Mount Holyoke College

2024 INVESTMENT REPORT

"Mount Holyoke's endowment propels our mission forward. Thanks to your investment, we are educating bold and dynamic leaders who graduate ready to shape the world."

> DANIELLE R. HOLLEY PRESIDENT

Mount Holyoke is pleased to provide you with this report on the endowment investments for the fiscal year that ended on June 30, 2024.

The endowment is a foundational source of sustaining support for Mount Holyoke College. Through distributions that fund a significant portion of the annual operating budget, the endowment allows the College to provide an intellectually rigorous education for students of all backgrounds and strengthens the College's legacy of leadership in education. The endowment also helps the College invest in key areas such as scholarship aid for students, internship experiences and faculty support.

As of June 30, 2024, the endowment stood at \$1.1 billion. The invested pool generated a return of 9.4%, net of fees, over fiscal year 2024. Amidst strong equity markets, the pool delivered one of the best results of the past decade, producing over \$90 million of investment gains and comfortably outperforming inflation as well as the \$46 million of distributions made to support college operations.

The last two years have featured strong equity markets, rebounding from a challenging 2022, that have helped grow the endowment to all-time highs. United States stock markets significantly outperformed the rest of the world, with a narrow group of companies disproportionately responsible for the gains. Inflation moderated following aggressive interest rate hikes in 2022 and 2023. Reaching a more steady-state interest rate environment helped bond markets deliver modestly positive returns for the fiscal year. Similar to fiscal year 2023, private markets continued to digest the public market downturn in 2022, albeit at a more moderate level with modest losses for the year. Against this backdrop, public equity exposure and excellent security selection decisions from the endowment's investment partners drove strong results.

Spending from the endowment has grown every year during the last decade, generating cumulative distributions of \$380 million over the past 10 years. Today, it is the second-largest revenue source after tuition, accounting for roughly one-third of the College's revenues. In fiscal year 2024, distributions from the endowment equated to more than \$20,000 per student.

Over the past 20 years, the endowment has grown from \$409.2 million to \$1.1 billion. This represents an 8.3% investment return per year, net of investment expenses and excluding new gifts. This result places Mount Holyoke's endowment in the top quartile when compared with hundreds of peer institutions. More importantly, this return has achieved the goal of supporting the operating budget while preserving, and even growing, the purchasing power of the endowment, allowing future generations to benefit from it.

Fiscal year 2024 was the fourth full year of operation for the College's Investment Office in Boston. Established in 2020, the Investment Office is responsible for the management of the endowment investment portfolio including asset allocation, portfolio structure and positioning, as well as sourcing, selecting and monitoring investments. With oversight of the Board of Trustees, the Investment Committee works with the Investment Office to manage the endowment while maintaining fiduciary responsibility for investing the College's assets.

The Investment Office and the Investment Committee remain focused on long-term portfolio growth to ensure that the endowment continues to support the College's mission. This long-term objective results in a portfolio that is oriented toward investments in equity and equity-like instruments across public and private markets. The endowment seeks to establish longterm partnerships with specialized external investment managers who build their portfolios through exhaustive fundamental research, deep networks and superior judgment.



ENDOWMENT MARKET VALUE

Fiscal Year 2024: Performance

Fiscal year 2024 saw another strong year of returns for the investment portfolio, with a return of 9.4%. Global equity markets rose 19.4%, while bond markets were up 2.6%. Against this backdrop, the equity-oriented nature of the invested pool produced strong returns, driven by investments in public companies and hedge funds as well as strong manager selection.

80% Stock/20% C|A Endowment Median¹ (%) 5% + Mount Holyoke (%) Period Bond Portfolio (%) Inflation (%) 10.1 15.9 8.0 1 year 9.4 3.8 10.0 3 years 3.0 3.3 8.7 5 years 9.0 9.2 9.6 10 years 7.2 7.1 7.8 7.6 15 years 8.7 8.9 7.5 8.9 20 years 7.3 7.2 7.6 8.3 9.7 9.1 7.8 Since Inception 10.5

¹ Since inception CA endowment median figure includes 18 E&Fs.

The foundation of the College's investment approach is a commitment to prudent portfolio management and rigorous manager selection. The endowment pool continues to be managed with a long-term orientation that is designed to successfully weather an array of market environments. While there will be up and down years along the way, a constant focus on long-term value creation with an equity orientation should continue to create substantial value in support of the College's mission.

Public equity investments were the largest contributor to returns for the fiscal year, returning 16.3%. While global stocks rallied during the year, returns were disproportionately driven by a small number of companies, which created a challenging environment for investment managers to add significant incremental value through security selection. Similarly, marketable alternatives, also referred to as hedge funds, rose 11.8% and meaningfully outpaced their benchmark. Bond investments gained 3.3% as interest rate increases moderated.

ANNUAL EXTERNAL INVESTMENT POOL RETURNS (as of June 30, 2024)

Private investments, which have been one of the largest contributors to growth over the long term, were the sole detractor, falling -0.7% for the year. Similar to fiscal year 2023, these results were largely driven by markdowns of venture capital investments, which tend to lag the public markets, effectively giving back some of the gains of the last few years. Private investments have been a foundational and consistent contributor to the long-term growth of the endowment. The year was another reminder of the power of diversification. While each type of investment, or asset class, may experience volatility or a downturn, others should help pull the portfolio forward.

Asset Allocation Over Time

The 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. Consistent with this goal, global public equities and private investments represent the majority of assets in the portfolio. Marketable alternatives provide portfolio diversification and deliver equity-like returns with lower-than-equity volatility. The bond allocation is composed of high-quality U.S. government bonds and serves as a source of liquidity in the event of a significant equity market drawdown.



How the Endowment Supports the College

Spending from the endowment provides a significant portion of the operating budget. Income distributions from the endowment contributed close to one-third of the College's operating revenue in fiscal year 2024. Significant portions of the distributions support College priorities such as student scholarship aid, internship experiences, faculty salaries, the academic centers, athletics programs and the Art Museum.

ENDOWMENT DISTRIBUTION BY TYPE



Both prudent spending and management of the endowment directly affect the endowment's growth. The endowment spending policy limits the annual distribution to the operating budget to a 5% increase over the preceding annual distribution, within a range of 4.5% to 5.5% of the 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. The spending policy is designed to align the current spending with the expected long-term rate of return from the endowment.

Gifts to the Endowment

The long-term growth of the Mount Holyoke College endowment can be attributed to strong returns from the portfolio coupled with gifts to the endowment. Philanthropic gifts have been significant contributors to the total value of the fund. Over the last 10 years, alums and friends of the College have contributed \$158 million to the endowment in support of critical College priorities, with an additional \$27 million of pledges. The combination of these gifts and their investment growth has resulted in over \$220 million of incremental endowment value over the last decade.

These gifts and their compounding enable distributions from the endowment to constitute a much larger distribution to the operating budget than otherwise would be possible. Fiscal year 2024 was another strong year of giving with \$19.5 million of gifts coming into the endowment. Today, the endowment is composed of approximately 1,800 individual endowment funds.

Looking Ahead

The last few years have seen volatile equity markets along with accelerating and moderating economic growth, a dramatic shift from zero interest rates to inflation and monetary tightening, and heightened geopolitical tensions. As uncertainty remains high, it is more important than ever to maintain portfolio balance, employ a long-term time horizon and selectively partner with investment managers who possess the talent, expertise and resources to adeptly invest through market cycles.

The Investment Office and the Investment Committee remain focused on sowing seeds for the future by aligning with strong investing partners, emphasizing superior value-add strategies and diversifying the drivers of performance. Every year, the Investment Office meets with hundreds of investment managers around the globe to identify the handful that are truly extraordinary — those possessing a distinct and sustainable competitive advantage along with a high level of integrity and experience navigating challenging market environments.

"I travelled over 8,000 miles from Sri Lanka to pursue my education at Mount Holyoke. As the daughter of a single mother, and the first in my immediate family to attend college, I feel like my dreams have come true. Mount Holyoke provided me with the financial aid I needed, and now I am a part of an amazing community: I can fully embrace my studies, and I have the opportunity to engage in leadership activities. Thank you for your generosity."

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TEHANI CHANDRASENA PERERA '25
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IMPACT OF GIFTS ON ENDOWMENT



Investment Committee

Strong governance is the cornerstone of successful endowment management. Fiduciary responsibility for the endowment's performance is entrusted to the Investment Committee of the Board of Trustees. The primary objective is to provide real, after-inflation growth of the endowment in a prudently aggressive manner to support current distributions and ensure that future generations of students and faculty can enjoy outstanding levels of support. The committee is composed of alums of the college who collectively possess a broad range of institutional investment expertise, and it includes five members who also serve on the Finance Committee.

2025 Investment Committee

Elizabeth Weatherman '82, *Chair* Ellen Ellison '80, *Vice Chair* Mary Ann Deignan '84 Sally Durdan '81, *ex officio* Danielle Holley, *ex officio* Farah Khan '98 Monica Landry '90, *ex officio* Robin Neustein '75 Ellen Petrino '68 Louise Wasso '75

Note: The full list of members of the Board of Trustees can be found at mtholyoke.edu/president/boardtrustees.

Financial Officers of the College

Carl M. Ries Vice President for Finance and Administration and Treasurer

Ana Yankova '97 Chief Investment Officer

2025 Finance Committee

Monica Landry '90, *Chair* Mary Ann Deignan '84 Adam Falk, *Vice Chair* Rochelle Calhoun '83 Bobbi Cordano Sally Durdan '81 Danielle Holley, *ex officio* Farah Khan '98 Maria Kochiras '85 Lourdes Melgar '85, P'24 Mona Sutphen '89 Lale Topcuoglu '99 Elizabeth Weatherman '82, *ex officio*

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