harde ’91, Vice Chair
Barbara Baumann ’77, ex officio
Catherine Burke ’78
Barbara Byrne ’76
Ellen Flannery ’73
Mindy McWilliams Lewis ’75, P’05
Elizabeth Palmer ’76
Lynn Pasquerella ’80, ex officio
Karena Strella ’90
Kaitlyn Szydlowski ’09
Michelle Toh ’85
Louise Wasso ’75

Financial Officers of the College
(as of June 30, 2015)
Shannon Gurek, Vice President for Finance and Administration and Treasurer
Ellen Rutan, Comptroller