

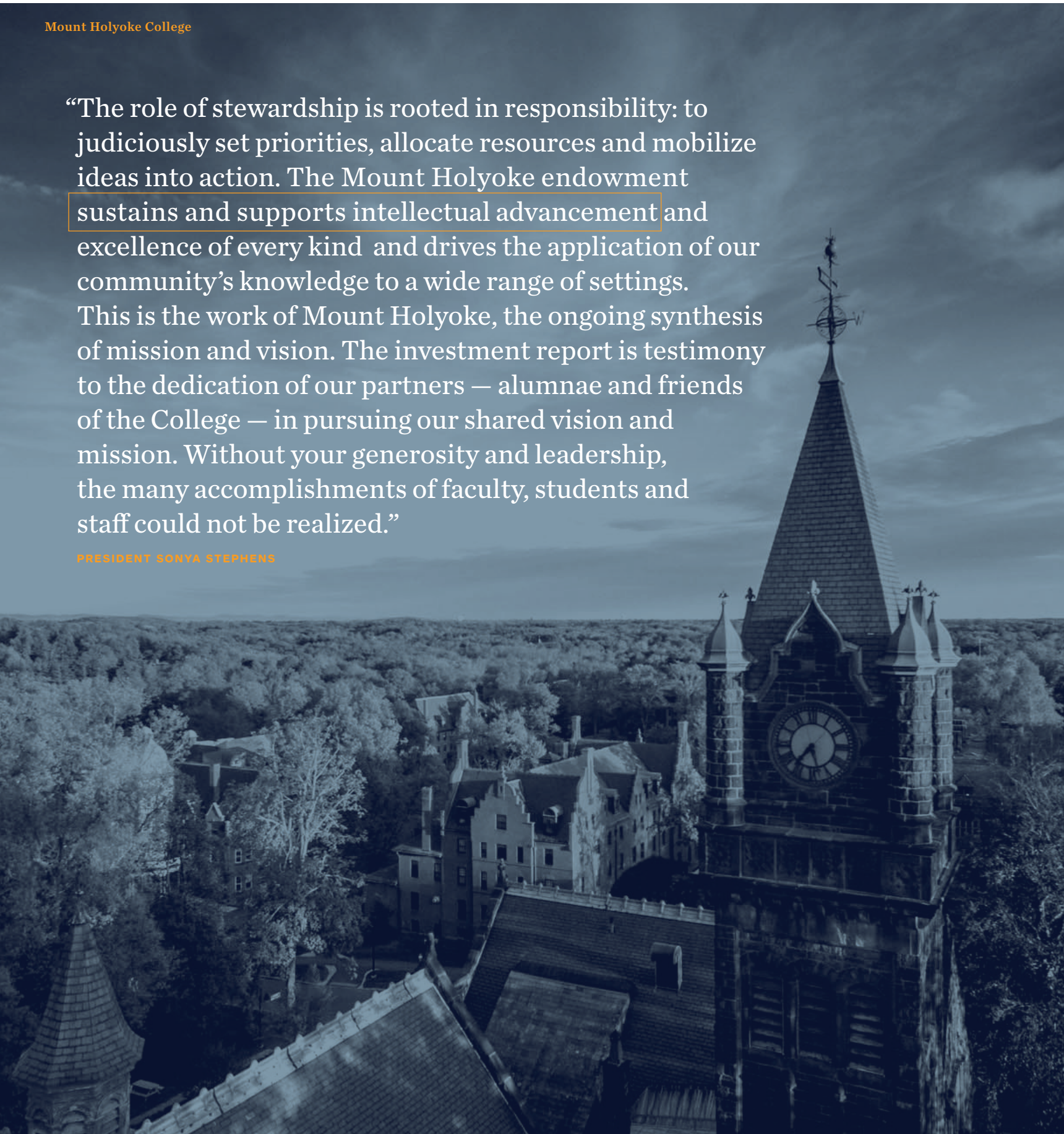
Mount Holyoke College

2019 Investment Report

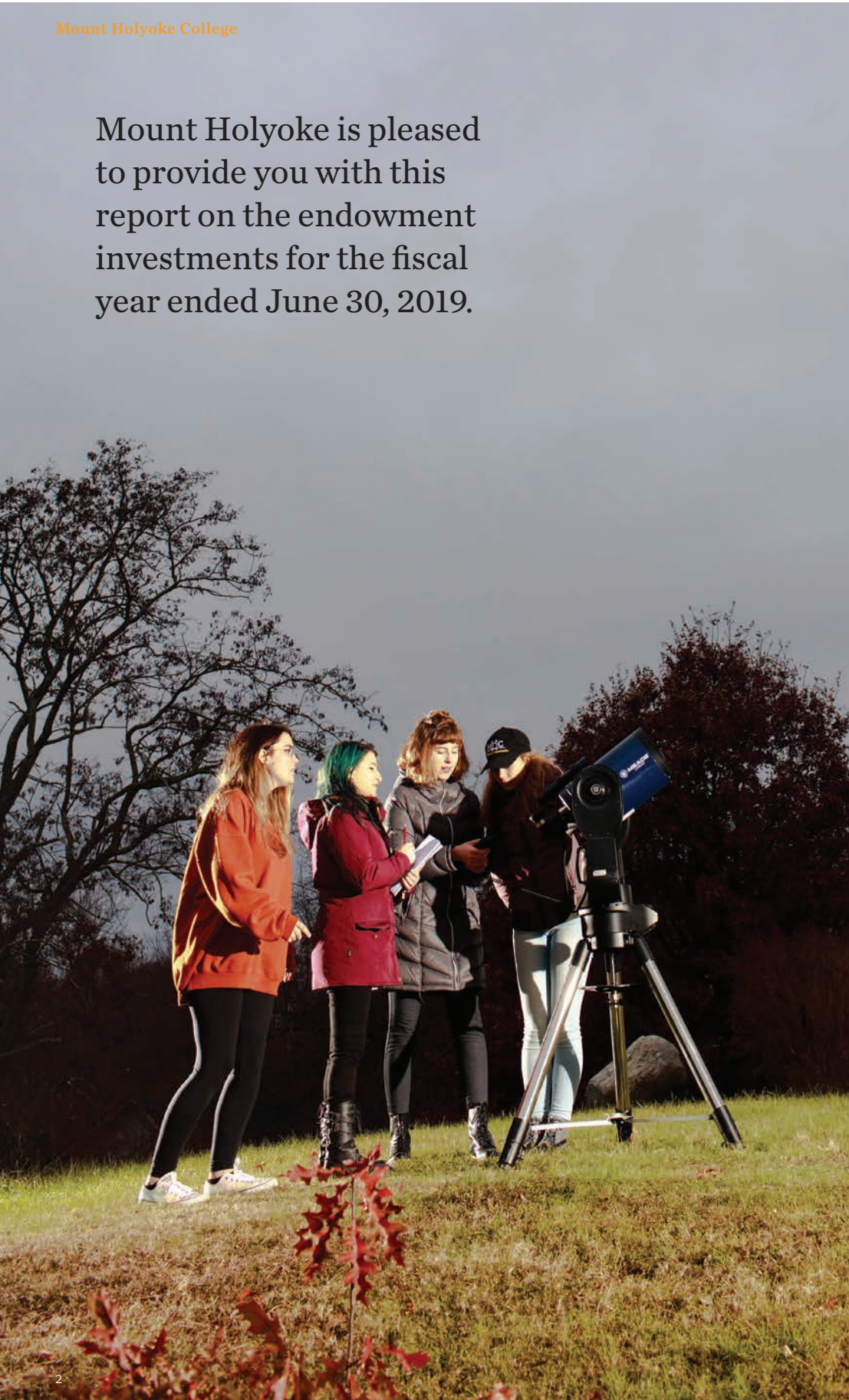


“The role of stewardship is rooted in responsibility: to judiciously set priorities, allocate resources and mobilize ideas into action. The Mount Holyoke endowment sustains and supports intellectual advancement and excellence of every kind and drives the application of our community’s knowledge to a wide range of settings. This is the work of Mount Holyoke, the ongoing synthesis of mission and vision. The investment report is testimony to the dedication of our partners — alumnae and friends of the College — in pursuing our shared vision and mission. Without your generosity and leadership, the many accomplishments of faculty, students and staff could not be realized.”

PRESIDENT SONYA STEPHENS



Mount Holyoke is pleased to provide you with this report on the endowment investments for the fiscal year ended June 30, 2019.



In overseeing the College's investment portfolio, the Investment Committee strives to achieve long-term growth while dampening volatility and providing vital support for the operating budget. Over the past 15 years, the endowment grew from \$394.1 million to \$794.2 million, representing an 8.6% total investment return per year. This is net of investment expenses and excludes new gifts. This result places it in the top quartile when compared to hundreds of peer institutions.

The Investment Committee works in partnership with Cambridge Associates, a leading global investment firm that delivers innovative portfolio management services to institutional and private investors, 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 endowment is critical to Mount Holyoke's mission of serving as an incubator for intellectual and social progress — and empowering future change-makers to transform the world.

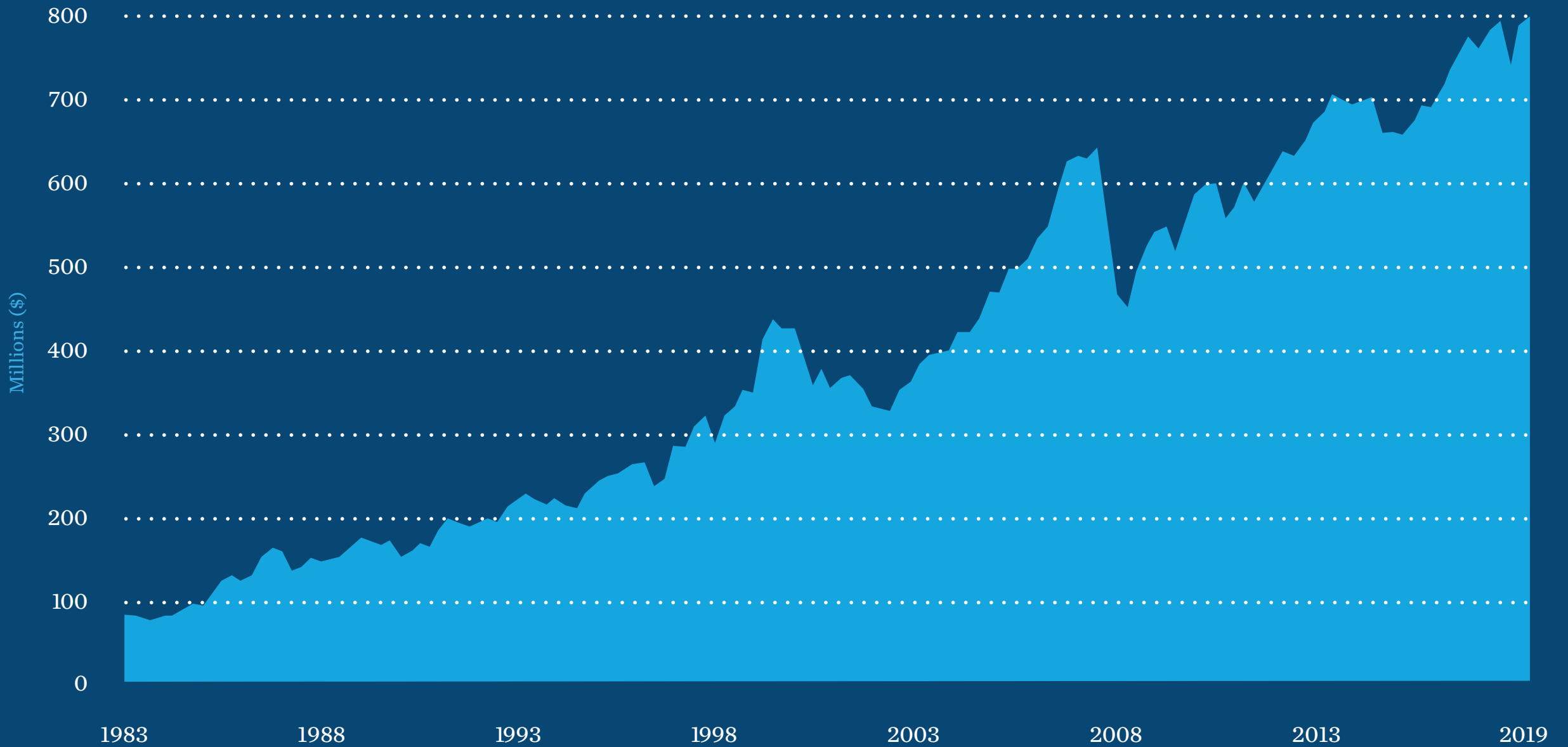


When the College's graduates leave the gates, they are prepared to lead in the boardroom, classroom, courtroom, laboratory and legislature. They have the tools and resolve to move people, organizations and whole industries forward, unapologetically and effectively. They embody the bold mindset that College founder Mary Lyon crystallized nearly two centuries ago: "Go forward, attempt great things, accomplish great things."



Endowment Market Value

By capturing a significant portion of the upside while protecting on the downside, the endowment has grown to its current level of \$794.2 million.



Annual external investment pool returns:
June 30, 2009 – June 30, 2019

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
-21.5%	11.2%	20.6%	-0.1%	11.5%	16.0%	2.7%	-2.4%	13.4%	9.1%	5.7%



“The most unexpected and exciting learning pathways reveal themselves through the fusion of ideas across the sciences, social sciences and humanities. These pathways, inherently strengthened by endowed funds, lead to the curriculum of the future. By the time our students graduate, they aren’t just prepared to meet the changing world. They’re prepared to lead it.”

**JON WESTERN, VICE PRESIDENT FOR ACADEMIC AFFAIRS
AND DEAN OF FACULTY; CAROL HOFFMANN COLLINS '63
PROFESSOR OF INTERNATIONAL RELATIONS**



Fiscal year 2019: performance

Fiscal year 2019 saw solid growth, though at a more moderate pace compared to fiscal year 2018: The externally managed endowment investment pool returned 5.8%. Over the past 15 years, it has achieved a 7.8% annualized return. **The portfolio benefitted significantly from its equity orientation in both public and private markets.**

Over most short- and long-term periods, the endowment has outperformed the Cambridge Associates Endowment Median, the simple stock/bond portfolio and the rate of inflation. The endowment is invested with a true long-term orientation that allows it to compound returns over time in any type of investment environment. This approach has generated a 10.6% annualized return since inception.

Equities were the largest contributor to overall performance for the fiscal year, with a particularly large contribution from private equity, including venture capital, as well as U.S. stocks. Hedge funds also generated considerable outperformance, bringing the portfolio an increase of 275 basis points over the benchmark. Private equity and venture capital funds significantly outperformed public market indices, driving much of the recent returns in the private investments portfolio.

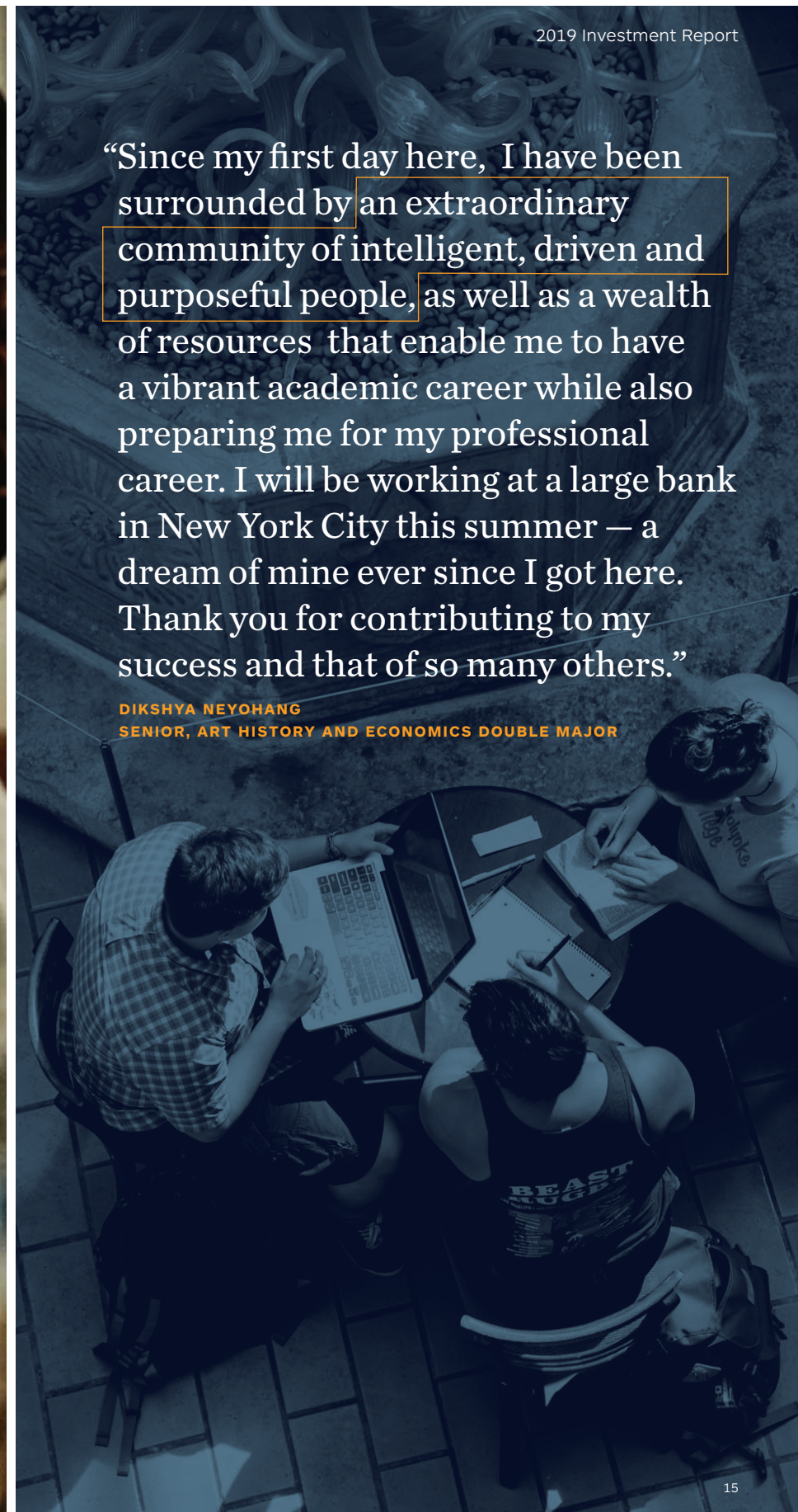
The portfolio's commitment to diversification across asset classes has contributed significantly to the endowment's growth over time. It has also benefited from active management across asset classes.

Asset Class	Allocation (%) 6/30/2018	Allocation (%) 6/30/2019	FY19 Portfolio Return (%)	Fiscal 2019 Asset Class Commentary
U.S. Equity	10.9	11.9	11.2	Managers in the U.S. Equity portfolio posted strong returns exceeding the S&P 500 index's return of 10.4%. Valuations continued to increase this fiscal year and U.S. equities remain expensive relative to history and other asset classes.
International Developed non-U.S. Equity	10.5	10.0	-2.4	The International Developed portfolio underperformed relative to the MSCI Europe, Australasia and Far East Index due to the portfolio's value orientation. However, the portfolio has generated strong outperformance in the medium to long term.
Emerging Markets Equity	7.6	7.5	-1.7	The Emerging Markets equity portfolio experienced moderate underperformance as most managers were weighed down by declines in Chinese equities. The portfolio continues to have an overweight to China equities.
Global Mandate	12.4	12.9	6.3	The global equity managers returned 6.3%, outperforming the MSCI All Country World Index return of 5.7%. Active selection was the main driver of performance in the portfolio.
Marketable Alternatives	22.3	21.7	4.5	Mount Holyoke's Marketable Alternatives portfolio returned 4.5% for the fiscal year, outperforming the HFRI Fund of Funds Diversified Index by a solid margin of 275 basis points.
Private Investments	24.1	25.4	14.6	Includes private equity, venture capital, private real assets, and credit investments in private partnerships. U.S. private equity and venture capital in particular have delivered compelling performance over all time periods.
Fixed Income and Cash	12.2	10.7	6.4	The bond portfolio produced strong absolute returns but lagged the Bloomberg Barclays Aggregate Bond Index return of 7.9%, as fixed income markets generated an unusually strong return in the fiscal year, outperforming global equities.



“Since my first day here, I have been surrounded by an extraordinary community of intelligent, driven and purposeful people, as well as a wealth of resources that enable me to have a vibrant academic career while also preparing me for my professional career. I will be working at a large bank in New York City this summer — a dream of mine ever since I got here. Thank you for contributing to my success and that of so many others.”

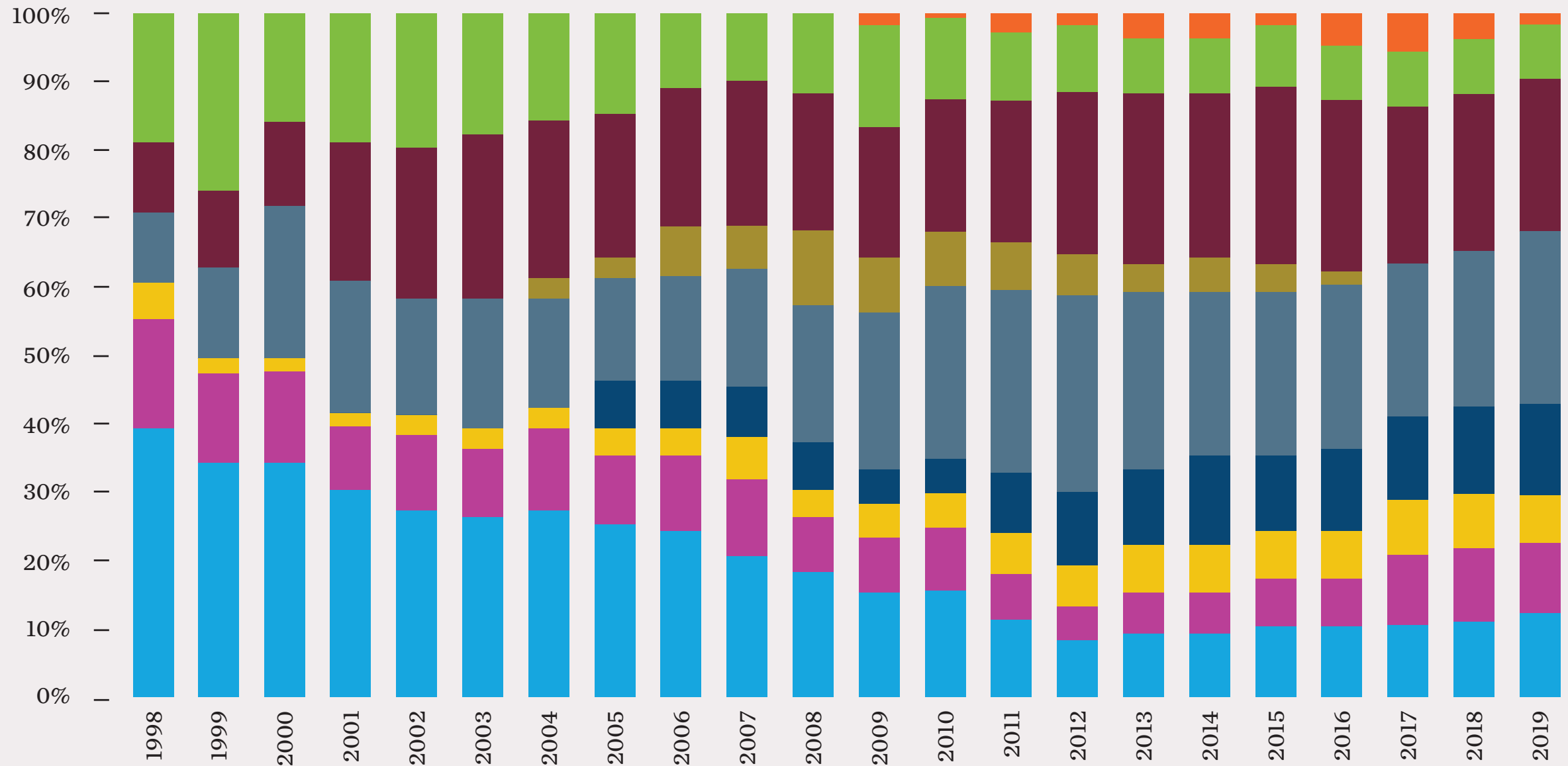
DIKSHYA NEYOHANG
SENIOR, ART HISTORY AND ECONOMICS DOUBLE MAJOR



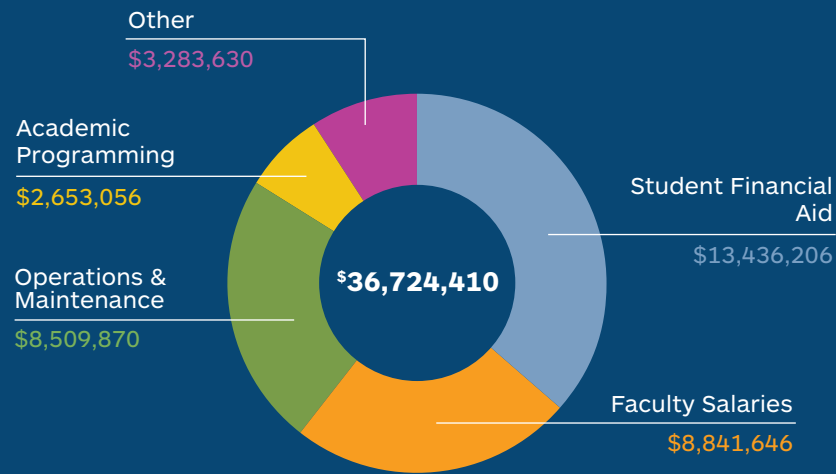
Asset allocation over time

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 by protecting against inflation. The majority of assets in the portfolio, including domestic and international stocks, private equity and private real assets, are expected to produce equity-like returns over time. Over the years, the College's asset allocation has moved away from domestic stocks and emphasized nontraditional asset classes such as marketable alternatives and private investments.

- Fixed Income
- Marketable Alternatives
- Private Investments
- Emerging Markets
- Developed ex U.S.
- U.S. Equity
- Global Mandate
- Public Real Assets
- Cash and Cash Equivalents



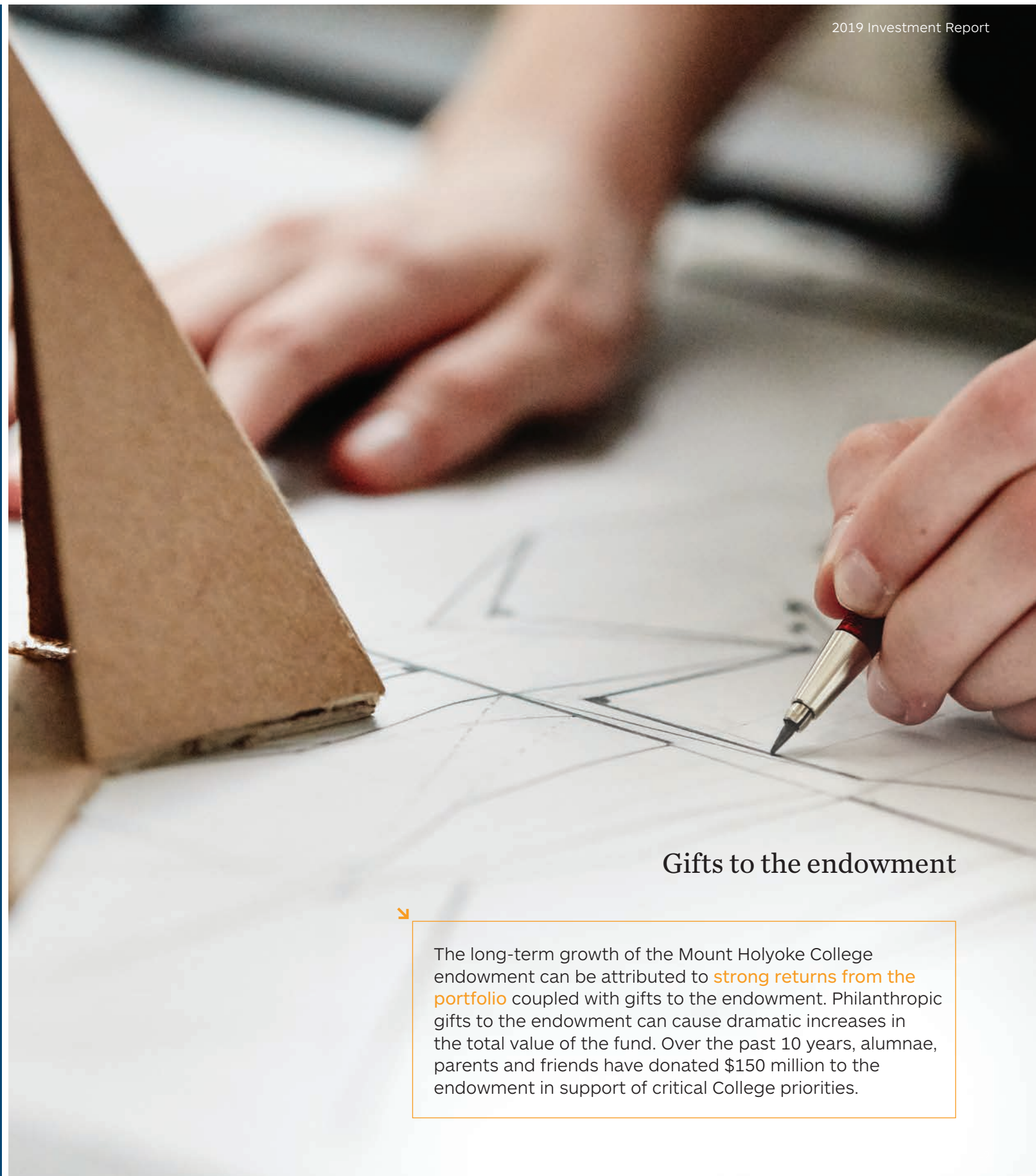
Endowment distribution by type



How the endowment supports the College

Income distributions from the endowment provided nearly 25% of the College’s operating revenue in fiscal year 2019. Significant portions of the distributions support College priorities such as student scholarship aid, internship experiences, faculty salaries, the academic centers and the Art Museum.

Both prudent spending and management of the endowment directly affect the endowment’s growth. Mount Holyoke’s endowment-spending rule calls for distributing between 4.5% and 5.5% of a 12-quarter average market value of the endowment. 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.



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 to the endowment can cause dramatic increases in the total value of the fund. Over the past 10 years, alumnae, parents and friends have donated \$150 million to the endowment in support of critical College priorities.

Looking ahead

Slower global economic growth and high valuations are likely to result in lower returns over the next 5 to 10 years compared to the experience of the past two decades. Stock price volatility may continue with elevated valuations and political uncertainty around the world. Bonds seem poised to deliver subpar returns based on low starting yields. It is more important than ever to be **well-diversified across asset classes and geographical regions** and to work with managers who are well-positioned to take advantage of unique investment opportunities in a world of few obvious bargains. Uncovering those opportunities requires talent, expertise and resources. Mount Holyoke has benefited significantly in the past from diversifying its portfolio and by selecting talented investment managers who are able to successfully navigate challenging environments.

Divestment and socially responsible investing

In 2018, the Investment Committee revised the principles section of its Investment Policy Statement to state that the endowment will consider return-enhancing investment opportunities in the area broadly defined as ESG — environmental, social and governance. The revised statement was approved by the full Board of Trustees in February 2019.

At the Investment Committee's behest, Cambridge Associates has aggressively increased its efforts to identify investments that meet ESG principles. As of June 30, 2019, the Committee had committed \$31.5 million to eight ESG and impact-oriented funds. Cambridge Associates is also actively engaging with investment managers to evaluate how climate change impacts our investments and how the support of carbon efficiency and other ESG factors affect our portfolio.



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 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. In keeping with this objective, the Investment Committee works closely with Cambridge Associates to allocate the College's investment assets and select and monitor investment managers.

The committee is comprised of members of the Finance Committee and other alumnae with particular investment expertise. Members of the Mount Holyoke College Office of Finance and Administration also play an important role in administration of the endowment.

2020 Investment Committee

Louise Wasso '75, Chair
Elizabeth Weatherman '82, Vice Chair
Katherine Collins '74, ex officio
Ellen Ellison '80
Robin Chemers Neustein '75
Elizabeth Palmer '76
Ellen Petrino '68
Carla Skodinski '72
Sonya Stephens, ex officio
Karena Strella '90, ex officio
Louise Wasso '75
Elizabeth Weatherman '82

2019 Finance Committee

Katherine Collins '74, Chair
Heather Harde '91, Vice Chair
Elizabeth Barbeau '85
Louise Bettison-Varga
Rhynette Northcross Hurd '71, ex officio
David Mahoney P'18
KC Maurer '84
Anne McKenny '79
Gareth Ross
Sonya Stephens, ex officio
Karena Strella '90, ex officio
Michelle Toh '85
Isabel Wu '89

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

Financial Officers of the College (as of June 30, 2019)

Shannon Gurek
Vice President for Finance and
Administration and Treasurer

Ellen Rutan
Comptroller

MOUNT HOLYOKE

Mount Holyoke College
Office of Advancement
50 College Street
South Hadley, MA 01075